

**Speech by Ursula Menke, Commissioner
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Thank you for this opportunity to talk to you about the Canadian experience in consumer protection and education. Let me begin by providing you with a bit of historical context to our experience.

In 1998, after a thorough review of the financial services sector, the Task Force on the Future of Canadian Financial Services made 124 recommendations on the financial services sector. The task force observed that “the current framework for consumer protection is not as effective as it should be in reducing the information and power imbalance between institutions and consumers.”

In 1999, the government released a policy paper called *Reforming Canada’s Financial Sector: A Framework for the Future*. This paper proposed the creation of the Financial Consumer Agency of Canada (referred to as the FCAC or the Agency).

The FCAC was established on October 24, 2001, when the *Financial Consumer Agency of Canada Act* came into force, and consolidated consumer protection activities that were spread among several agencies as part of the solution to rectify the imbalance between consumers and financial institutions.

The Agency, or FCAC as we call it, was given a dual mandate to protect and educate financial consumers. Experience has shown that the two mandates complement each other, as work on each component informs the other and, by doing so, helps us to do our jobs more effectively. Both from consumer complaints or the industry itself, we find

out about industry practices or emerging trends that Canadians in general should be alerted to or that require further examination on our part.

Our mandate to protect means that we ensure that financial institutions under the Canadian government's jurisdiction comply with the consumer protection regime set out in their legislation. This regime is primarily a disclosure regime although more recently the government has taken to regulating some business practices.

Our mandate to educate means that we try to help financial consumers understand financial information – not just on specific subjects but also through educational programs aimed at different target audiences. We also try to ensure they understand their rights and responsibilities. Over the years, we have produced a wide variety of materials and tools to help Canadians learn more about financial products and services.

In 2007, the government funded FCAC to develop educational programs aimed at young Canadians. Up to that time, we had been producing a wide variety of useful information on financial services and products, but this new funding allowed us to take a new approach to promoting financial literacy. Our approach was to work with partners to develop educational products that could be used in schools to teach children about money management, and our focus was specifically to have financial literacy materials taught in schools throughout the country.

To improve our chances of success, we did two other things: we hired teachers to act as teacher champions, to promote the programs and raise awareness of the need to teach this important life skill and we also produced train the trainer materials, because we were concerned that not all teachers would be comfortable teaching the materials. The train the trainer sessions have been very popular.

In our efforts to promote financial literacy, we continue to develop new partnerships beyond the school systems to help us deliver educational programs to Canadians. These partners include community and volunteer groups, and when we finish

developing our program for adults, we will also focus on employer and other groups to try to get out the word.

Building awareness is a major part of what we do, so we were pleased this year when several community groups approached us to help them organize and co-ordinate Financial Literacy Month in Canada. It is coming up in November and has over 100 different organizations participating, with over 200 events occurring in the month. The level of participation is very gratifying and is what is needed to get out the word. I know we will do even more next year.

In 2009, the government appointed a Task Force on Financial Literacy, composed of persons from various backgrounds in private industry, including the financial industry, to recommend a National Strategy on financial literacy. The task force reported earlier this year, with 30 recommendations. The government's response to the report is expected shortly, but central to their recommendations was the need to promote awareness of the need to be more financially literate throughout Canadian society, be that through the school systems, community groups or the private sector.

FCAC's mandate and resources

As I've already mentioned, the Agency has a dual mandate that protects and educates financial consumers. We want to help financial consumers gain the knowledge, skills and confidence they need to make responsible financial decisions. We want to encourage consumers to take the time to learn about various financial products and services and pick the ones that best meet their needs. While we realize that is asking a lot of people, especially since most of them are not that interested in the subject matter to begin with, we persist because we are convinced that it will make a difference to people's lives in the longer run. So, we've developed a suite of educational tools to help Canadians make better financial decisions -- booklets, tip sheets and interactive tools. These resources are free and available to all, from individuals to community organizations to businesses.

As I mentioned earlier, our two mandates are complementary. Allow me to elaborate.

A consistent complaint we heard from Canadians over the years was that financial institutions' application forms, customer agreements and other documentation were overly complex, confusing, even overwhelming. We shared this information with the government, and they enacted legislation requiring financial institutions to make their disclosure in language and presented in a manner that is clear, simple and not misleading.

FCAC oversees this legislation and recently engaged in an industry wide review of the requirement to provide clear, easy-to-read information boxes in their credit card agreements and statements. The results of this review were informative and have confirmed our view that we need to do more cross cutting reviews to ensure and promote compliance with the consumer protection regime. So, in addition to examinations of individual institutions, we will be undertaking at least one industry review in the coming year. This one will be to find out how well the industry has implemented the clear language and presentation requirement in their other documentation. This will be a multiyear project, starting with a review of their policies and procedures surrounding consumer disclosure. Following from that review, we will look at the various loan documentation they have, from the simplest to the most complicated.

