

FINANCIAL INDUSTRY FORUM ON ARTIFICIAL INTELLIGENCE II: **A COLLABORATIVE APPROACH TO AI THREATS, OPPORTUNITIES, AND BEST PRACTICES**

WORKSHOP 4 – FINANCIAL WELL-BEING AND CONSUMER PROTECTION

DECEMBER 2025



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Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada

“[This] workshop ... is focused on ensuring that innovation in the financial marketplace is not only forward-thinking and efficient, but also grounded in fairness, transparency, and a strong commitment to protecting consumers.”

Shereen Benzvy Miller, Commissioner,
Financial Consumer Agency of Canada, November 2025

PREFACE

On November 13, 2025, the Financial Consumer Agency of Canada (FCAC) and the Global Risk Institute (GRI) convened the fourth workshop of the Financial Industry Forum on Artificial Intelligence II: A Collaborative Approach to AI Threats, Opportunities, and Best Practices (FIFAI II), dedicated to financial well-being, consumer protection and artificial intelligence. This event formed part of a [broader collaborative initiative](#), which began in 2022, to address the opportunities and risks posed by AI in the financial sector.

The FIFAI II process comprised four workshops. The first, held in May 2025 and co-sponsored by the Office of the Superintendent of Financial Institutions (OSFI), the Department of Finance Canada (Finance Canada), and GRI, identified Artificial Intelligence (AI)-related opportunities, risks, and threats related to security and cybersecurity. The report documenting participant perspectives is available [here](#). The second and third workshops were held in October 2025: The second, co-sponsored by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and GRI, focused on combatting AI-enhanced financial crime (report available [here](#)), while the third, co-sponsored by OSFI, the Bank of Canada, Finance Canada and GRI, examined AI and risks to financial stability in Canada (report available [here](#)).

This fourth workshop brought together over 55 Canadian and international experts from consumer organizations, the financial sector, federal and provincial supervisors and regulators, and academics. It was designed to share insights on the implications of AI for consumer financial well-being and resilience, with a particular focus on consumer protection.

To examine whether consumer choice and protection are enabled through responsible AI use in financial services, GRI and FCAC asked workshop participants to share their perspectives on:

- The use of AI by the financial sector and its impacts on consumers,
- AI-driven opportunities for consumer well-being and resilience (including consumer protection, inclusive finance and financial literacy),
- AI-driven risks, mitigations and best practices related to consumer protection, and
- Opportunities for collaboration among key partners and supporting consumer protection strategies.

A final report on insights and conclusions drawn from the four FIFAI II workshops will be released in the Spring of 2026.

The sponsors — FCAC and GRI — sincerely thank all workshop participants and speakers for their engagement in this collaborative dialogue.

Global Risk Institute

Financial Consumer Agency of Canada

IMPACT OF AI ADOPTION ON FINANCIAL WELL-BEING AND CONSUMER PROTECTION

Artificial intelligence (AI) adoption presents both opportunities and risks for both consumers and the financial sector. Speakers and participants in this final FIFAI II workshop discussed how AI adoption by the financial sector could amplify existing consumer risks. These include bias against particular populations in the algorithms that are used in AI, systemic exclusion due to poorly designed products or limited AI literacy, and the financial harm from the rising frequency and success of online fraud and scams.

AI also presents opportunities to improve financial inclusion. Participants discussed that while it appears that Canadians are slow in adopting AI (one source indicated that only one-third of Canadians currently use AI), it holds the promise to “make available to everyone” (“democratize”) consumer access to financial services by offering increasingly personalized product and service options, “self-serve” choices, and more holistic investment advice.

Democratization effects can help overcome barriers related to education, income and language that often limit financial inclusion. Higher inclusion rates are possible when AI makes information clearer and more accessible. AI can support plain-language disclosures and product details, assist with translation services focused on simplicity, synthesize lengthy and complex material, and provide tools for comparing products and prices.

Participants identified three key principles to support AI adoption and safeguard consumers:

- *Inclusion by Design* - Financial institutions should integrate consumer interests and protections into the design and development of AI products and services from the outset.
- *Innovation and Resilience* - Consumers benefit when Canada has an innovative and resilient financial sector.
- *AI Literacy* - Harnessing the financial ecosystem to improve AI literacy among consumers and within the financial sector is essential to advancing access, inclusion, and consumer protection, and ultimately to supporting Canadians’ financial well-being.

