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# Standing Committee on Finance

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Chair: Karina Gould





## Standing Committee on Finance

Monday, April 20, 2026

• (1530)

[English]

**The Chair (Hon. Karina Gould (Burlington, Lib.)):** I call this meeting to order.

Welcome to meeting number 34 of the House of Commons Standing Committee on Finance.

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders.

One of our witnesses, Mr. Peter MacKenzie, will be testifying on Zoom.

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 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 would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating by video conference, you can click on the microphone icon to activate your mic. Please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: the floor audio, English or French. For those in the room, you can use the earpiece and select the desired channel.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function.

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.

[Translation]

However, before we begin, I see that Mr. Garon has a point of order.

**Jean-Denis Garon (Mirabel, BQ):** Yes. This will be very quick, Madam Chair.

There have been consultations among the parties. I don't know if we need a motion, but I wanted to propose that we leave the pre-budget consultation portal open for an additional month, until Friday, May 29, so more groups can participate, without that having an impact on the schedule the committee has already established.

I think the parliamentary secretary wants to add something.

[English]

**The Chair:** Go ahead, Mr. Turnbull.

**Ryan Turnbull (Whitby, Lib.):** We discussed this in advance. I'm definitely supportive of the idea of having the portal for pre-budget briefing submissions open for longer.

The only thing I want to double check is that we have enough time for the analysts to do some analysis before we break. I think June 22 is officially the last sitting day. Sometimes the House rises a bit earlier than that before the summer.

Am I wrong? Is it the 19th?

Pat Kelly is correcting me here. In this case, I totally don't mind. If it's the 19th, I apologize.

Whatever date it is, I just want to make sure with the analyst, Chair, just to be assured that the analysts will have time to produce a kind of “what we heard” report before we rise for the summer. I would value having that.

Is three weeks enough time? It's just a clarifying question.

**The Chair:** There are a couple of points, because the analysts are just hearing this for the first time. They need to talk about it and see what it is.

[Translation]

The only comment I would make is that there's also the issue of translation. Right now, the deadline is set for April 30, and we've allowed a month for getting the briefs translated. If we extend the deadline, we should plan to extend the deadline for translating any briefs received after April 30. We could add another three weeks. The committee must take that into consideration. Perhaps we can come back to this at the end of the meeting to discuss it.

What do you think, Mr. Turnbull?

[English]

**Ryan Turnbull:** With that in mind, perhaps if other members are agreeable—and Jean-Denis, I hope this is agreeable to you—maybe we could suggest May 22. That would give us three more weeks but still allow roughly a month for the analysts to do their work, which is what I think is the allotted timeline they expect.

**The Chair:** Are the Conservative members okay with that?

Seeing agreement like this in the committee is so nice. Thank you, everybody.

We'll extend the deadline to May 22. Maybe we'll encourage folks, if their briefing is ready by April 30, to submit it by April 30. If there are people who need more time, we'll allow briefs to be received until May 22, while encouraging folks to do so earlier.

[*Translation*]

Thank you, everyone.

[*English*]

Returning to the meeting at hand, I would like to welcome our witnesses.

For the first hour, we have Mr. Ronald Butler. We also have Mr. Peter MacKenzie, senior policy analyst from the C.D. Howe Institute, and Ms. Vasiliki Bednar, managing director from the Canadian SHIELD Institute for Public Policy.

Each of you will have five minutes for your opening remarks, and we'll go in the order I mentioned.

Mr. Butler, we'll start with you, please.

• (1535)

**Ronald Butler (Principal Broker, As an Individual):** Thank you, Madam Chair.

I'm always honoured to be here. I'm an old man who has followed politics my whole life, and it's still a thrill. Thank you for inviting me. I enjoy being here.

Our mortgage brokerage operates in three provinces—Alberta, British Columbia and Ontario. We get lots of calls. We're talking about 1,700 to 2,500 calls a month from people who have mortgage issues or renewals. It's chiefly renewals. This is the biggest time for renewals ever. There are more mortgage renewals happening this year than ever before in the history of Canada.