We anticipate that we will have some interesting discussions along the way with various institutions about how well or poorly they have complied with the legislative requirement. We will be dedicating a considerable portion of our compliance resources to this review because we believe it is important to ensure that consumers get documentation that they can readily understand.

Clear language improves communication for customers as well as businesses. Consumers are better able to understand the message and make sound and informed

decisions, which should lead to greater satisfaction and fewer complaints to financial service providers.

But let me be clear. Writing in clear and simple language does not mean deleting complex information to make the document easier to understand. If details matter, they must be included, but in plain language. Financial products are sophisticated, so conditions and exclusions must be explained. Not only should this be done so that consumers get a clear understanding of a product before they sign the contract, consumers also need to adjust their behaviour so that they take the time to read the information they're given before they take on a financial commitment.

In order to help them use clear language, we published examples and other guidance that shows financial institutions how it can be integrated into their documents. These same principles and guidelines form the basis for how we will interpret the regulatory requirements for disclosure in clear language.

But one of the things that we have learned is that even with great financial literacy programs, and strong consumer protection, we need to recognize that there are limits to what can be achieved, and understanding what motivates consumer behaviour is necessary if we are going to see more consumers change their spending and saving habits. A good example of this is smoking. In Canada, we have spent millions of dollars over a considerable period of time to get Canadians to stop smoking using a variety of techniques from awareness building to frightening them to death. Despite these considerable efforts, there are still somewhere between 10 and 15% of adult Canadians who smoke.

I think there is a lot to be learned from behavioural research, and I believe this will help us improve both our consumer protection and consumer education initiatives. This type of research is a new area for us. We have just created a research function in FCAC to explore this and other subjects to better inform our educational and protection efforts. We will be the first to let you know if we can figure out a way to ensure that consumers read the information they are given before signing on the dotted line.

So, what have been our results so far? Unfortunately, that is one of the greatest challenges in financial literacy and consumer protection – measuring the impact of the work we have done. In 2009, we started with an omnibus survey, to measure the level of financial literacy in adults in Canada. That provided us with a baseline against which to assess progress in the future.

This year, the British Columbia Securities Commission also commissioned a survey to measure youth financial literacy levels. Again, this will provide us with a baseline measure against which to assess future performance.

We expect to repeat the exercises every five years, and hope to see incremental improvements in financial literacy over time. But, we do not expect to see large changes in 2014. The subject is complicated and changing behaviour nationally will take time.

This doesn't mean that we don't have any indications of the impact we are having. We do, but they tend to be short term measures – of immediate impacts. These have been positive but we need to wait for the long term indicators to tell us how well we are doing on the combined front of consumer protection and education.

And while those are not yet available, the government of Canada has shown its faith in the long term impact of financial literacy on the well-being of Canadians and the Canadian economy by increasing the funding of financial literacy initiatives on an ongoing basis. The government is serious about trying to set-up Canadians for financial success.

Conclusion

Let me wrap up. As would be expected of an Agency with our mandate, we have substantial experience in both consumer education and market conduct regulation and both areas are of great interest to me. The Agency cheered in 2005, when the growing importance of financial education was recognized by the OECD through their issue of Recommendation on Principles and Good Practices for Financial Education and Awareness. Your work since then, as well as contributions from the G-20 leaders, has built on those Principles. At the same time, economic events that continue to cause so much turmoil and uncertainty in the economies of countries big and small, developed and developing, have shown over the past three years how important it is for consumers to have an understanding of the choices they may have to make.

I can assure you that I recognize that consumer education won't solve all problems. But we cannot ignore or underestimate the impact of improved financial literacy. We all share the challenges and potential benefits. It's a broad societal issue that requires the contribution of a wide range of different stakeholders - industry, government, community groups, the education system.

This is still the case in Canada and we're working on it. But I have no doubt that improving financial literacy, consumer protection and incorporating the findings of behavioural research to improve the financial marketplace is something that can be done.

Now that I have given you the Canadian perspective, I am ready to switch hats and talk to you more broadly from the international perspective. I'm currently serving as Chair of FinCoNet, an international network of financial consumer protection bodies. I believe that the work you are doing here on financial education will help FinCoNet address some of the gaps in the work we're doing in the area of regulation. I also think that the work that we in FinCoNet are doing, can help in the field of financial education. We see what is happening in the marketplace, and where there is a need to provide more information or more rules.

For this reason, collaboration between our two organizations, INFE and FinCoNet is vital. By sharing what we have learned, we can work to achieve higher levels of financial wellbeing throughout the world.

Thank you for your attention.