

# THE HAZARDS FACING LOW INCOME PEOPLE WHEN NAVIGATING THE FINANCIAL WORLD

---

ABLE Conference

Open Policy

November, 2015

# Welcome to the financial mainstream?

**THE HAZARDS FACING LOW INCOME PEOPLE  
WHEN NAVIGATING THE FINANCIAL WORLD**



TD FINANCIAL LITERACY  
GRANT FUND



HOUSELINK  
HOUSING AND FINANCIAL LITERACY



FONDS DE SUBVENTIONS  
D'ÉDUCATION FINANCIÈRE TD



Prepared by:  
John Stapleton for Houselink (with Max Wallace)  
Edited by Sally McBeth, Clear Language and Design  
September, 2014

# Report has two purposes

- First: to document some of the lessons learned from conducting a financial literacy course on behalf of Houselink
- Second: to shine some light on issues we are often unaware of when we design financial literacy courses.
- These issues include debt, fraud, and coercive tied selling

# Report divides into four parts

- 1.The outright barriers** that marginalized people face when attempting to access mainstream financial services, such as banks
- 2.The invisible, lurking dangers of going mainstream,** especially for people with debt histories
- 3.The useless, expensive frills** they will hear far too much about when they go shopping for financial products
- 4.The valuable financial products** and government benefits they will hear far too little about.

# Banking, Taxes and Debt

- 335,000 people in Ontario are unbanked but Federal Government going to direct deposit only in 2016
- **More low income people are in debt!**
- What skills will we need as consumer advocates? And what policy and system changes should we be advocating for, in order to make banking truly accessible?

# The murky rules of 'right of offset'

- Creditors and collection agencies can place a lien or encumbrance on a debtor's bank account. This is called the creditor's **right of offset**, and it means that the money in a person's bank account is no longer their own
- Why is it so easy for creditors to get information about debtors, but so hard for consumers to get information about their own debts?

# The skills we need

- We need to have the skill to lead low income people in debt into a discussion about the risks and benefits.
- If they pay off the debt, will the benefits they receive ultimately outweigh the cost of the debt?
- How much money do they owe?
- How can they find out?
- Where can they go for credit counselling?

# Useless Expensive Frills

- Supposed low interest payments
- Balance protection
- No-medical life insurance
- Accident insurance
- High fee pre-paid cards that do and don't expire

# Some Conclusions

- Financial literacy is now at a point that anti-smoking advocacy was 50 years ago
- We need more protections in addition to financial literacy
- We need to talk about debt
- Knowledge can make you less poor.
- WE need better advice!