Overwhelmingly, they illustrate the nature of our economy today in Canada. They illustrate a K-shaped economy. We have a certain number of people who call us, and they're quite comfortable with the increase they're getting. Because they got their mortgage five years ago, 65% to 70% of them are getting an increase in their mortgage. Rates were incredibly low, and they're higher now. People had a 1.69%, five-year fixed mortgage in 2021, and now they're getting about 4%. That's a significant rise.

The group of people at the top of the K are somewhat annoyed and a little concerned, but they're fine with it. They can easily handle this mortgage rate increase. The payment increase is never the same amount. It's always a bit lower, percentage-wise, than the actual rate increase, so they can manage it. However, for the majority of people at the bottom of the K, it's a problem. In Canada today, we're all aware that inflation has eaten into family budgets. When we then move it forward into a 20% or 22% increase, let's say, in their mortgage payment, that is a different world. It's a meaningful change, and it's a problem.

We're approached to do restructuring and refinancing, to change amortization and to lower payments. What really hits us when we do this is that there's becoming an incredible importance to when

you bought your house. That sounds crazy in a big, western country like Canada, but if you bought your house in 2015 and prior, you're probably pretty good, if you didn't refinance. You got a good price on your house when you bought it, you have a smaller mortgage and you are in pretty good financial shape. However, if you bought in 2018 and onwards, particularly in some provinces, you have a very expensive house and a large mortgage, and you're not in such great financial shape. In fact, in some cases, 50% of your net after-tax income is going to mortgage payments, property tax, other sorts of utilities and other types of payments.

There's something fundamentally wrong about that, if you think about it. Should it just be this strange bit of magical luck of when you were born? I'm a boomer, so I always make fun of boomers. We're all just people who don't realize how lucky we were.

That's something interesting, though. That should be interesting to everybody in government. At that moment when you were the right age and you bought that house in the 1980s, the average first-time buyer was 27 years old. Last year, they were 40. That should be meaningful to everybody in government, that we are denying a lot of young people the chance to own a home. If you have to wait until you're 40, you're not young anymore. At least, I don't think you feel young. Twenty-seven is a much better age to be buying your first home, and that's realistic.

Again, my thanks to the committee. If there are any questions, I'm happy to take them.

• (1540)

**The Chair:** Thank you very much, Mr. Butler.

Mr. MacKenzie.

**Peter MacKenzie (Senior Policy Analyst, C.D. Howe Institute):** Madam Chair and members of the committee, thank you for the invitation to testify today.

My name is Peter MacKenzie. I'm a senior policy analyst at the C.D. Howe Institute, where I lead the financial services research initiative and the financial regulatory excellence initiative.

My remarks today will draw on the institute's work on household balance sheets, financial stability and the housing market.

Canada has G7-leading household debt levels and rising consumer insolvencies. These are concerning, but they do not signal a systemic crisis. The banking system is resilient, aggregate household net worth is at a record high, and pressure on household cash flow has eased from its 2023 peak.

Severe pressure is concentrated in specific groups, including younger Canadians and highly leveraged homeowners in large cities like Toronto and Vancouver. Policy response should be calibrated to that distributional reality.

Let me start first with the aggregate picture. The measure most often cited in public debate about household debt is on household debt relative to disposable income. This ratio rose from about 114% in 2000 to a peak of 188% in 2022. It has since declined to 173%. That number alone does look alarming, and it is. Households have more debt than income.

The measure that actually tracks a household's capacity to pay is the debt service ratio, or DSR. The DSR is the share of household income going to principal and interest payments on outstanding debt. When interest rates fall or income rises, a household can carry more debt without a larger share of income going to payments. The DSR was largely flat over the same period that household debt income ratio rose dramatically. The DSR stood at 15% at the end of 2019, climbed to a record 15.2% in 2023 as the Bank of Canada hiked rates, and has since eased to 14.5% in the fourth quarter of 2025 as rates have come down.