The financial sector is expected to benefit from AI-driven operational efficiencies, which could reduce costs and, in some cases, lower prices for consumers. Beyond cost savings, AI has the potential to stimulate greater competition, delivering additional benefits for consumers. These developments are expected to be reinforced by the adoption of “open banking” or consumer-driven banking models. However, as fintech competition intensifies, maintaining a strong focus on consumer protection—including privacy and data security—will be essential to safeguard consumer trust.

A key concern raised during the workshop was the potential for market imbalance. Large institutions—those with the resources to invest in or already leading in AI—may gain a significant advantage over smaller organizations. As a result, smaller institutions could struggle to compete, potentially losing

business and even facing existential threats. This imbalance could ultimately reduce market competition, limiting consumer choice and innovation.

Conversely, some participants noted that AI's increasing accessibility could enable smaller institutions to leapfrog traditional barriers, as readily available AI tools may provide them with sophisticated capabilities previously exclusive to large organizations, potentially levelling the competitive playing field.

Although privacy issues were not within the scope of the workshop, participants acknowledged the need for ongoing development of privacy frameworks as AI continues to transform the financial sector.

Risks and barriers to financial well-being and consumer protection

While the adoption of AI by Canada's financial industry is expected to provide significant benefits for consumers, it may also introduce additional risks and barriers for consumers that will need to be carefully managed and mitigated.

1. *Transparency, explainability, and accountability*

AI has become increasingly integrated into the internal operations of many Canadian financial institutions. Its next phase is expected to include the rapid expansion into consumer-facing products and services. As consumers increasingly engage with AI tools and systems for product and service recommendations, investment advice, or simpler chatbot support, financial institutions must improve disclosure to consumers about these technologies and

how to escalate concerns when they disagree with AI-driven decisions. Forward-looking institutions should treat accountability for consumer awareness not as a compliance obligation, but as a strategic advantage and a key differentiator in building consumer trust.

i) Disclosure and consent

Financial institutions are generally not required to disclose when consumers interact with an AI system or tool. As AI adoption grows across the financial sector, consumers may be unaware of the extent to which AI influences customer support, product or service recommendations, or credit and underwriting decisions. Consumers may also struggle to recognize AI-enhanced systems that provide credit and underwriting decisions or investment advice. Consumers may also find it difficult to recognize when AI-driven systems are providing investment advice or credit determinations, particularly in the absence of 'human-in-the-loop' oversight. Without strong accountability measures and clear disclosure practices, these developments pose an emerging risk for consumer protection and can erode consumer trust.

As AI becomes more integrated into an institution's systems, concerns about consumer consent also grow. A consumer might not want to consent to the use of an AI tool or system for providing financial products or services. However, as AI adoption becomes widespread across major institutions, the practical ability for consumers to 'opt out' may be significantly limited, raising important questions about choice. Further, "opting out" may mean different things for different consumers. While some consumers may want

to avoid any AI involvement entirely, others may be comfortable with AI functioning in the background, provided their direct interactions remain with a human.

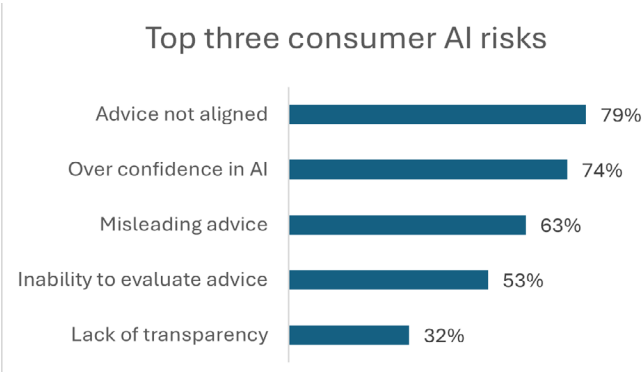
Some workshop participants questioned the effectiveness of a “one-size-fits-all” disclosure or consent obligation. They proposed that disclosure rules could vary based on the nature of and the risks related to a particular AI application. Participants referred to the UK’s Algorithmic Transparency Recording Standard (ATRS, available [here](#)) as an example of a disclosure model that sets rules for public sector organizations to publicly explain how and where AI is used.

ii) *Explainability*

When polled during the workshop, participants identified the following top three risks consumers face when offered AI-supported financial advice:

- 1. AI advice that is misaligned with consumers’ best interests;
- 2. Overconfidence in AI-generated recommendations; and
- 3. Poor-quality or misleading AI-generated advice.

