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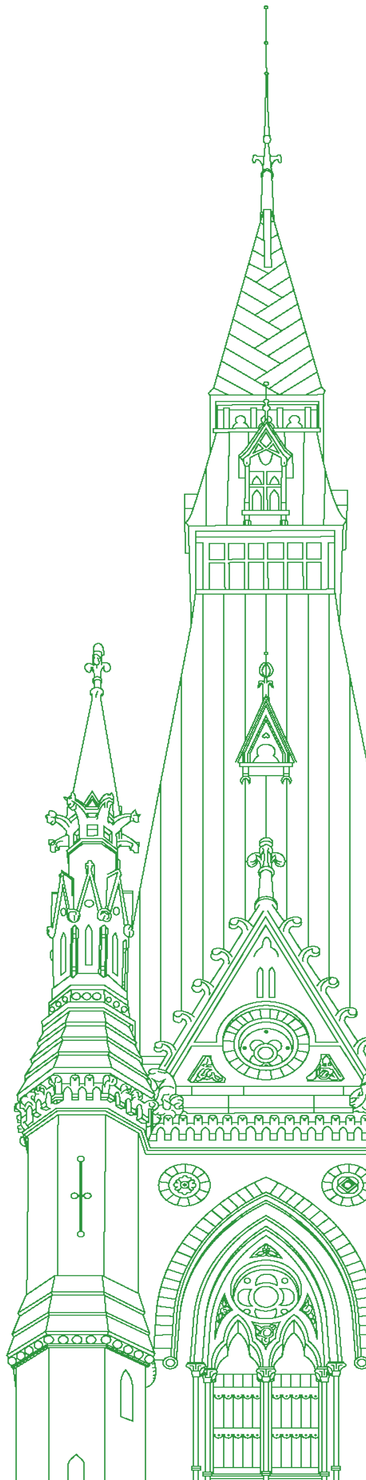

Chair: Karina Gould

Standing Committee on Finance

Monday, April 13, 2026

● (1530)

[*English*]

The Vice-Chair (Jasraj Hallan (Calgary East, CPC)): Good afternoon, everybody. I call this meeting to order.

Welcome to meeting number 32 of the House of Commons Standing Committee on Finance.

Before we continue, I would ask all in-person participants to consult the guidelines written on the cards on the table. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including the interpreters. You will also notice a QR code on the card, which links to a short awareness video.

I ask that you please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mic. Please mute yourself when you are not speaking.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, March 9, 2026, the committee is resuming its study of household debt in Canada.

I would like to welcome all of our witnesses. You will have five minutes for your opening remarks, after which we will open the floor to questions.

In this first panel, we have three organizations. We have the Financial Consumer Agency of Canada, the Office of the Superintendent of Bankruptcy and Statistics Canada.

We'll start off with five minutes for each, in that order. We'll start with Financial Consumer Agency of Canada.

Go ahead.

Shereen Benzvy Miller (Commissioner, Financial Consumer Agency of Canada): Thank you, Mr. Chair.

Good afternoon, members of the committee. My name is Shereen Benzvy Miller. I'm the commissioner of the Financial Consumer Agency of Canada, or FCAC. I'm joined today by the deputy commissioner of insights, policy and financial literacy, Dr. Manon Bombardier, and deputy commissioner of supervision and enforcement, Frank Lofranco.

[*Translation*]

We welcome the opportunity to contribute to the committee's study of household debt in Canada.

FCAC's research shows that many Canadians are under real financial strain.

According to our monthly financial well-being survey, 40% of Canadians reported their debt had increased in 2025—up from 35% in 2020. Nearly two-thirds say they are carrying non-mortgage debt, with parents and those aged 35 to 54 being the most indebted.

Many organizations have expertise in household debt, including our colleagues here today, and previous witnesses before this committee.

[*English*]

For our part, we work at the intersection where consumers meet financial institutions and others in the financial ecosystem. FCAC's mandate is to protect financial consumers and to empower them to make informed financial decisions. Our role is to regulate consumer protection by supervising federally regulated financial entities, while also building financial literacy and studying trends and issues that affect Canadian financial decision-makers.

Understanding consumers' financial challenges enables the agency and its ecosystem partners to develop evidence-based approaches that strengthen Canadians' financial well-being. For example, in early 2023, our research showed that Canadians were struggling to manage their mortgages. In response, FCAC issued a supervisory guideline for banks to proactively contact mortgage holders who were showing signs of financial distress that could put them at risk of default. As of December 2025, account holders for more than 165,000 at-risk mortgages had been contacted by their banks, and Canadians had avoided over $7.85 million in late payment penalties and fees.

Another aspect of consumer protection relevant to the committee's study is our oversight of banks' compliance with disclosure requirements. Clear disclosure for products like credit cards, mortgages and lines of credit is essential to help consumers make informed decisions.

FCAC's supervisory focus is on preventing harm, but when serious market conduct breaches occur, we impose penalties and require banks to reimburse affected consumers. Since 2024, more than $130 million have been reimbursed to consumers and business accounts as a result of our work. In addition, over the last three years, regulated entities have paid nearly $27 million in penalties for violations of consumer protection provisions.

FCAC's research also supports data-informed policy development to respond to the evolving marketplace. Our research has contributed to ongoing legislative and regulatory changes to strengthen consumer protection and support financial well-being, including the financial consumer protection framework under the Bank Act the modernized commitment on low-cost, no-cost accounts, which took effect December 1, 2025, and new regulations capping non-sufficient fund fees at $10, which came into force last month. These changes benefit all Canadians, particularly those who are financially vulnerable.

We are now preparing a report on the structure, level and transparency of fees charged by Canadian banks, which will support the Department of Finance's work to improve competition and innovation in the banking sector. We are also reviewing banks' implementation of legislative requirements to offer financial products and services that are appropriate for consumers' needs and circumstances.

● (1535)

[*Translation*]

In closing, household debt is a significant challenge for many Canadians and FCAC will continue to do our part to support them with the tools available to us under our mandate.

Consumers should not face the debt challenge alone and no bank should profit from a poor consumer outcome. The onus is on the entire financial ecosystem, including governments, industry and not-for-profit organizations to support better outcomes for financial consumers.

[*English*]

With that, I conclude my remarks. I look forward to your questions. Thank you.

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Miller. That was right on time.

Next, we have the Office of the Superintendent of Bankruptcy.

Elisabeth Lang (Superintendent of Bankruptcy, Office of the Superintendent of Bankruptcy): Thank you, Mr. Chair and honourable members. Thank you for the invitation to appear before you today, and thank you to each of you for the important work you do on behalf of Canadians.

I'll deliver my remarks in English to avoid any interpretation challenges, but I would be pleased to answer questions in either official language.

I'll begin with a brief overview of the Office of the Superintendent of Bankruptcy, or OSB, and Canada's insolvency system, with a focus on consumer debtors. I'll then highlight a few key data points relevant to household debt in Canada.

A well-functioning insolvency system is a key pillar of the economy. It supports investment and creditor confidence, provides an orderly process for creditors and gives honest but unfortunate debtors a fresh financial start.

As superintendent of bankruptcy, a Governor in Council appointee, I carry out statutory oversight and enforcement responsibilities at arm's length from the government to help ensure that the system operates as intended. The OSB is a part of Innovation, Science and Economic Development and oversees the administration of the Bankruptcy and Insolvency Act, as well as certain aspects of the Companies' Creditors Arrangement Act.

We license and regulate insolvency trustees, supervise compliance, maintain public records and statistics, handle complaints and pursue civil and criminal enforcement when required. We also have directive-making authority, which allows us to respond nimbly to operational and market developments. The OSB is a vote-net organization and is almost entirely funded through levies and fees paid by system users.

Licensed insolvency trustees play a central role in the system. They are required to assess a debtor's financial situation and explore all available options, including non-insolvency options. For consumer debtors, formal insolvency options include bankruptcy or a consumer proposal, which allows assets to be retained while creditors vote on a repayment plan.

Upon filing, debtors benefit from a stay of proceedings, repay reasonable amounts based on their means and, if they meet their obligations, including participating in two insolvency counselling sessions, are discharged of most of their debts. Debtors have clear duties, including full disclosure and co-operation, and there are consequences for non-compliance. That said, most consumer debtors in Canada are honest and co-operative.

There were just over 137,000 consumer insolvency filings in 2019 and just over 140,000 in 2025. For context, the highest volume on record was during the 2009 recession, when more than 151,000 filings were recorded. This was at a time when Canada's population was smaller. It's important to highlight the fact that the insolvency rate in Canada has been relatively stable for over a decade, excluding the pandemic years, ranging between 4.2 and 4.6 filings per 1,000 since 2011.

Insolvency is also a lagging indicator, meaning that filings often rise after financial stress has already taken hold. Evidence also suggests that financially distressed Canadians often delay or avoid filing altogether, even when insolvent, which can limit their options and worsen their outcomes.

The OSB continually monitors system capacity and integrity. We recently concluded Canada Gazette, part I, consultations on regulatory changes aimed at improving efficiency and accessibility and we continue to look for channels to reduce red tape while strengthening enforcement tools.

Beyond regulation, consumer awareness is a key priority. We work closely with partners such as the Financial Consumer Agency of Canada, provinces and territories, and the Canadian Association of Insolvency and Restructuring Professionals to stay abreast of key issues and to help Canadians find reliable debt advice early. We are also actively addressing risks in the debt advisory marketplace, in which some actors may mislead consumers or charge for unnecessary services, ultimately harming already vulnerable individuals.

Canada's insolvency system is well regarded internationally and plays a critical role in supporting both economic stability and individual financial recovery.

Thank you for the opportunity to appear, and I look forward to your questions.

● (1540)

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Lang.

Next, we have Statistics Canada.

[*Translation*]

Jennifer Withington (Assistant Chief Statistician, Economic Statistics, Statistics Canada): Good afternoon.

Mr. Chair, members of the committee, thank you for your invitation.

My name is Jennifer Withington and I am the assistant chief statistician responsible for economic statistics.

[*English*]

With me today are Eric Olson and Matthew Hoffarth.

Today, we are here to share insights into Canadian household debt and financial vulnerabilities as captured in our extensive framework of credit and socio-economic statistics. This framework encompasses quarterly and monthly measures of household debt and borrowing, including details by loan product and lender, distributional statistics highlighting how debt is allocated across socio-economic groups by age, and some supplemental information on prevalence of non-bank lenders.

