



## Session 101: Unbanked, misinformed, and stigmatized: Challenges low-income people face when managing their money

The Hazards Facing Low Income People When Navigating the Financial World

Presented by: John Stapleton: Policy Critic, Writer, Innovations Fellow, Metcalf Foundation

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### How this work came about: A Houselink course

- Of the 20 participants in Houselink's course, 12 were low-income, consumer/psychiatric survivors and eight were support and community development workers.
- Houselink trusts that those who took the course will become ambassadors, using their newfound knowledge to provide better advice to their peers and clients.

## The Report: 'Welcome to the Financial Mainstream?' 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



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## 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.



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## 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?



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## 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?



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## 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?



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## 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



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## Welfare and ODSP

- Surviving on low rates – the new hunter gatherer
- Boom and Bust: Monthly reporting vs. Monthly reconciliation (3 pay months twice a year)
- The need for yearly reconciliation (e.g. earnings)
- Computer woes
- Endless reporting of low value information (rent & bank accounts)
- Multiple programs: multiple tax-backs
- Retirement on a low income (assumes higher income pre-retirement – the parallel universe): Endless bad advice
- The difficulty in transition to OAS/CPP



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## Banking and Debt

- 335,000 people in Ontario are unbanked but Federal Government moving to direct deposit only in 2016
- Victory: Cheques will still be an option.
- **More low income people are in debt!**
- Welfare and ODSP now exposed to retail credit and debt
- Paying overpayments and utility bills using Payday lenders: the rational choice
- The subsidized housing dilemma



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## Understanding taxes by going to the grocery store- Deductions



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## Understanding taxes by going to the grocery store - Exemptions



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## Understanding taxes by going to the grocery store – Refundable Credits



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## Understanding taxes by going to the grocery store: Non refundable credits



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## 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!



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## Questions?

<http://openpolicyontario.com/wp/wp-content/uploads/2012/02/jsbb-report-v2-R9.pdf>