Figure 1: Participant survey, November 13, 2025. Percentages do not sum to 100% because respondents could select up to three options.



The ability to explain decisions and outcomes generated by AI systems is crucial for maintaining consumer trust. The “black box” nature of some AI decision-making processes can erode that trust and create accountability gaps—particularly when automated decisions are perceived as negatively affecting consumer access to products and services or their financial well-being. When the financial industry cannot adequately explain the decisions or results of an AI-enabled system—whether in credit adjudication, insurance underwriting, or investment advice—to regulators or consumers, confidence in the system is at risk. Although explainability remains a challenge for generative AI applications, it will become even more difficult as the Canadian financial industry adopts agentic AI tools and systems.

Explainability exists on a spectrum, and participants noted that techniques such as reasoning-trace methods (commonly called chain-of-thought) can offer insight into Large Language Model’s (LLM) decision-making processes. Financial institutions should continue to monitor advances in explainability research to identify approaches that address regulatory, risk management, and operational needs. Participants emphasized the need for financial institutions to strengthen employees’ AI knowledge and skills, enabling them to explain clearly to consumers how AI is used in products and services and support informed consumer decisions.

iii) *Accountability, complaint resolution, and recourse*

As financial institutions increasingly adopt AI tools and systems, their existing accountability, complaint-resolution, and recourse frameworks may not have kept pace with emerging consumer risks, creating accountability gaps that increase the

potential for adverse consumer outcomes. Accountability becomes increasingly complex when consumers select AI-supported self-serve financial products or services, where the consumer is more likely to bear the risk.

Potential mitigation options

To address the emerging risks associated with AI adoption in financial services, participants discussed several mitigation strategies aimed at strengthening transparency and accountability. These measures would focus on ensuring clear disclosure, maintaining human oversight for critical decisions, improving consumer understanding, and adapting recourse mechanisms to an AI-driven environment.

- 1.** Reinforce “principles-based”, plain language disclosure frameworks that are accessible and meaningful to the average consumer of financial products and services;
- 2.** Establish clear accountability guidelines for material consumer outcomes to require a “human-in-the-loop” approach and not an AI-supported tool, to address problems and clarify decisions;
- 3.** Effectively communicate, educate, and disclose limits on a customer’s right to opt out of AI-supported products, services and customer support;
- 4.** Mandate ongoing employee skills training and upskilling to close the potential for explainability gaps; and
- 5.** Explore enhancements to recourse and enforcement mechanisms to ensure they are built-for-purpose to address AI-enhanced consumer risks effectively.

2. AI adoption – Risks to delivering better outcomes for consumers

Trust underpins the relationship between consumers and the financial sector. To strengthen that trust, financial institutions must ensure data quality and integrity, guard against bias, and mitigate risks associated with over-reliance on a small number of technology providers (i.e., third-party concentration) that can create systemic vulnerabilities. By addressing these risks, AI-enhanced products and services can deliver better outcomes for consumers and reinforce confidence in the financial system.

i) Data integrity and data quality

Consumers face heightened risks from AI adoption if the data used to train or run models for credit adjudication, insurance underwriting, or to provide personalized products and services is inaccurate or unreliable. When data governance frameworks fail to keep pace with AI adoption, the integrity of an institution’s data can be compromised. Additionally, storing consumer data offshore can increase sovereignty concerns and privacy risks for consumers and can complicate regulatory oversight.

ii) Model bias and algorithmic exclusion

AI adoption introduces potential risks of bias in credit adjudication algorithms, insurance underwriting, and other technology-driven decision-making tools. Models trained on historical data may systematically disadvantage some consumers who have little or incomplete financial history. The lack of transparency or the “black box” nature of these models creates uncertainty about how or

why decisions are made. This can undermine consumer confidence in the fairness and accountability of financial institutions.