With these data, we can articulate the financial position of Canadian households, including their debt burden, asset holdings and net worth. We can also provide relevant indicators of financial vulnerabilities, such as leverage ratios and debt service ratios, which represent both stock-to-flow and flow-to-flow perspectives.

[*Translation*]

Canada’s quarterly national balance sheet represents the most comprehensive and official accounting of household debt. It shows that at the end of 2025, household debt had surpassed $3.2 trillion, with $1.77 in outstanding debt for every dollar of disposable income.

By comparison, seven years ago, at the end of 2019, Canadian households had less than $800 billion in outstanding debt, yet this represented a higher proportion of their disposable income at that time.

Also at the end of 2025, debt-servicing costs, the payments Canadian households are obligated to make in terms of interest and principal payments, represented roughly 15% of their income. By comparison, household expenditures on food and beverages represented 9.4% of disposable income.

[*English*]

While debt can be a burden, Canadian households hold significant assets in the form of real estate and financial assets. The value of their households' total assets was more than five times larger than their level of debt at the end of 2025.

In terms of composition and lender, nearly three-quarters of households' loan liabilities are in the form of mortgage debt, and nearly 90% of those are with Canadian charter banks and credit unions. Among non-mortgage debt, lines of credit, including home equity lines of credit, represent nearly half of outstanding balances, while credit card debt accounts for one-fifth of all non-mortgage borrowing from banks.

As the committee has heard from previous witnesses, these macroeconomic aggregates, critical to establishing accurate levels and lender relationships, do not tell the entire story of the types of households that may be experiencing greater financial hurdles. However, Statistics Canada expands the aggregate perspective with distributional information that represents the financial portion of households by characteristics such as age group, income and wealth quintiles, and home ownership status.

These data show that the income and wealth gap between the lowest two income quintiles and the highest, which had narrowed since 2020, has started to reverse course. These data highlight how, between 2022 and 2024, the youngest households eschewed the housing and mortgage market as affordability concerns and borrowing costs forced them to delay the prospect of home ownership. At the same time, older households—those aged 55 to 64 years—increased their average mortgage debt at a faster pace than younger households, which may indicate direct or indirect attempts to assist younger relatives with the purchase of a home.

● (1545)

[*Translation*]

Going forward, still-elevated interest rates and continued mortgage renewals and refinancing are likely to further challenge households, especially those more vulnerable to economic or financial shocks.

[*English*]

Statistics Canada remains committed to monitoring these trends closely in order to provide a clear and comprehensive picture of Canadians' financial resilience in the face of economic pressures.

We are here to answer further questions from committee members.

Thank you.

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Withington.

This concludes the witnesses' testimony. I'll open it up for questioning.

For the first round of six minutes, I have Mr. Lefebvre.

[*Translation*]

Eric Lefebvre (Richmond—Arthabaska, CPC): Thank you, Mr. Chair.

Greetings to my colleagues and thanks to the witnesses for joining us today.

Commissioner Miller, I would like to discuss Canada's position within the G7. Currently, we have the highest level of household debt among G7 countries. Canada's debt-to-income ratio stands at 103%, compared to Italy, which has the lowest debt level at 36%.

If you could implement one measure to help Canadians, what would it be?

Shereen Benzvy Miller: Thank you for your question.

I'm not in the habit of imagining every possible invention. I find the tools we have right now to be very useful. Plus, there's bank oversight and tools to help people stay on top of their finances.

[*English*]

We have a monthly financial well-being monitor. We track things very closely to see how Canadians are doing and to see how we might help them with better tools and better supervision of the financial institutions. We have seen borrowing trends and percentages of income being spent on debt increasing, but we also see that measures are being taken to help to prevent indebtedness, reduce indebtedness and manage indebtedness.

You were asking me about my fantasy life. I would do more of those things. I would create more programs like our low-cost and no-cost account commitments, the NSF fee cap, setting up e-alerts and things that will help people, particularly vulnerable Canadians, manage their finances. Really, you want a resilient population that can make good decisions, given all the factors they're facing.

Something like the mortgage guideline, which we put in place in 2023, has really helped put banks in a position in which they have to reach out to consumers who might be at risk of overindebtedness to make sure that their products are appropriate for them, as the law requires, and that they are not renewing at a rate they cannot sustain.

[*Translation*]

Eric Lefebvre: Thank you.

We know that many people are currently having trouble paying their mortgages and meeting their financial obligations. Do you think the situation will get even worse over the next two years?

Shereen Benzvy Miller: I will now give the floor to Ms. Bombardier, because she is responsible for our data and research.

Manon Bombardier (Deputy Commissioner, Financial Consumer Agency of Canada): Thank you for your question.

To the member, as the commissioner mentioned, we have several tools that allow us to track what consumers are telling us and to follow up on it. We conduct numerous surveys every month and every five years.

We also work with a network of stakeholders in the financial system. We are not alone. There are, of course, our colleagues here at the table today, but there are also many organizations outside this room that carry out initiatives to help Canadians facing debt challenges and that track their progress.

As part of our National Financial Literacy Strategy, we have an action plan. We are currently evaluating the results of the 2021–2026 strategy, which is the most recent edition, but we are starting to plan for the next edition, which will be based on these measures.

● (1550)

Eric Lefebvre: What are you forecasting for the next two years? Do you think it will continue to increase?

Manon Bombardier: If there is a significant impact on the ecosystem, we may have a better chance of improving the situation for Canadians, but this really requires an ecosystem-wide approach. That is what we are aiming for with the national financial literacy strategy. We are therefore working on this with our network of partners.

Eric Lefebvre: Thank you.

Ms. Lang, in Canada, the total number of insolvency cases, bankruptcies and consumer proposals increased by 8%. In February 2026, the number of bankruptcies rose by 6.1%.

From your perspective, I'd like to know how you see the next two years, given the inflation we've seen over the past few years.

Elisabeth Lang: There are complex and numerous reasons behind these bankruptcies. From an economic standpoint, I believe that if the war in Iran and the trade war continue, there is a possibility of further bankruptcies.

Eric Lefebvre: According to the Canadian Association of Insolvency and Restructuring Professionals, the insolvency rate observed in 2009 was the second highest since the office of the superintendent of bankruptcy began tracking, as you put it, consumer proposals.

Unlike in 2009, these insolvency cases were due to the cost of living rather than high unemployment. In your opinion, is this a cause for concern?

[*English*]

The Vice-Chair (Jasraj Hallan): Give a short answer, please.

Elisabeth Lang: Not really. I think Canadians are struggling, but the system is there for them.

Right now, our insolvency rate, which I provided in the materials, has not actually increased significantly. During the COVID recession, we had a very deep drop—

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Lang. That's the time.

Elisabeth Lang: I apologize.

The Vice-Chair (Jasraj Hallan): Next, we have Mr. Leitão for six minutes.

[*Translation*]

Carlos Leitão (Marc-Aurèle-Fortin, Lib.): Thank you very much, Mr. Chair.

Good morning to our witnesses.

Ms. Lang, we could continue along those lines. You mentioned that it was mainly after the 2009 recession, or during the 2009 recession, that the worst insolvency problems occurred.

I therefore assume that the main factor behind a potential deterioration of the situation is rather a recession, with job losses and a loss of income. That would be the main factor rather than other factors, which are also important but perhaps less so in this context.

Elisabeth Lang: Yes.

As I said, there are several reasons why insolvency occurs. We often hear about job loss. Sometimes it's due to illness or divorce. It can be for all sorts of reasons. It's quite complex. If there's a recession, we would indeed expect an increase in the number of insolvencies.

Carlos Leitão: Great. Thank you very much.

I would now like to turn to Statistics Canada. Let's talk recession.

Ms. Withington, I don't want to put words in your mouth. You mentioned that total household debt stood at $3.2 trillion, which seems very high, of course. You conduct a lot of analysis, you have a lot of tools, and I also believe you calculate net household debt. I don't have those figures off the top of my head. You mentioned a total debt of $3.2 trillion, but can you tell us what the net debt of Canadian households is? Do you have that information with you?

Jennifer Withington: Okay.

Mr. Hoffarth will respond to your question.

[*English*]

Matthew Hoffarth (Assistant Director, National Economic Accounts Division, Statistics Canada): If we're talking about the net worth of households—all of their assets—that is what we alluded to. Households have five times as many nonfinancial and financial assets as they have debt. The net worth is over $18 trillion for households. It's not evenly distributed. As for financial assets, more than two-thirds are held by the top wealth quintile.

I want to note that in the OECD, Canada is one of the countries that ranks at the top of the list for net worth to disposable income, even though we're ranking highest for the debt to disposable income.

● (1555)

Carlos Leitão: That's correct. One issue that sometimes gets lost in translation is that when one talks about debt, one should also compare debt with assets.

One of the big problems is the distributional component. Usually, the people who have a lot of debt may not necessarily have that many assets. Would you say the segments most at risk are households with relatively large levels of non-mortgage debt?

If you have a mortgage, of course, you have an asset—you have a house—and your net position may well be quite advantageous. Folks who don't have that many assets and who have reasonably elevated levels of consumer debt are, by definition, the most vulnerable. Perhaps it should be to those people that we policy-makers pay more attention.

Jennifer Withington: There is a preponderance of non-mortgage debt in the lowest-income quintiles. With the wealth we were referring to, the wealthiest quintile has approximately 68% of the financial assets and 65% of the net worth, so I would concur with your statement.

Carlos Leitão: Thank you.

[*Translation*]

I would now like to come back to the representatives from the Financial Consumer Agency of Canada.

A concern that was frequently raised in 2024 and even in 2025 was the widespread fear of a kind of economic apocalypse caused by mortgage debt. Several commentators alluded to this scenario. Consumers had to refinance the mortgages they took out in 2020 and 2021, often at interest rates of 1.5%, for example. It was said that if they had to renew their mortgages at 4%, 5%, or 6%, it would trigger major financial stress.

But that's not what happened, and we didn't see that. Do you have a theory as to why we didn't really experience such an apocalypse?