The banking sector has absorbed the shock. In fact, the IMF's 2025 financial system stability assessment found Canadian banks and non-bank financial institutions generally resilient to severe solvency and liquidity shocks. OSFI's annual risk outlook, released earlier this month, identifies real estate-secured lending among its top risks while concluding that institutions remain well positioned to navigate the environment. Both documents point in the same direction of system-level resilience with some serious tail distributional stress.

Now, looking at that tail risk and part where there is stress or where the household distribution is hurting, we see younger Canadians. Looking at the Bank of Canada's Canadian survey of consumer expectations for the fourth quarter of 2025 shows that Canadians aged 25 to 54 reported a record 27% probability of missing a debt payment. Nearly half of those aged 18 to 24 expected to miss a payment. Canadians aged 55 and older reported just under a 1% chance of missing a payment. Household net worth reached a record \$18.6 trillion at the end of 2025, but the wealthiest 20% of households hold the majority of that increase. Younger Canadians who did not yet own assets or homes have participated little in the gains.

I'll make a further point on the rise in insolvency filings. A filing can mean two very different things. A household is cash flow insolvent when it cannot meet monthly payments out of its current income, even if its assets exceed its debts. It is balance sheet insolvent when its debts exceed its assets outright.

A homeowner in Toronto, for instance, who might be facing a payment shock at renewal, is more likely to be cash flow insolvent. The equity in the home is there, but the monthly room to make the payment is not. A renter in their 20s carrying unsecured debt without assets is more likely to be balance-sheet insolvent. These two situations call for different policy responses.

Finally, this brings me to my three recommendations.

First, federal agencies should centre their public reporting on household financial health on the debt service ratio and how it varies across income, age and region, rather than other indicators such as debt-to-GDP or debt-to-income ratios. The breakdown will

show that stress is concentrated in two groups, highly leveraged homeowners and younger Canadians.

Second, the Office of the Superintendent of Bankruptcy should publish statistics that distinguish cash flow insolvency from balance sheet insolvency.

Third, federal infrastructure, immigration settlement and transfer design should be oriented towards growing mid-sized Canadian cities into economic alternatives to larger cities like Toronto and Vancouver. Canadians who move to those cities for work are more likely to take on outsized mortgages to afford a home, and each buyer joins a highly leveraged segment. Policies often focus on demand-side measures that shift where pressure lands, but they do not reduce that pressure.

● (1545)

Adding supply only within larger cities does not resolve affordability on its own, because in-migration from smaller centres follows—

**The Chair:** Thank you, Mr. MacKenzie. We'll look forward to continuing the conversation during the questions.

Ms. Bednar, you now have five minutes.

**Vasiliki Bednar (Managing Director, The Canadian SHIELD Institute for Public Policy):** Thank you, Madam Chair and members of the committee, for the opportunity to appear. My name is Vass Bednar. I'm the managing director of a new think tank, the Canadian SHIELD Institute, which is focused on securing our economic sovereignty.

I'm appearing today to elaborate on an essay that we published in the Walrus magazine. It was titled "How 'Buy Now, Pay Later' Seduced a Generation—and Trapped It in Debt". We also proactively submitted a brief to this committee on this invisible problem of buy now, pay later in Canada.

A country loses economic sovereignty when it loses visibility into how households are coping and when private credit products start compensating for what is fundamentally a public policy failure. Buy now pay later is more than just a trendy checkout feature; it's a new layer of household debt infrastructure, and right now too much of it is invisible. Buy now pay later is often marketed as budgeting help for young people, but in practice it's microlending at the point of sale. It lets people typically split a purchase into four or more payments and defer the full cost of something major that they'll buy. I know you know what it is.