Models trained primarily on English-only data may not offer suitable advice or produce outcomes that effectively serve Canada’s diverse multilingual and multicultural users of financial services.

iii) *Third parties, concentration, and market power*

The concentration of AI capabilities among a few providers introduces systemic vulnerabilities and increases the potential for model and algorithmic consumer bias. Some workshop participants expressed concern that the financial sector’s heavy reliance on a limited number of AI models, data sources, and service providers could create the impression that critical financial decisions are being made by third parties rather than the financial institution itself, potentially eroding consumer trust and posing reputational risks—even though the institution remains accountable.

Potential mitigation options

- 1. Ensure proportionate risk-based oversight and robust data quality metrics, including independent audits;
- 2. Establish control frameworks to require diverse development teams to help correct for model and algorithmic bias;
- 3. Mandate bias testing and auditing for consumer-facing AI systems that could include 3rd party (ISO) certification; and
- 4. Establish transparency rules and precise redress mechanisms when consumer outcomes rely on third-party AI tools and services, including sanctions or restitution mechanisms for non-compliance or harm caused to consumers.

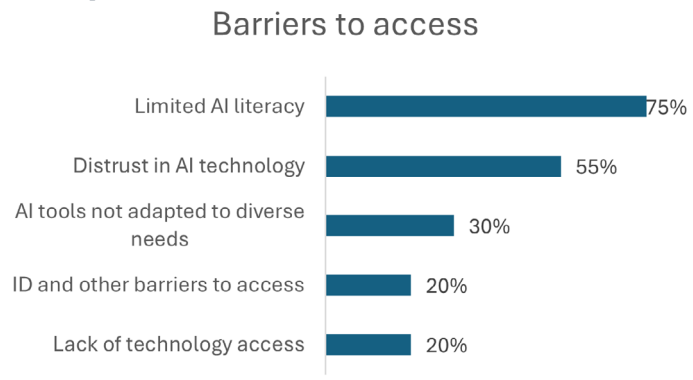
3. *Consumer access – AI can exacerbate known barriers*

i) *AI literacy gaps*

When polled, workshop participants ranked low AI literacy and distrust in AI technology as the two most significant AI barriers to financial inclusion and access.

Low AI literacy levels can significantly limit consumer awareness and prevent consumers from benefitting from AI-enhanced financial products and services. It can also increase the risk of serious financial harm from online fraud and other financial crimes. It risks widening the digital divide for individuals and communities who lack meaningful access to appropriate digital technologies.

Figure 2: Participant survey, November 13, 2025. Percentages do not sum to 100% because respondents could select up to two options.



As AI becomes embedded across financial institutions, younger consumers of financial services may be more likely to be AI literate. Lower AI literacy among some older users of financial services potentially creates barriers to access. This underscores the need for proactive measures to ensure equitable access.

ii) Digital Divide

AI can unintentionally exclude consumers when products or services require high levels of system connectivity or have higher costs. In Canada, unequal access to digital infrastructure is common in rural and remote areas. Social and financial disparities affect the ability of many Canadians, including low-income individuals and households, newcomers to Canada, Indigenous communities, and some Canadians with disabilities, to access financial products and services. AI may also require users to master unfamiliar digital workflows, which could create additional barriers for some Canadians, including some elderly, disabled, or less technologically adept individuals.

Potential mitigation options

Workshop participants discussed several potential approaches to address barriers to financial inclusion and access that may be exacerbated by AI adoption. These ideas focus on reducing risks related to low AI literacy and the digital divide, while promoting equitable access to AI-enhanced financial products and services.

- 1. Financial institutions should embed inclusivity principles into the development of AI-enhanced products and services from the outset, ensuring they meet diverse consumer needs (“inclusion by design”);
- 2. Consider the potential role for “open banking” or “consumer-focused” financial services, with attention to privacy and security risks;
- 3. Employ AI tools to simplify interfaces to mitigate technology hurdles, and bridge language or other barriers to financial services; and
- 4. Integrate AI literacy into K-12 education programs.