[*English*]

Shereen Benzvy Miller: I'm going to pass the word to Frank, but one thing an agency like ours does is look at trends. That's what our research is for. We look at trends, so we do actually look at the way in which mortgage renewals are going to—

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Benzvy Miller. That's the time for this round.

Carlos Leitão: We'll come back.

The Vice-Chair (Jasraj Hallan): We can definitely come back.

Next, we have Mr. Garon for six minutes.

[*Translation*]

Jean-Denis Garon (Mirabel, BQ): Thank you, Mr. Chair. It's nice to see you in this role.

Greeting to my colleagues.

Ms. Lang, I would like to follow up a bit on what Mr. Leitão said.

We know that the number of bankruptcies, particularly personal bankruptcies, rose sharply during the 2009 recession. You said that the figures are not as alarming as they were back then. However, in a sense, we need to pay attention to this. You mentioned that some households are vulnerable. We are not currently at historic levels of personal bankruptcy, but we must ask ourselves what percentage of Canadian households are so vulnerable due to their debt. If we were to face a recession in the coming months or years, if a more difficult economic scenario were to arise—perhaps not as bad as in 2009—we hope that doesn't happen—these people could slide into bankruptcy.

How do we calculate the level of vulnerability of households to a potentially more difficult economic situation? Do you think this level of vulnerability has increased in recent years?

● (1600)

Elisabeth Lang: I'm sorry, but I don't think I'm the best person to answer that question, given my role and responsibilities as the superintendent of bankruptcy. If we don't have the information, it's not in our records.

[*English*]

Does that make sense?

[*Translation*]

Jean-Denis Garon: Yes and no.

I don't know if another witness would like to answer this question: If the economic situation worsens, do we know whether households today are vulnerable to a rise in insolvency rates? Perhaps the people at Statistics Canada are better equipped to answer that for us.

Jennifer Withington: Yes, we can answer your question.

[*English*]

One indication is the debt-to-income ratio. Since the pandemic and the first quarter of 2023, the debt-to-income ratio has declined significantly. Credit market debt has increased 4.3%, while household disposable income has jumped 8.5%.

[*Translation*]

It rose slightly in the last quarter.

I will let Mr. Hoffarth continue.

Matthew Hoffarth: I can add a clarification.

[*English*]

In our distributional accounts, we can see that the households in the lowest income quintile have a level of debt that is four times the level of income. We also see in that same product, which links income to consumption to savings to debt, that in the lowest-income quintile, their transportation costs, shelter costs and food costs, in some cases, exceed their overall amount of disposable income.

[*Translation*]

Jean-Denis Garon: Would it be households in the bottom quintile who would be most vulnerable to a rise in fuel prices, for example, in a crisis like the one we are currently experiencing in the Strait of Hormuz?

Jennifer Withington: Definitely.

[*English*]

The LFS from October showed that 27.7% of Canadians were finding it difficult to make ends meet, to give you a bit of a benchmark.

[*Translation*]

There is no doubt that if gas prices rise, it will affect households in the lowest quintile.

Jean-Denis Garon: Some parties are proposing, for example, to eliminate the excise tax on gasoline for all consumers. What you're telling us, in a sense, is that there really is a segment of the population that is more vulnerable and that a more targeted measure might be needed. I know it's not within your mandate to address that.

Commissioner Miller, your mission is to develop the National Strategy for Financial Literacy. I would like to know if we are doing well in terms of financial literacy in Quebec and Canada. How do we compare to other countries? What progress do we need to make? Are we starting from a very low baseline?

Shereen Benzvy Miller: Before turning the floor over to Ms. Bombardier, I'd like to mention that I was at an international event recently. The people on the podium were asked the same question: Who was the best? The answer was as follows:

[*English*]

“Speak to Canada. They're the gold standard.”

From our international comparators, we do very well. In terms of financial—

[*Translation*]

Jean-Denis Garon: Are we good at measuring financial literacy, or do Canadians and Quebeckers have better financial literacy than people in comparable developed economies?

Manon Bombardier: Thank you for your question.

We have a fairly good score. Our financial literacy score is among the highest internationally, but that doesn't mean our work is done. We must continue our efforts. Financial literacy is currently being reviewed to see what works and what doesn't. We've committed, along with our partners, to exploring what we can do to improve the situation and enhance the financial well-being of Canadians.

Jean-Denis Garon: I'll keep this very brief, since we only have 15 seconds left.

Are you concerned about financial misinformation on social media? Do you think that what's circulating on TikTok, among influencers and so on, is undermining your work?

Shereen Benzvy Miller: Yes, that's something we are concerned about.

[*English*]

The Vice-Chair (Jasraj Hallan): Please give a very short answer.

[*Translation*]

Shereen Benzvy Miller: Everyone in the ecosystem is concerned about this situation.

Jean-Denis Garon: Thank you.

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you.

This concludes round one.

In round two, we have Pat Kelly starting off for five minutes.

Pat Kelly (Calgary Crowfoot, CPC): Thank you, Chair.

This is for the superintendent.

We had testimony in the last week that credit is growing, that indebtedness is increasing and that people are dealing with their higher debt service costs by depleting their savings and refinancing existing debt. In other words, they are stretching the problem over a longer period of time, compounding it in the long term. They are also cutting back on consumption, including necessities. We have just seen a jobs report with a loss of 108,000 full-time jobs in the last month for which we have data.

Are you concerned that as unemployment rises and as debt service costs and the debt burden rise, this may affect the solvency of Canadians?

● (1605)

Elisabeth Lang: The conditions are ripe for this to affect the solvency of Canadians.

Reputable credit counsellors can be there to help them budget before they have to find an insolvency solution. The insolvency system is there to provide them with the tools and resources for a fresh financial start, but yes—

Pat Kelly: If I may, all the counselling in the world isn't going to allow a person who has lost their job, who has taken on debt because of the increased cost of living.... This isn't a matter of people's financial literacy. This is a matter of loss of income.

Elisabeth Lang: As I said, job loss is one of the main reasons for insolvency. Certainly, in job loss situations, this is often what we see.

Pat Kelly: All right.

Is unemployment likely the key driver in people's inability to make their minimum payment?

Elisabeth Lang: There isn't one key driver, but it's certainly a major one.

Pat Kelly: We also heard that while, in the last year, the overall credit indebtedness of Canadians increased by more than 4%, the number of debtors increased by only a little over 1%. In other words, people are getting deeper in debt. We're not seeing new homebuyers, for example, getting into home ownership. We are seeing existing debtors getting deeper in debt.

Does this concern you as the superintendent of bankruptcy?

Elisabeth Lang: It's the same category of concern that people are in difficult financial situations and will need to look for an insolvency solution. Where we sit today, with the numbers and the macroeconomic conditions, we are expecting a rise in insolvencies, yes.

Pat Kelly: Thank you.

For Statistics Canada, I believe that in your opening statement, you said that food is now up to 9% of the average consumer's budget. The Fraser Institute reports that taxes are now 43% of the average family budget. How does housing fit into that, with 43% going to taxes and 9% going to food? Housing is extraordinarily expensive.

Matthew Hoffarth: We don't have precise numbers on the housing side, but it's something we could follow up on. We were quoting details from our household final expenditure series, which includes housing-related expenses, transportation costs—

Pat Kelly: You have a food statistic, but you don't have a housing statistic.

Matthew Hoffarth: There are different items under our household expenditure.

Eric Olson (Director, Centre for Housing and Income Statistics, Statistics Canada): We have some slightly older data from 2023, in which the homeowners without mortgages spent about $14,000 on shelter while those with mortgages spent, on average, $38,000 on shelter.

Pat Kelly: What about renters? Renters are a large portion of the population.

Eric Olson: They are a large portion of the population, but they may not be indebted in the same way as with the mortgages.

Pat Kelly: I'm sorry. They're not indebted, but they will have non-mortgage debt, and their ability to service the non-mortgage debt will be affected by their rent.

Eric Olson: Certainly.

Pat Kelly: Two-thirds of households have significant non-mortgage debt. Is that correct? Did I hear that?

Matthew Hoffarth: We do aggregate numbers. We don't necessarily have counts. We have some information on the number of households with a mortgage. Six million households in Canada have a mortgage.

Pat Kelly: We're talking about non-mortgage debt, though.

Matthew Hoffarth: Exactly. This is why I'm saying that we don't have precise numbers on our side.

Pat Kelly: I only have about 20 seconds left.

I want some clarity on the statistics you discussed with regard to the net-worth quintile and how the top quintile affects the numbers. What is the cut-off? What's the minimum to be in the top quintile?

The Vice-Chair (Jasraj Hallan): Please give a very short answer.

Jennifer Withington: For the wealth quintile, the top one would be the top 20% in terms of wealth.

Pat Kelly: What's the number?

The Vice-Chair (Jasraj Hallan): Mr. Kelly, that's your time.

Jennifer Withington: The number of people—

Pat Kelly: What is the dollar amount?

● (1610)

The Vice-Chair (Jasraj Hallan): Thank you. We can continue in the next round.

Next we have Mr. Sawatzky for five minutes.

Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for coming today.

Over the past several years, the federal government has taken steps to strengthen consumer protection frameworks, including enhanced oversight of financial institutions and expanded tools for consumer awareness. At the same time, we recognize that many Canadians continue to face pressures from high borrowing costs and cost of living challenges.

In this context, could you speak to how effective current consumer protection measures have been in supporting Canadians with debt obligations?

Frank Lofranco (Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada): In 2022, a financial consumer protection framework was put in place that introduced 60 new or enhanced measures for consumer protection. Some of the new measures are quite meaningful and consequential to consumers' achieving positive financial outcomes and are relevant to the conversation around debt.

I'll offer an example: a new provision in relation to the obligation for banks to offer products that are appropriate for the financial circumstances of consumers, that meet their financial needs and that can lead to positive outcomes.

In the context of supervision, we supervise on a risk basis, paying attention to the issues that are most likely to cause financial harm or to the institutions themselves that are high risk. In this, I would say there is a bell curve. We always get some banks that are performing quite well in relation to the compliance, others that need incentives and guidance, and still others in which non-compliance occurs. Our work is very much focused on ensuring that issues of non-compliance are dealt with.

