



# ACORN Canada

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**Bill S-237: ACORN Canada Written Submission to the Standing Senate Committee on Banking,  
Trade and Commerce**

**January 31, 2018**



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## Introduction

ACORN Canada is an independent national organization of low and moderate income people. We have over 113,000 members organized into 22 chapters in nine cities across the country. A growing problem with high interest lenders from payday lenders to installments lenders to car title loans are a growing problem with many of our members and for people in low moderate income communities in general.

3 – 15% of Canadians are underbanked, meaning they may have a bank account, but their engagement with the mainstream financial sector remains limited and they are considered to be financially excluded from the mainstream banking sector. Financial exclusion occurs for a number of reasons.

High-interest fringe financial institutions have stepped in to provide services to individuals excluded by the financial mainstream. A 2016 ACORN survey highlighted that 12% of ACORN members used installment loans, 13% had taken out a car title loan, 26% had used rent to own, and 52 percent used payday loans.<sup>1</sup>

Low and moderate-income Canadians who are underbanked turn to this fringe financial sector to fulfill their banking needs, often with dire financial consequences. One piece of a larger list of changes that need to happen is to lower the interest rate in the Criminal Code

In many jurisdictions around the world and in Canada with Quebec cap the interest rate much lower (Quebec 35%, Germany 16.4%, Netherlands 15%, Australia 48%, Japan 20%).

**ACORN members support an amendment of the Criminal Code to lower the maximum interest rate from 60 per cent to Bank of Canada's overnight rate plus twenty per cent, as proposed in Bill S-237.**

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<sup>1</sup> Fantauzzi, J, Predatory Lending: A Survey of High Interest Alternative Financial Service Users (2016)  
<<http://www.acorncanada.org/predatory-lending-report>>



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## Case Study: Donna Borden: Installment Loan from CitiFinancial (now Fairstone)

Donna Borden borrowed \$10,000 from CitiFinancial in 2003. After 7 years, she had paid \$25,000 in interest and still owed \$10,000. Plus she was misled into getting insurance of \$2600 on a \$10,000 loan. This was rolled into the loan, where she then also paid interest on the insurance. CitiFinancial also flipped her loan several times without telling her and charged her a number of refinancing fees.

As there is insufficient provincial oversight on installment loans, a reduction in the maximum interest rate allowable under the criminal code would be a step in the right direction to protect Canadians like Donna who are forced into vicious cycles of debt due to the practices of predatory lenders.

In addition, ACORN members also support other improvements in consumer protection, including:

- Mandate the banks to provide access to low interest credit for emergencies;
- Mandate the banks to provide low interest overdraft protection;
- Mandate the banks to provide no holds on checks;
- Mandate the banks to lower NSF fees from \$45 to \$10;
- Support alternatives to predatory lenders, such as postal banking and credit union credit products geared toward low and moderate income families;
- Create a national anti-predatory lending strategy;
- Create a real time national tracking system (or database) to help stop roll over loans.

**For more information, or to hear more about ACORN members' experiences of high-interest lending, contact the ACORN office on (416) 461 5322 or at [canadaacorn@acorncanada.org](mailto:canadaacorn@acorncanada.org).**