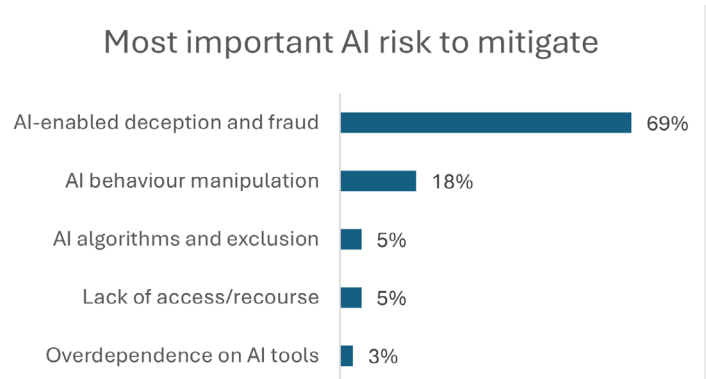
4. Consumer confidence and AI-enhanced fraud

Canadian consumers generally exhibit high trust in their financial institutions. However, the rise of AI-driven online threats poses new challenges. Consumers might struggle to distinguish between authentic and fraudulent information, and some may perceive that financial institutions are avoiding accountability. These factors can erode confidence in the financial sector.

The increasing pace of AI adoption and the weaponization of AI-enhanced technology for consumer fraud present an immediate financial risk to consumers.

When polled during the workshop about how best to improve consumer protection in an AI-enhanced financial ecosystem, almost 70% of workshop participants identified reducing the occurrence and success rates of online fraud as the critical priority to address. This underscores the urgent need for targeted strategies to combat AI-enabled fraud and safeguard consumer trust.

Figure 3: Participant survey, November 13, 2025. Percentages do not sum to 100% because respondents could select up to two options.



The Interim Reports from the first two FIFAI II workshops on security and cybersecurity, and on financial crime, review in greater depth the AI-enhanced online risks consumers face. (Cybersecurity available [here](#) and financial crimes [here](#).)

Potential mitigation options

1. “Fight AI with AI” by implementing AI-powered, real-time fraud detection tools;
 2. Establish information sharing protocols for the financial ecosystem and cyber agencies designed for the real-time exchange of emerging cyber threats; and
 3. Emphasize the value of developing and funding consumer AI literacy and AI threat awareness campaigns.
5. *Regulatory harmonization across jurisdictions*

Oversight of consumer protection in Canada is currently shared among 14 jurisdictions (the federal government, ten provinces, and three territories). Inconsistent rules across these jurisdictions can weaken regulatory effectiveness, result in uneven consumer protection outcomes, and stifle innovation in the financial sector. Such fragmentation could discourage financial institutions from providing certain AI-enabled services. This could limit consumers’ access to financial products and services, increasing their vulnerability as AI adoption accelerates across the financial sector.

Regulatory obligations, including consumer protection requirements, can sometimes be perceived as barriers to innovation. Financial institutions may be hesitant to invest in and deploy AI if there is uncertainty about compliance obligations or the potential for regulatory action. While caution in adopting AI can help manage potential risks, it also delays the consumer benefits that AI-enabled financial services can deliver—underscoring

the need for regulatory frameworks that support responsible innovation.

Additionally, consumer risk may increase when new, unregulated financial providers enter the market without being subject to existing consumer protection or other regulatory standards.

Potential mitigation options

1. Advance harmonized oversight of AI across federal and provincial jurisdictions;
2. Strengthen collaboration and create regulatory opportunities for innovation, including sandbox testing, enabling the early identification of risk and mitigation measures; and
3. Identify opportunities to expand consumer protection oversight framework to include entities currently outside its scope, such as new market entrants and, where appropriate, third-party service providers used by financial institutions.

Opportunities to improve financial well-being and consumer protection

“This is the kind of responsible innovation we want—one that empowers consumers, not excludes or harms them.”

Shereen Benzvy Miller, Commissioner,
Financial Consumer Agency of Canada, November 2025

AI innovation in the financial sector has the potential to enhance consumer financial well-being and expand access to suitable financial products and services—provided it prioritizes consumer interests and incorporates effective safeguards to manage risks. Workshop participants identified several opportunities to support the accelerated adoption of AI and innovation while ensuring consumer protection.