By way of results, the commissioner mentioned in her opening remarks that in the past year, more than $100 million in remediation has gone to consumers who were harmed by some level of non-compliance. Over the last year as well, we've issued more than 400 enforcement actions, all of which required corrective action on the parts of the institutions to remediate the problems and remediate consumers if necessary. We govern our work by way of various action plans and compliance agreements when there's a need to put corrective measures in place that deserve a bit more time.

Ultimately, the protections that consumers benefit from can enable positive outcomes and protect them from financial harm. It's highly dependent on the compliance of institutions; hence, we play an active role in supervising their compliance with those obligations.

Jake Sawatzky: Thank you.

Do you see any opportunities to further strengthen protections in general?

Manon Bombardier: You may be aware that the Department of Finance is putting things in place with the budget announcements and Bill C-15. A number of measures in there improve protection for consumers and reduce fees, for instance, so we're involved in reviewing the fees of the banks in Canada, and we hope this will inform some next steps in terms of policy measures to further improve the financial well-being of Canadians.

Shereen Benzvy Miller: I would add that there are other measures—for instance, the fraud strategy—that will allow us to monitor both prevention and detection measures that institutions take to prevent fraud against consumers. Fraud is a huge risk to consumers' financial well-being that is growing in scale and sophistication every day. The initiative will also be multi-dimensional. It will not just be in the financial sector, but it will also involve the telcos and multi-dimensional prevention and protection measures.

Jake Sawatzky: Thank you. That's good to hear. This topic has come up a few times with scam texts and collaboration with telcos.

Financial literacy was brought up. I wanted to see if you could provide some context on the younger generation and how they're dealing with financial literacy. Are there any kinds of gaps you'd identify that could be addressed to ensure that younger generations are being more financially literate?

Manon Bombardier: As part of our research, we look at young women in particular. We've worked with ChatterHigh, an application that exists. We've worked with universities to put in place an intervention amongst young women to improve their financial literacy and improve their behaviours towards saving more money. With this experimentation, we've shown that with simple nudges to help them achieve and put in place the right behaviours at the right time, they can improve their financial well-being. We're doing experiments like this. We did another one with credit card debt in which 35% of the participants reduced their debt.

● (1615)

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Bombardier. That's time.

Next we have Mr. Garon for two and a half minutes.

[*Translation*]

Jean-Denis Garon: Thank you, Mr. Chair.

I'll continue with you, Commissioner Miller.

I myself organized a screening of the fraud prevention information campaign organized by the entire financial system, the Royal Canadian Mounted Police, and your office, if I am not mistaken, to raise awareness of fraud issues throughout the telecommunications, law enforcement and financial sectors. I think this is a wonderful initiative, and I commend the entire system for it.

Furthermore, I have stated both publicly and privately to the Canadian Bankers Association that at some point, banks will need to shoulder a greater share of the burden of fraud liability, similar to what has been done, for example, in the United Kingdom. It seems to me that whenever we discuss fraud with bankers, they keep telling us that everyone is to blame except the bank, where, ultimately, the money is stolen.

I would like to know if you agree that placing a greater share of the financial burden of fraud on the banks might encourage them to invest more in prevention and in their systems, thereby significantly reducing fraud. In the United Kingdom, for example, there has been talk of an 80% reduction in fraud.

I would like to know if you think this could be a way to reduce fraud.

Shereen Benzvy Miller: Thank you.

In my opinion, research is the way forward. I need to know what investments they're making right now to prevent fraud and protect themselves against it. We don't really have the resources to look into what they're doing in detail, so—

Jean-Denis Garon: I understand, but our time is running out.

Don't you think that making the banks shoulder a larger share of the burden would encourage them to invest more beyond the research you're doing? Don't you think it would be an incentive?

[*English*]

Shereen Benzvy Miller: For fraud prevention and deterrence, what has shown to be effective is transparency. One thing we need to know is what the banks are actually doing. If they're not doing enough, then we can, as regulators, require them to do it.

One thing that I will be doing is providing a report to the Minister of Finance on this annually in order to make very transparent what investments are being made across the sector so that banks can show what they're doing to prevent fraud and what responsibility they are taking. You are right: There is responsibility that the banks should take relative to fraud.

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Miller.

That concludes this round.

This is our last round. First up, we have Ms. Cobena for five minutes.

Sandra Cobena (Newmarket—Aurora, CPC): Commissioner Miller, in your opening statements you mentioned that approximately 40% of Canadians reported that their debt had increased in 2025. Could you expand on this?

Shereen Benzvy Miller: I think my colleagues from Statistics Canada are best placed to expand on it.

We found this because we have a monthly well-being monitor. We ask them fundamental questions about their financial resilience and their financial wellness. We get data like this, but we don't unpack it the way our colleagues at StatsCan do.

Would you like me to pass it to them?

Sandra Cobena: Sure.

Jennifer Withington: I'll start.

Yes, the debt has gone up. Part of this is from rising interest rates. It's been primarily in the form of mortgage debt, whereas Canadians have generally been decreasing their non-mortgage debt.

Sandra Cobena: The statistic is that nearly two-thirds say they're carrying non-mortgage debt. Out of the people who are taking on debt, what is driving that debt if it's not mortgage?

Jennifer Withington: To clarify, it is mortgage debt that they're taking on. The non-mortgage debt has gone down. They may still have non-mortgage debt, but it has been at a lower rate.

Matthew Hoffarth: I'll just clarify. We measure values of debt. We don't necessarily measure which households have a certain type of debt. I think that's the challenge.

Debt is a nominal idea. It tends to increase over time, given inflation and what's going on in the economy. This is why we like ratios. We look at leverage ratios for debt to income. That's where we see that debt to income for the lowest income quintile has gone up whereas other income quintiles have seen their debt-to-income ratio decline over the last five years or so.

We are seeing a disconnect when you break it down further instead of just looking at the big picture.

● (1620)

Sandra Cobena: I think this is an important point because, of course, we're looking at the headline of, say, 177% or $1.77 of debt per income, but that's an aggregate number. Once you remove the top income earners, it becomes worse.

What is the figure for the most vulnerable?

Matthew Hoffarth: We don't necessarily define the most vulnerable. We see it among the low-income quintile or the low-wealth quintile.

There are groups in which you might expect some more financial vulnerability. For the lowest, at the end of 2025, we saw a ratio of 433%.

Sandra Cobena: What makes up the 433%?

Matthew Hoffarth: This is looking at all of their debt, whether it's mortgage or non-mortgage. You could expect some quintiles to have different mixes of debt. There might be less mortgage with the lowest income quintile relative to non-mortgage. Then it's really just a function of their disposable income.

Sandra Cobena: Can you break down the 433% of the lowest quintile? What makes up the debt?

Matthew Hoffarth: This is the challenge. We can do some breakdowns, but if you're asking.... The problem with our lowest-income quintile is that sometimes there are high-wealth individuals in the quintile. You could be a retiree and you're drawing down wealth. You don't have a lot of income, but you have this wealth you're drawing on.

Our challenge is that when we want to get down to some of this granularity to help policy decisions and help users understand the data, we don't necessarily have those cross tabulations.

Sandra Cobena: This morning, MNP released its consumer debt index, which reported that, among Canadians, 74% say that rising food and gas prices "are straining their finances" and 43% are within $200 of being unable to meet their financial obligations.

With this in mind, would you agree that the largest expenses Canadians are struggling with are everyday necessities, such as food, gas and housing?

Jennifer Withington: I would say this is particularly true in the low-income quintile, in which household, shelter and transportation costs represent 103.6% of their income. That's more than they're earning at this point.

As Matthew alluded to, some of them could be retirees, and it's quite legitimate that they're drawing down their income.

As for the earlier question on what proportion is housing, with the lowest income, approximately half of their income is going to the housing portion. It is a little more than half.

Sandra Cobena: I have just a few seconds.

Do you believe that reducing taxes on everyday essentials like fuel would provide meaningful relief to Canadians?

Jennifer Withington: I wouldn't venture into the policy. Thank you.

Some hon. members: Oh, oh!

Jennifer Withington: We just have the data.

The Vice-Chair (Jasraj Hallan): Thank you. That concludes this round.

Next, we have Mr. Lavoie.

[*Translation*]

Steeve Lavoie (Beauport—Limoilou, Lib.): Thank you, Mr. Chair.

I'd like to thank our witnesses for being here. This is a very interesting topic.

Ms. Lang, I'm going to ask you a very easy question to start with, because I'm nice: Do you think Canadians can access credit too easily?

Elisabeth Lang: In my opinion, I would say it's probably true.

Steeve Lavoie: Okay.

Ms. Miller, what do you think?

[*English*]

Shereen Benzvy Miller: I wouldn't venture a guess as to whether it's too easy. I expect that whatever access to credit they have is appropriate to their ability to pay for it, because that's the regulatory requirement for lenders.

[*Translation*]

Steeve Lavoie: I worked in banking for 20 years. I agree with what my colleague Mr. Leitão said earlier. When financial crises hit, the first people to be affected are those who are heavily in debt. In the current context, are these people still more affected today than households that have acquired assets, such as homes and so on?

This question is for either Ms. Lang or Ms. Miller, or Ms. Withington regarding the statistics.

● (1625)

[*English*]

Matthew Hoffarth: I'll pivot a bit to say that we measure all lenders to households, with the idea that you can go to chartered banks or to credit unions, as well as to other finance companies. You can go to payday lenders. You can go to all of these different entities to obtain financing.

I'm not saying whether it's easy, but there are a lot of options that we track in terms of who the lender is.

[*Translation*]

Steeve Lavoie: Okay.

Ms. Withington, you briefly mentioned the figures earlier. You were talking about insolvencies. In 2009, there was a peak of 151,000 cases. Tell me about the pandemic years. During the COVID years, is it true that bankruptcies decreased significantly? This is to give a sense of the situation to the people following our work. By how much did they decrease?

Jennifer Withington: During the pandemic, most households had higher incomes.

[*English*]

The debt-to-income ratio went down significantly during the pandemic.

We see a few factors in what happened. There was less opportunity to spend money during the pandemic, so we had quite a reduction in household debt. Households were paying down their debt. They were also bringing some savings and putting them into cash and deposits. At the same time, with the measures to support households, incomes were rising as well.

[*Translation*]

Steeve Lavoie: What I understand is that, during the pandemic, people changed their consumer behaviour, and this has had a significant impact on household debt levels. Can we influence household behaviour? Savings increased significantly. People paid off their debts. This was really a positive development on a global scale.

Now that we've returned to normal conditions, we're seeing problems on an international scale, and the people who have taken on debt again are the first to be affected. Given this reality, how can we influence consumers? We won't have another pandemic; we're ruling that out as a possibility, because I know it had a major impact.

Manon Bombardier: Thank you for the question.

One of the things we've noticed is that knowledge alone isn't enough. You have to take that knowledge and put it into action. That's what we really emphasize in our research and our initiatives.

When we undertake small initiatives—a five-minute quiz, for example—we see a significant difference in people's behaviour. For instance, 35% of those who participated in our debt experiment will pay off their debts in full, compared to the control group. That 35% figure is quite significant. We're currently conducting these as pilot projects.

We're working with our partners to determine how we might scale up some of these experiments nationwide. Behaviour is key—not just knowledge. That's what we're focusing on.

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you. That concludes this round.

I want to thank all the witnesses for being here.

We will now suspend for a few minutes to welcome our next witnesses.

Thank you.

● (1625)

_____________________(Pause)_____________________

● (1635)

The Vice-Chair (Jasraj Hallan): Welcome back. We'll resume the meeting now.

I would like to welcome our witnesses on this new panel.

I'd like to remind participants of the following points: Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. I remind participants that all comments should be addressed through the chair.

All virtual witnesses have conducted a mandatory witness onboarding test.

You will now have five minutes for your opening remarks, after which we will open the floor to questions.

First we have, as an individual, Mr. Charles St-Arnaud for five minutes.

Charles St-Arnaud (Chief Economist at Servus Credit Union, As an Individual): Thank you, Mr. Chair and honourable members of the committee.

It's a pleasure to be here making my first-ever appearance in front of a House of Commons committee. Thank you for the opportunity to share my expertise with you.

Household debt in Canada is elevated and has been exceeding 170% of disposable income for roughly the past 15 years. Canadian households are third among the most indebted in the 44 countries that the BIS, the Bank for International Settlements, is tracking. We're just behind Switzerland and Australia.

As a result of the elevated level of debt, the average Canadian household must spend about 15% of its disposable income to make the obligatory payments on the debt. This includes both interest and principal. Given that some households are debt-free, we can imagine that the debt service ratio is likely to be significantly higher for a proportion of the population.

The high level of household debt renders the Canadian economy more vulnerable to shock. In recent years, household finances have been under pressure due to the erosion of purchasing power resulting from higher inflation and weak income growth and from higher interest rates. This has led to an increase in household financial stress.

However, there are some signs that the economic system is flexible, allowing households to adapt to the environment of higher interest rates. As such, while consumers' insolvencies have increased sharply in recent years and are approaching their highest level since the global financial crisis, the increase is mainly in proposals, mainly in what could be seen as renegotiations of the terms of those lendings, rather than bankruptcies.

As a reference, bankruptcies are currently 40% lower than they were pre-pandemic and account for less than 25% of total insolvencies, compared to about 40% of insolvencies pre-pandemic and 80% of insolvencies during the global financial crisis.

There is evidence that households are lengthening the amortization period of their debt to reduce the impact of higher interest rates on their debt payments. While this means that households will carry debt for longer and will increase the total debt cost, it has prevented a surge in the debt service ratio in recent years, making their debt more sustainable. This flexibility exists only because household income has remained solid.

The resilience of the labour market in recent years, characterized by a lack of major layoffs, has played a crucial role. Any significant increase in layoffs leading to a decline in income would rapidly remove the flexibility in the system, with potentially serious consequences for households' financial situations, Canada's financial system and the economic outlook, hence the increased economic vulnerability caused by a high level of household indebtedness.

The high level of household debt has also had some broad structural impacts on the Canadian economy. There is evidence that the constant high household borrowing over the past 30 years, at an average pace of about 44% of GDP per year, has crowded out business investment, thereby negatively affecting productivity growth over the past few decades. This is very similar to how big government spending and deficits in the late 1970s and 1980s crowded out business investment. The result can be seen in the fact that Canadians were recently spending almost as much, as a share of GDP, on home renovation and home ownership transfer costs—in other words, exchanging homes—as they did on machinery, equipment and intellectual property.

There is an important feedback loop between poor productivity growth, affordability and household finance. Weak productivity growth led to tepid salary gains and stagnant income. As such, disposable income per person, adjusted for inflation—a measure of purchasing power—has been growing at a pace since 2015 that is a full percentage point slower, on average, than it was between 1995 and 2015. The cumulative impact of those slower gains in purchasing power means that Canadians have lost about 10% in purchasing power compared to where they should have been if income growth had remained the same.

Let me conclude with this important point on the subject. The affordability crisis and the increase in financial stress are as much an issue of underperforming incomes as they are of rising costs.

With that, I will be happy to answer the committee's questions.

● (1640)

The Vice-Chair (Jasraj Hallan): Thank you very much.

Next, from Consolidated Credit Canada, we have Mr. Jeffrey Schwartz.

You have five minutes, Mr. Schwartz.

Jeffrey Schwartz (Executive Director, Consolidated Credit Canada): Thank you.

Mr. Chair and members of the committee, thank you for the opportunity to appear before you today as part of your study on consumer debt in Canada.

My name is Jeff Schwartz. I'm the executive director of Consolidated Credit Canada. We're an accredited non-profit credit counselling agency. We help Canadians consolidate and pay off unsecured debt, often at reduced or zero interest, while providing the financial literacy education that prevents debt crises before they begin.

In the past year alone, Consolidated Credit supported approximately 125,000 Canadians through education, counselling and debt management services. The average unsecured debt load among our clients was close to $20,000.

I want to focus my remarks on three points: the critical role of financial literacy, the need for consistent and equitable funding, and the reason accredited non-profit agencies must be central partners in any national strategy to address consumer debt.

Education is our best and first line of defence. By the time a Canadian reaches our office in financial distress, the damage is often done. The goal must be to reach them before that point—before the impossible choice between heating the home and making a minimum payment.

Accredited non-profit agencies like ours deliver preventative financial literacy every single day. We teach Canadians how to budget, understand credit and recognize the warning signs of economic abuse and coerced debt. This work is the foundational infrastructure for a healthy financial system.

This brings me to my second point—funding. Accredited agencies are primarily funded by financial institutions through a share of the debt we help our clients repay, which is typically between 10% and 20% of the principal. This model works. Banks recover debts that might otherwise default, and Canadians avoid insolvency. The economy benefits from households that remain financially stable.

The problem is that not every institution participates fairly. The majority of Canada's federally regulated institutions demonstrate leadership by contributing to this ecosystem. However, a small number of large institutions do not. These outliers benefit directly from our services, yet they do not invest a single dollar in the infrastructure that makes those outcomes possible.

This is a free-rider problem. It distorts the marketplace, strains the capacity of agencies like ours and ultimately harms the Canadians we are trying to serve. Our internal estimates suggest that if these non-participating institutions contributed fairly, consolidated credit alone could support an additional 21,000 Canadians annually, while significantly expanding preventative outreach to underserved and high-risk populations.

We are asking the government to use the power of moral suasion, through mechanisms like the proposed code of conduct for the prevention of economic abuse, to set clear expectations that all participating banks would provide annual financial support to accredited non-profit credit counselling agencies. Transparency is a powerful tool. Public disclosure of institutional participation would encourage fair play without the need for prescriptive legislation.

Finally, I will speak to our role as essential partners in the financial protection ecosystem. Accredited non-profit credit counselling agencies are uniquely positioned to serve Canadians in financial distress. We provide client-centred care.

When a survivor of economic abuse needs to untangle coerced debt from their credit profile, they need expert intervention, not a pamphlet. Government departments, financial institutions and regulators should view us not as an afterthought, but as the primary delivery mechanism for financial literacy and debt remediation.

We urge you to recommend that departments, ministries and financial institutions formalize their partnerships with us and that the funding to sustain this work be consistent, equitable and transparent.

In conclusion, Canadians are asking for a fair chance to learn, recover and build a secure financial future. With consistent funding and genuine partnership, accredited agencies like Consolidated Credit can help tens of thousands more Canadians each year avoid the dead end of insolvency.

Thank you. I welcome your questions.

● (1645)

The Vice-Chair (Jasraj Hallan): Thank you, Mr. Schwartz.

Next, we have Guyllaume Amiot from Raymond Chabot Inc. for five minutes.

[*Translation*]

Guyllaume Amiot (Licensed Insolvency Trustee, Raymond Chabot Inc.): Good afternoon.

Mr. Chair, members of the committee, allow me to deliver my remarks in French.

Thank you for the invitation to appear as part of your study on the impact of consumer debt in Canada.

I am a senior manager in recovery and insolvency at Raymond Chabot Inc., a subsidiary of Raymond Chabot Grant Thornton. I am a licensed insolvency trustee, or LIT, a profession regulated by the federal agency known as the office of the superintendent of bankruptcy, or OSB. Therefore, I act as a practitioner in the field of consumer and business insolvency and recovery on a daily basis. I should also note that I am the chair of the Conseil des syndics autorisés en insolvabilité du Québec. This organization represents nearly 225 LITs practising in Quebec.

From the outset, I consider the starting point of your study to be fully justified. My practical experience allows me to say that the problem goes beyond macroeconomic trends and recent statistics, which show the increase in the ratio of household debt and consumer insolvencies.

Moreover, the profile of Canadian debtors facing insolvency has changed in recent years. New consumer groups that were previously less represented in cases of insolvencies are now emerging, such as seniors, workers with fluctuating incomes and single-parent families. In addition, the rise in mental health problems and the ease of access to online gambling are all factors that influence insolvency situations on a daily basis.

For the middle class, it is seldom one bad choice alone that leads to insolvency. Rather, it is a succession of shocks and cost increases that gradually reduce their financial capacity. Many people are living paycheque to paycheque, with little room to manoeuvre, while the cost of living has risen sharply. In the end, it becomes difficult for consumers to balance their budgets, and a life event, such as an illness or job loss, can quickly tip the consumer into insolvency.

When liquidity runs out, non-mortgage credit becomes a tool for fiscal survival. This is also when many vulnerable households turn to high-interest credit or even payday loans to cover essential day-to-day expenses such as groceries.