Focus on the fundamentals

Financial institutions need to maintain a rigorous focus on core consumer protection obligations, including disclosure, consent, and transparency. Robust risk management and governance frameworks remain essential guardrails for financial well-being and consumer trust. Similarly, management and boards of directors should be accountable for ensuring that governance frameworks adapt to address new or emerging risks arising from AI adoption.

Inclusion by design

Canada's financial institutions can strengthen accountability by embedding an inclusion-by-design principle into the development of AI-enhanced products and services. This approach is particularly critical as generative AI becomes more prevalent and as agentic AI services emerge. Prioritizing accessibility and fairness from the outset will help meet accountability expectations and foster trust.

A national AI literacy initiative

All workshop participants agreed on the need to close the AI literacy gap among Canadian consumers and within financial institutions. Participants called for the development of a "national AI literacy program" to address this gap and stressed the importance of integrating AI literacy into K-12 school curricula. Improving financial institution employee literacy will help ensure that consumers receive accurate, appropriate, and timely information about financial products and services, including the role that AI may play.

Harmonize oversight of AI

One identified way to increase consumer protection and limit the risks of AI adoption for consumers is to harmonize oversight of AI across Canada's 14 jurisdictions. Participants also thought that updating privacy laws to better reflect changes driven by the digital economy could improve consumers' outcomes. Participants strongly supported expanding the scope of consumer protection oversight to include new, unregulated entrants in the financial services market.

Explore the feasibility of tiered disclosure

Many workshop participants argued that current disclosure requirements are often seen as "written by lawyers, for lawyers." They suggested that tailored, context-specific disclosures would be more effective than generic, one-size-fits-all methods. Many favoured a "tiered" disclosure system to give consumers "disclosure choice," offering varying levels of detail—from a simple, high-level summary to comprehensive data similar to what is currently provided—based on the specific consumer's information needs. Participants emphasized the importance of using plain language in all disclosures.

Increase cross-pillar collaboration

Participants emphasized that coordinated information sharing within the financial ecosystem and with the tech sector (including cyber agencies) supports efforts to improve consumers' financial well-being. Participants acknowledged the value of initiatives like FIFAI as they contribute to information sharing and raising awareness within industry and among other stakeholders of the risks and barriers

consumers face when accessing financial products and services. A continued emphasis on collaboration enables ongoing coordination among regulators, financial institutions, academics and researchers, relevant technology firms, and consumer advocates. Future discussions could include developing standards, exchanging information and data, and promoting AI literacy.

Digital authentication

Workshop participants described digital authentication as a crucial tool that can substantially reduce the financial risks of online fraud and financial crime faced by consumers. It would add a layer of information security protection that is currently absent from the existing system.

Implementation - costs and funding models

The ambitious agenda outlined in this report—national AI literacy programs, regulatory harmonization, enhanced oversight capabilities, and industry transformation—requires substantial investment. Workshop participants identified the lack of clear funding models as a critical barrier to implementation. Without explicit funding commitments, the identified opportunities risk becoming aspirational rather than actionable. Workshop participants stressed that the cost of inaction—fraud losses, exclusion costs, and trust erosion—far exceeds the investment required for proactive consumer protection.

Disclaimer:

The content of this report reflects views and insights from individual FIFAI speakers and participants.

The content of this report should not be interpreted as guidance from, and does not necessarily reflect the views of, the Financial Consumer Agency of Canada (FCAC) or any other regulatory authorities, currently or in the future.

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NEXT STEPS

This fourth workshop on financial well-being and consumer protection concludes the collaborative FIFAI II forum. Focusing on security and cybersecurity, financial crime, consumer challenges, and AI risks to financial stability, over 150 workshop participants identified common risks, effective mitigation strategies, and opportunities to promote responsible AI innovation and sound risk management within Canada's financial industry.

A final report that synthesizes the forum's views from across the four workshops will be released in the spring of 2026.

The sponsors of all four workshops want to express their sincere thanks to the forum speakers, panellists, and participants for their active engagement.