Also of note is the case of owner households, which may appear to be financially steady because of the real estate equity accumulated in recent years. These households often lack liquidity, which complicates any refinancing. In the event of insolvency, the LIT takes into account the high value of the residence to propose repayment to creditors. However, these households generally cannot offer this value to creditors without selling their home, due to their already high debt-to-equity ratio. Selling makes it possible to pay off debts but forces them to move to a home that is often more expensive than the mortgage.

Another common problem is online fraud. Vulnerable people, especially the elderly and those living alone, are particularly affected. These individuals often contact us ashamed of having lost all their savings and going into debt because of malicious manipulators they met on the Internet.

Not to mention the fact that many debtors demonstrate a lack of financial literacy in that they struggle to differentiate between budget, income, assets and liabilities. They are often unaware of their debt structure or of their monthly income or expenses. The trustee then plays a key role in assessing the debtor's financial situation.

In closing, I cannot ignore the important role of LITs in the financial rehabilitation of consumers. We have little control over macroeconomic trends, but we remain the only professionals who can provide legal financial recovery measures to Canadian consumers. The regulatory framework, which is currently under review by the OSB to facilitate access to simplified insolvency proceedings and adapt trustee compensation, must evolve to ensure Canadians' access to LITs.

Thanks to your questions, I will have the opportunity to further clarify the picture of households in insolvency and the role and contribution of LITs. I would like to point out, however, that we can take action by limiting the damage and accelerating the return to balance in consumers' financial situations.

Thank you very much for listening.

● (1650)

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you very much.

We'll move into our first round of questioning and start with Ms. Cobena for six minutes.

Sandra Cobena: Thank you, Mr. Chair.

My first couple of questions will be for Mr. St-Arnaud.

In your opening statement, you mentioned the crowding out of business investment, which, of course, would ultimately affect jobs for Canadians.

Could you expand on that?

Charles St-Arnaud: What I meant by “crowded out” is that the excess borrowing we've seen over the past 30 years in the household sector reduces the availability of resources that can be loaned to businesses. A great way of seeing it is through total lending in the financial system. A constant increase in the share going to households is at the expense of the share going to businesses. There's a direct link. We've also seen business investment in machinery, equipment and intellectual property—which are productive investments—declining over the same period.

Sandra Cobena: You also made a comment around the increase in government spending and deficits driving low productivity. Could you expand on that?

Charles St-Arnaud: Yes. That was comparing what we're seeing right now, with the impact of constant borrowing from households over the past 30 years, to the situation we saw in the seventies and the eighties, when successive governments, whether at the federal or provincial level, were running extremely high deficits. This led to a crowding out similar to what we see right now.

Business investment started to underperform significantly in the seventies and the eighties because of the excessive borrowing from government. We are not in that situation right now because government borrowing is much lower than it was during that period.

Sandra Cobena: Well, that's important to know, of course, because we want to look at the trend of borrowing. Thank you for that.

My next question is for Mr. Amiot.

The Prime Minister has stated in the House that affordability is the best it has been in over a decade, yet consumer insolvencies reached 140,000 filings in 2025, which is the highest volume since 2009 and the second highest since your office began tracking in 1987, as I think you said in your opening statement. Could you speak to this trend of consumer insolvencies and what is driving that?

[*Translation*]

Guyllaume Amiot: Yes, absolutely.

I just want to tell you that my office has not done any statistics on insolvency. It's really the office of the superintendent of bankruptcy that compiles the statistics.

However, I can tell you that, in practice, we are indeed seeing an increase in insolvency as a result of people managing their budgets. Budget management has been, in a way, affected by the successive increases in the inflation rate for everyday items such as food and housing. It has definitely had an impact and made consumers more vulnerable.

At one time, the average consumer in our office was someone going through a life event: a job loss, an illness or a situation that really affected their financial situation. Today, they are people who, from month to month, have accumulated debt, sometimes at high interest rates, and used their credit card somewhat as a survival tool to be able to pay day-to-day expenses. It's something we used to see less of a while ago in our offices, and now we see a little more.

I don't know if that answers your question.

[*English*]

Sandra Cobena: That was good. It reminds me of yesterday, when there was a senior in my riding, in Aurora, who approached me and said, “You know, I was looking forward to retirement. I worked very hard, but because of the cost of living, I have been forced to go back to work.”

Obviously, he's older. He's tired. I've known the senior for 21 years. He's still living in the same house, so he's very fiscally responsible. Would you agree, then, that affordability is in fact getting worse and that it's not the best it has been in the last decade?

[*Translation*]

Guyllaume Amiot: Obviously, I'm not an economist, so it's hard for me to look at trends specifically.

However, as I said, this is something we see in my office: people struggling to make ends meet month after month. Certainly, the clients who come to my office are having trouble affording some essential goods.

As I said at the outset, we have little control over the macroeconomy, but it does have an impact on the possibility of balancing a budget.

● (1655)

[*English*]

Sandra Cobena: It has been well established that the cost of living is a central driver for insolvency. This includes, in particular, the rapidly rising grocery prices, which are up 30% since 2019. Do you believe that reducing the cost of transportation inputs—for example, by removing federal taxes on fuel—could help keep the prices of food down and relieve this pressure on insolvencies from Canadians?

[*Translation*]

Guyllaume Amiot: That's a great question. Once again, unfortunately, I can't comment on the major trends that this measure could involve, as I'm neither an economist nor a legislator.

However, anything that can lead to a reduction in the cost of food would certainly be welcome. In fact, a little earlier, it was said that 9% of budgets was allocated—

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you, Mr. Amiot. That concludes the round.

Next we have Mr. Lavoie for six minutes.

[*Translation*]

Steeve Lavoie: Thank you, Mr. Chair.

Good afternoon to all the witnesses and thank you for being here.

Mr. Amiot, I believe this is your first time as a witness. You'll see: It will go well and won't be painful.

I'm going to ask you an easy question, like the one I asked the other witnesses earlier. In your opinion, do consumers have too-easy access to credit?

Guyllaume Amiot: That's a great question. I think—

Steeve Lavoie: Earlier, you talked about easy access to online gambling, in particular.

Guyllaume Amiot: Online gambling is indeed a particular problem. People who—

Steeve Lavoie: What about access to credit?

Guyllaume Amiot: What I see in my office are people who are struggling, who have to choose between buying their groceries and paying their rent. I won't say that access to credit is a false debate, but I would say that it has become such a tool for people's survival that I don't necessarily see any potential limitation on that tool.

Steeve Lavoie: I just want to tell you that I worked in banks for 20 years, and like you, I know businesses.

You're telling me that the majority of people who file for bankruptcy aren't people who have necessarily accumulated credit card debt, and that it's only for rent and groceries. Is that correct?

Guyllaume Amiot: No.

Steeve Lavoie: We just need to clarify. What I understand is that, often, when people go bankrupt, they have two, three or four credit cards and use one credit card to pay off another. You understand the phenomenon.

Is that mainly what you're seeing? They still have to pay the rent and groceries.

Guyllaume Amiot: In fact, what we're seeing is really the use of high-rate credit, which leads to insolvency.

That said, why are they using credit? It's often because their budget isn't balanced, precisely because expenses have increased significantly while revenue hasn't increased as much. Grocery and housing expenses can affect a budget. Sometimes, it's even the mortgage payment that has increased with interest rates or the value of the residence.

Steeve Lavoie: In your opinion, people who use credit cards do so mainly because they are unable to pay their rent. As a result, they used their credit card. Is that correct?

Guyllaume Amiot: Actually, it's mostly everyday consumer spending. We're seeing fewer people paying for their big-ticket items with a credit card. Instead, they are paying recurring expenses.

Steeve Lavoie: Okay. Connect the dots for me. Earlier, we were talking about the COVID-19 years. Have you heard the anecdote that even companies helping people with insolvency went bankrupt, because there were so many fewer bankruptcies? Have you heard that?

Guyllaume Amiot: No, I haven't heard that story.

Steeve Lavoie: It's a pretty funny anecdote.

Yes, there were a lot fewer bankruptcies during the pandemic, because people changed their behaviour. Savings and debt repayments have increased.

Draw me a parallel between people's behaviour during COVID-19 and in normal times. You talked about people coming to see you for housing and the increase in the cost of living. However, during COVID-19, the cost of living went up significantly, and food and car prices went up, but savings went up and debt went down. To help people clearly understand the difference in consumer behaviour, explain to me the duality between what happened during the pandemic and what you were explaining earlier about what's happening today. The cost of groceries and other things have gone up, and people have used their credit cards, but why was it the other way around during COVID-19?

● (1700)

Guyllaume Amiot: Again, it's interesting. What I understand from the statistics I've seen is that—

Steeve Lavoie: I'm not talking about statistics, I'm talking about your work.

Guyllaume Amiot: Yes. Costs went up during the pandemic, but there was also significant inflation in the postpandemic period. That's something to consider.

In addition, during the pandemic, people got a lot of government assistance, which often made it possible to balance their budget. People who had precarious jobs managed to receive various government benefits, which enabled many to set up an emergency fund or save money. Obviously, those savings are—

Steeve Lavoie: I would just like to understand something: Are you telling me that people got richer thanks to government payments? You said they used them to set up a fund.

Guyllaume Amiot: I'm not saying that they got richer, but at the time, getting government benefits helped some people have some kind of emergency fund, because there were fewer expenses and fewer outings because restaurants were closed. That's more what happened.

Steeve Lavoie: Let's go back to the people who paid off their credit cards and saved a lot. They didn't get government cheques. How did they manage to do that, whereas people aren't doing that now?

Guyllaume Amiot: Unfortunately, those people don't come to my office. I wouldn't be able to comment on that part of the population.

Steeve Lavoie: Thank you, Mr. Amiot.

Mr. Schwartz, you said earlier that there are banks that don't contribute to accredited organizations like yours. You're a non-profit organization. Which bank is not contributing to Canada?

You opened the door. I would ask you to answer quickly.

[*English*]

The Vice-Chair (Jasraj Hallan): Give a short answer, please.

Jeffrey Schwartz: It's a great question, and I wish I had a complete answer, but I can tell you that we are a non-profit credit counselling agency. We're the largest in the country. We're helping Canadians coast to coast to coast, and we've been doing it for almost 20 years.

I'm not here to point fingers. Really, I want to look forward to what we can do or what this committee can do, and what they can enforce—

The Vice-Chair (Jasraj Hallan): Thank you, Mr. Schwartz.

That concludes this round.

Next we have Mr. Garon for six minutes.

[*Translation*]

Jean-Denis Garon: Thank you, Mr. Chair.

I'd like to thank all the witnesses for being here today. It's a pleasure to listen to them.

I'll start with you, Mr. Amiot. First of all, I would like to say that I am pleased that you accepted the invitation to testify before the committee. I often listen to you on Francis Gosselin's podcast. I'm not trying to advertise for anyone, but I think you're an excellent popularizer. When it comes to financial literacy, I think we need people who appear in the media and take the time to explain things. I think that it's a key role, from a collective and social point of view, and you do it very well. I congratulate you on that.

I'll go back to the role you play for insolvency, not necessarily bankruptcy. In your role, you have to help people go bankrupt, which may be the ultimate solution. You can also get people out of insolvency without them declaring bankruptcy. You meet people who are on the brink and who are trying to find solutions. You talked about that. For example, a person may sell their house and end up in a rental unit that often costs more than their mortgage. These are people who make considerable sacrifices, but they are not reflected in the bankruptcy statistics.

I would like to know to what extent personal bankruptcy statistics, used ad nauseam in this committee, may underestimate the extent of the financial hardship of households in Quebec, for example.

Guyllaume Amiot: I would like to thank you for your comment. I will accept it. That is very kind of you.

That is an interesting question. Indeed, the role of a trustee is much broader than simply handling bankruptcies or consumer proposals, which are another option under the law. We are also here to support the debtor with budgetary measures, some of which fall outside the scope of the law. As you mentioned, there is, for example, the mortgage. We can refer the person to solutions other than those simply provided for by law.

That said, you are right about the statistics: these are the figures for people who, formally, have insolvency files.

A distinction must also be made. It is important to note that the approximately 140,000 insolvency cases mentioned by the superintendent of bankruptcy do not all represent bankruptcies. In fact, 78% of these cases are consumer proposals. These are agreements reached with creditors, based on the value of the assets and the individual's ability to repay. This legally binding agreement specifically allows debts to be settled without going through bankruptcy and the loss of assets that could result from it.

In my view, this point should be highlighted in the statistics. There are also all the other solutions.

We are also seeing that people are waiting longer and longer before resorting to the ultimate solution, whether that be a consumer proposal or bankruptcy. People do, yes, get into debt. They use several credit cards, sometimes two or three, as we mentioned earlier, because they hope the situation will stabilize, but that does not always happen.

● (1705)

Jean-Denis Garon: Thank you very much. That clarifies things a great deal.

I'd like to return to a question I put to the witnesses during my first round of questions. I get the impression that people, particularly young people, are becoming increasingly interested in financial matters and that financial literacy is improving. We've talked specifically about *Liberté 45*. There really has been a shift towards financial literacy among young people.

You know, as MPs, we have no choice but to look at social media, including TikTok and Facebook. I get the impression that people have never been subjected to so much misinformation, to fake financial advisers, to people claiming it's easy to get into property, to fake investment advisers. It is becoming increasingly difficult today for people to distinguish fact from fiction, especially as many of these influencers have no certification or training to do what they do.

Do you see people in your offices who have been exposed to this kind of influence and these influencers, and who, because they were vulnerable, may have made a series of bad decisions?

Guyllaume Amiot: You are absolutely right. It's something we're seeing more and more. In fact, it is not uncommon for people to seek information on various web platforms or even to turn to artificial intelligence, which is sometimes contaminated, if I may use that expression, by false or misleading information that may be found on other platforms.

However, the office of the superintendent of bankruptcy has measures in place to ensure, precisely, that those offering advice on debt are accredited, as far as possible, and that there are no rogue advisers enriching themselves at the expense of consumers by giving them advice that is detrimental to them.

That said, could it do more? Yes, we can always do more, but it is important to keep this situation under control and to continue efforts to curb misinformation. Promoting the profession of trustee is therefore important, because we are, in fact, the first point of contact for these people. We are regulated by a licence and a code of ethics, and we ensure that the information received by consumers is accurate.

Jean-Denis Garon: On social media, which is a major source of information today, do you think we should in some way require people who present themselves as financial advisers to disclose their qualifications, for example? Should this be more formally regulated, whether by the provinces or the federal government, but primarily by the Autorité des marchés financiers in Quebec, for example?

[*English*]

The Vice-Chair (Jasraj Hallan): Give a short answer, please.

[*Translation*]

Guyllaume Amiot: That’s very interesting. I’m not sure about the legal feasibility of all this, but it would indeed be very interesting to introduce a requirement to disclose one’s capabilities.

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you.

[*Translation*]

Jean-Denis Garon: Thank you.

[*English*]

The Vice-Chair (Jasraj Hallan): That concludes this round.

Now we have Mr. Kelly for five minutes.

Pat Kelly: We've heard testimony at this committee that the level of indebtedness is rising, that Canadians are reporting they're getting deeper in debt and that the size of outstanding credit is growing, but the number of participants is not really growing much. In other words, people are getting deeper in debt. We are not seeing a new crop of young borrowers who are able to get into home ownership. We are simply seeing people getting deeper into debt.

You talked about some of the consequences of that. You also said in your opening remarks that while there is flexibility—and we have heard that people are depleting their savings, refinancing their loans and cutting back on other expenses, including necessities—the kicker is unemployment. If people experience a loss of income, this is what triggers insolvency, bankruptcy and, in your words, erases the flexibility.

Could you talk about that? Let me ask you if you are concerned about the recent unemployment figures, in which we saw 108,000 full-time jobs lost in February.

● (1710)

Charles St-Arnaud: As I was explaining, a lot of the flexibility in the system comes from the fact that households haven't had an income shock in recent years. Yes, the unemployment rate has increased, but most of it has been due to more people coming into the labour force than big layoffs.

I agree that, since the beginning of the year, we've been seeing something a bit more concerning. We've seen some job losses, and the concern is there. Considering how much the average household has to spend of its disposable income to service debt, the question is what the consequences will be of losing this income. It means that a lot of the flexibility that was available to them, by lengthening the amortization of their loans and so forth, disappears suddenly. This will push households toward insolvency. That's the question for me. When I look at it as a macroeconomist, that's when I'm concerned. It makes the Canadian economy much more susceptible to negative shock because, if you have a critical mass of job losses, you could have a big wave of households falling behind and have an increased wave of bankruptcies and insolvencies that would have a further negative impact on the economy and on the financial system.

Pat Kelly: Right now, Canadians are not getting further ahead. We have seen over the last 10 years virtually unchanged per capita GDP. Incomes are not growing. You mentioned that for the majority of Canadians who are still working, they haven't experienced an income shock, but they are not seeing growing incomes. The per capita GDP is flat, so higher costs are simply coming out of their enjoyment of life, their ability to pay for things other than necessities.

Now we are seeing unemployment rising. Are you concerned that it's not a matter of higher incomes or a growing economy that is forestalling what would otherwise be a debt crisis, that we're barely getting by?

Charles St-Arnaud: At the moment, what I feel has been helping the economy in preventing a further increase in insolvency—considering all the shocks from underperforming purchasing power, increased costs, higher interest rates than in the decade before the pandemic—is the fact that households haven't seen the income shock, which has allowed them to better weather all those shocks.

The concern is going forward. Each time we have a negative shock, we need to be careful. If we see a big wave of rising unemployment and layoffs, this could unravel very rapidly.

Pat Kelly: All right.

I have only a few seconds left. Is this your top concern around this extremely high level of indebtedness? Is unemployment the key to this?

Charles St-Arnaud: Well, employment is key to this. It's a very big vulnerability in the Canadian economy that could make a negative risk even bigger in terms of negative shock on our economy.

For me, what's also important is all the structural impact that brought us there. The high level of debt and the increase in borrowing have also—

The Vice-Chair (Jasraj Hallan): Thank you, Mr. St-Arnaud.

Next we have Mr. Leitão for five minutes.

[*Translation*]

Carlos Leitão: Thank you very much, Mr. Chair.

Mr. St-Arnaud, we could continue to discuss these issues. I appreciated your comment that debt levels have remained relatively stable over the last ten years, but that they are high. They are high, that is a fact, but we are able to manage this situation. Of course, it increases vulnerability.

What I wanted to get at—and I find this interesting—is the issue of excessive household debt, which you raised. I fully understand the consequences of this, but do you have any idea, theory or impression as to what led to this? Why have Canadian households significantly increased their debt over the last ten years?

● (1715)

Charles St-Arnaud: I think there are various ways to explain and account for this.

Firstly, I think that, to answer a question your colleague asked, households have had very easy access to credit for several years. We see that it is even easier for households to borrow than it is for businesses, and this has, in a way, increased household debt.

Furthermore, we must not forget that we went through a period following the financial crisis in the late 2000s and early 2010s during which we benefited from very low interest rates for a very long time. This actually allowed households to increase their debt levels without necessarily seeing the impact on their monthly payments. So, for example, it allowed people to buy a bigger house, since interest rates were low, and this meant lower mortgage payments.

So, all of this together has contributed to the situation. From a much more macroeconomic and structural perspective, we could almost say that, in a way, it is linked to productivity. In a way, in Canada, we have adopted the wrong growth model over the last 30 years. We have placed a great deal of emphasis on economic demand, particularly from households, at the expense of supply and the ways in which we increase productivity and business investment.

We must not forget that, in order to consume, households must have an income, and that income depends on their wages. These wages depend on productivity gains. That is where we stand after more than 30 years. In a way, the elastic has been stretched to its limit, and we are now facing some fairly significant problems.

Carlos Leitão: I see that the member for Mirabel agrees.

Indeed, I also believe that far too much emphasis has been placed on the demand side, particularly by keeping interest rates extremely low for too long, but also through all the measures subsequently implemented to facilitate access to credit. I am thinking of mortgages amortized over 30 years, or those with no deposit, for example, and other similar measures that have led to excessive debt.

Now, we must ask ourselves how we are going to sort this out. I believe this will be achieved by focusing, this time, on the supply side and by implementing measures and public policies aimed at increasing the Canadian economy's production capacity.

I now come to my question: Do you not think we must also be mindful of consumer debt? If we implement measures too quickly to stimulate and promote supply—and therefore business investment, amongst other things—don't you think we could cause a credit crunch for consumers?

If credit becomes more expensive and less available, that could also trigger problems, couldn't it?

Charles St-Arnaud: Yes, I agree with you. We will need to balance the two approaches and ensure that there is a relatively constant and gradual transition or reduction in debt.

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you, Mr. St-Arnaud.

That concludes this round.

[*Translation*]

Carlos Leitão: Thank you.

[*English*]

The Vice-Chair (Jasraj Hallan): Next we have Mr. Garon for two and a half minutes.

[*Translation*]

Jean-Denis Garon: Thank you, Mr. Chair.

I would like to address you again, Mr. Amiot. I am pleased that Mr. Leitão said we agreed on something. That can happen once in a while. However, there is always the question of how things are done as well.

Mr. Amiot, I would like you to tell us about older people, because in your opening statement, which is in the document you provided us with, you said that some older people were in great difficulty, that they were coming to your offices and that they needed to restructure their finances.

What is the typical profile of a person aged 65 or over, for example, who is experiencing financial difficulties? Where do these problems stem from? Is it because the person has a fixed income? Do you ask them to return to work? In a minute and a half, I would like you to outline a typical profile for us, with all the necessary nuances, of course.

● (1720)

Guyllaume Amiot: Indeed, we are seeing more and more of them in our offices. In fact, the elderly people we see are generally those on fixed incomes, whether from annuities, state pensions or benefits. Generally, these incomes are not very flexible, if at all. So, it is difficult, if not impossible, for them to increase their income to offset the inflation affecting them, unless they return to the labour market.

Generally, the people we see in our offices do not own a home, meaning they are not property owners with significant accumulated wealth. Rather, they are people who rely on state benefits or fixed-income schemes. Furthermore, it is clear that these elderly people are less accustomed to using the Internet and are therefore more vulnerable to cyber-fraud. We sometimes see people in our offices who have exhausted all their savings following a cyber-fraud incident and who will receive little or no compensation.

Sometimes, in our offices, we also see people who own their own homes. They will not file for insolvency, but, to get through a period of high inflation, they will have to take out a loan against the value of their home. We sometimes see reverse mortgages. These are products that generally have quite high interest rates and terms that are often disadvantageous to the elderly person. However, if that is what it takes to balance the budget—

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you, Mr. Amiot.

We now have Mr. Eric Lefebvre for five minutes.

[*Translation*]

Eric Lefebvre: Thank you, Mr. Chair.

I would like to thank the three witnesses for being with us.

Mr. Amiot, you have spoken to us about the debt ratio of our fellow citizens, which is too high. It breaks my heart to know that families have to use credit cards just to get by from month to month. We know that the cost of groceries, the cost of rent and the cost of gas have risen. For our part, we have put forward proposals to ease the burden on Canadians.

I would like you to paint a picture of the people who come to your office. Would you say that the range of people has widened, and that you are even seeing couples finding themselves in this kind of emergency situation, even though both partners are working?

Guyllaume Amiot: Indeed, people from all walks of life come to our offices. We therefore see both well-off people and those living in poverty or on very low incomes.

We find that there is a common denominator: liquidity. People on high incomes do indeed have access to property and equity, but the latter is largely or entirely out of reach because, firstly, their debt-to-income ratio is already too high, meaning their application for finance is rejected, and, secondly, they would not even have the financial capacity to take on a higher mortgage payment.

In fact, this applies to people who have an income and who are, let's say, in the middle class, or even sometimes people with high incomes. We can confirm that we see people from all income levels in our offices.

A budget is something that fluctuates over time, but rarely adjusts quickly. If someone has recurring expenses, such as a car loan or mortgage payments, they cannot change these payments overnight. That is why we really do see people from all sectors of the population in our offices.

Eric Lefebvre: Have you noticed that these sectors have expanded over time? Do you now encounter a type of client who wasn't in your offices two, three or four years ago?

Guyllaume Amiot: In recent years, very few homeowners used to come into our offices. We are now seeing more and more of them.

For example, when you want to make a consumer proposal, you have to repay the equity on your assets to your creditors. Even if we spread this repayment over a long period, these people are often unable to pay it off. This is what I mentioned in my opening statement, namely that people have to sell their homes, move into rented accommodation and pay higher rent than their mortgage payments.

We see this happening, but the Bankruptcy and Insolvency Act is designed this way. We therefore apply the act in its current form with the equity offset.

Eric Lefebvre: It is sad, because if people want to buy something, to create leverage, it is often through their main residence that they manage, over the years, to build up wealth. Now, unfortunately, they have to sell it, at a loss, to pay off their debts and end up in accommodation that costs them even more than what they were paying for their house. It is incredibly sad.

Mr. St-Arnaud, you spoke of our economy being more vulnerable to shocks. I would very much like you to tell me a little more about that. You also spoke of the low productivity of our businesses. As we know, we are several decades behind global standards. I would like you to tell us more about the vulnerability of our economy.

● (1725)

Charles St-Arnaud: Yes.

Everything is connected, in a way. Vulnerability is really linked to the next negative shocks, the next job losses, which will have more significant negative effects than we have seen in the past, and this is due to high household debt and the knock-on effects this can have elsewhere.

Furthermore, we must also take into account the fact that part of the current debt and problems stems from the fact that Canadians' purchasing power has stagnated quite significantly over the last few decades. So that doesn't help much either.

This is where everything is somewhat interconnected. We will need to place much greater emphasis on how to increase incomes. We can certainly provide short-term support to households, but what will really make a difference in the long term is whether we can achieve real incomes adjusted for inflation. Higher incomes will give Canadian households more breathing space. This is where productivity is very important.

[*English*]

The Vice-Chair (Jasraj Hallan (Calgary East, CPC)): Thank you, Mr. St-Arnaud.

Now we'll go over to Mr. Sawatzky for five minutes. This is our last round.

Jake Sawatzky: Thank you, Chair.

Mr. Schwartz, you mentioned preventative financial literacy. I think this is an important thing to talk about. I was curious to get your take on the rise in online gambling. Have you seen this affect people financially? I wondered if you had anything to say on that.

Jeffrey Schwartz: Anecdotally, we do see gambling as an issue amongst the clients who come to us. It really is a matter of what we can do to stem that so it doesn't continue and how we can get them back to a point at which they can afford their payments. They've accumulated all this debt, and it's usually at a high interest rate. We're trying to work with their creditors to get it to an affordable rate for them to pay it off. Also, we encourage them not to take on additional debt and count themselves out of the gambling situation.

Jake Sawatzky: Are there any things you find yourself repeating a lot when you're giving financial literacy advice? Are there things that more people should be aware of?

Jeffrey Schwartz: One thing we say in our office is that you can't borrow your way out of debt. Taking on additional debt is really going to exacerbate the issue. What we're trying to do with our clients is to see what we can do to get them to a point where they're just treading water. Right now, they're sinking. Let's get them to where they're treading water, and then the next step is to build savings.

As for financial education, the best way to combat debt is to have savings. If you have unexpected expenses or something creeps up that takes you off track, you have a savings plan to handle that and move forward without taking on additional debt for the expense.

Jake Sawatzky: Have you been seeing a significant number of people taking on additional debt to pay off other debts?

Jeffrey Schwartz: Yes, and usually the first question that comes is, “Can you get me a loan?” Our first question back to them is, “What do you need the loan for?” It's typically to service other debt.

We want to get them into a situation in which we not only restructure their existing debt so it becomes affordable but also, while we are working with them, have them change behaviours so they can get ahead of this and not go down the same pathway.

Jake Sawatzky: Thank you.

Are there any other things you find yourself consistently bringing up?

Jeffrey Schwartz: A big thing is education—financial literacy. I know the FCAC talked about this previously, but we need to do a better job. There's nothing that irks me more than when someone comes to us and says we're the best-kept secret out there. We need to be front and centre, and we need partnerships with the financial institutions to refer people to us as a first stop.

Jake Sawatzky: For anyone who isn't familiar with your organization, how can they get in touch with you?

● (1730)

Jeffrey Schwartz: We're all over the Internet. We're the largest non-profit credit counselling agency in Canada. We help hundreds of thousands of Canadians every year. If you search Consolidated Credit Canada, you're going to find us.

Jake Sawatzky: Could you speak to the broader economics of everything that's going on internationally, such as the Strait of Hormuz being closed, for example? How do these international events affect people's day-to-day expenses?

Jeffrey Schwartz: We hear this multiple times every day, because what's happening is it's putting an additional strain on people's finances. It's showing up in the grocery store. It's showing up at the gas pumps. It's showing up everywhere for them.

In addition to that, and I know it was alluded to earlier, there's some concern about job losses and job reductions that are putting strains on people's finances, and we want to get them to us sooner rather than later so that we can change behaviours and, we hope, get them treading water again.

Jake Sawatzky: Thank you.

When it comes to federal policy, are there any things the federal government can do to help out with what you're doing?

Jeffrey Schwartz: One thing that's come up recently is the code of conduct on the prevention of coerced debt. Mandating that the banks support people and move them towards credit counselling as opposed to further debt is going to help Canadians. As I said before, the biggest defence against debt is savings. If we can get people, even in a small way, to put money towards savings and have banks push towards that, it's going to benefit Canadians in the long run.

Jake Sawatzky: What percentage, roughly, of people are thinking about saving? Are there a lot of people who are familiar with how important it is?

Jeffrey Schwartz: I'm going to suggest to you probably not. I think we hit an all-time low of between 2% and 5% prior to COVID. Over time, we've seen it uptick a little bit, but I think it needs to be far more than that. We encourage Canadians to save between three months' worth and six months' worth of their budget and have that put away for a rainy day. Unexpected expenses happen all the time, whether it's a dental emergency or your washing machine breaking. You're going to have to deal with it instead of going deeper into debt. This is a better way.

The Vice-Chair (Jasraj Hallan): Thank you, Mr. Schwartz.

This concludes our rounds.

I want to thank all the witnesses.

I look at Mr. Kelly as I ask this: Is it the will of the committee to adjourn the meeting?

Some hon. members: Agreed.

The Vice-Chair (Jasraj Hallan): Thank you, everybody.

Meeting adjourned.