This sounds pretty harmless when we're talking about something like a sofa, a laptop or a one-time emergency purchase, but the concern that we raised and wanted to bring forward is that there's evidence that buy now pay later is increasingly being used to bankroll everyday routine needs: groceries, clothes, household goods and other everyday expenses.

This tells us two important things. The first is that we have that data blind spot. Canada has yet to clearly define buy now pay later in our legislative infrastructure. That means it doesn't show up in the numbers that my colleagues appearing today, my friends, cited, and that's a problem. Other jurisdictions have moved much faster to have legislative infrastructure reflect those realities.

Second, buy now pay later is symptomatic of a deeper prosperity problem. People aren't using these products because they're financially careless. They're using them because the math is not mathing. Paycheques are too low and costs are too high, so people are plugging holes. We need to pay attention to that and not demonize it. That is why we think that this committee should resist treating buy now pay later as a narrow consumer protection issue. Yes, we need more disclosure and understanding, but we also need to step back and ask ourselves why a product that was designed for larger discretionary purchases is becoming part of how people manage their everyday lives, including being used for groceries.

Our debt challenge in Canada is symptomatic of the broader prosperity and productivity challenge that many have been thinking about for quite some time. If wages don't keep up with costs, debt becomes a bridge. Rents, groceries, telecom bills, transportation and basic services have been rising faster than incomes. People are reaching for this credit product. Our productivity is weak, investment is thin and our living standards have stalled. We think, by now, that is a clear example of that shift.

Our recommendations are twofold. One is that this committee should identify and continue to pursue that gap. It's not that Canada has never considered buy now pay later or that a committee has never heard of it. We just haven't gotten to the finish line. If anything, we sometimes hide behind federalism a bit. We say that certain jurisdictions say it's not their key file or it's not their key element.

Second, we could maybe stretch the mandate of the study a bit. Debt is a prosperity signal too, and rising reliance on a short-term consumer credit product that's increasingly invisible and increasingly targeted to young people should prompt bigger questions about wages, market concentration, competition, productivity, housing costs and whether public policy has allowed too many essential markets to become too expensive.

Canadians cannot manage what policy-makers can't measure, but we also can't regulate our way out of a prosperity problem just by polishing our data dashboard. Buy now pay later needs to show up in our accounting, but the bigger question is why so many people need it in the first place.

Thank you so much. I look forward to the questions.

**The Chair:** Thank you so much, Ms. Bednar. Thank you to all of our witnesses.

We will begin now with Mr. Kelly, for six minutes.

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

Mr. Butler, some witnesses have testified that Canadians are paying their debts by refinancing and stretching them out over a longer period of time, by exhausting their savings and by skimping on other purchases, including basic necessities. Is this a sustainable way to deal with increasing indebtedness?

• (1550)

**Ronald Butler:** It is not sustainable. It constantly proves to be unsustainable. We have observed in the last 18 months a somewhat alarming growth in power of sale transactions and bank-ordered sale transactions.

Mortgage default rates have continued to increase. We anticipate that mortgage default rates will increase this year as well, throughout the year and potentially into next year. There is just not any good way to handle the extremely large mortgages people took on in 2020, 2021 and the first quarter of 2022. As soon as the rate goes up, unless incomes have soared, there's no easy way to manage that.

**Pat Kelly:** Really, the only way out of the debt scenario we have, which I would say also extends to the federal and even provincial deficits, is a more productive economy with higher wages, more economic growth and more economic activity. Until people's wages and salaries can grow into servicing these debts, it's just a spiral.

**Ronald Butler:** You know, the biggest change in the 30 years I've been in the mortgage business is that much more normal-salaried people could buy houses 30 years ago. The difference is striking. It was quite normal for the produce manager at a grocery store and a part-time nurse to be able to easily get 5% together to buy a home and comfortably manage it quite successfully. Those days are gone. The people we see buying houses today are almost consistently in the top 10% or 15% of earners in the country. That's in Ontario, anyway, and certainly British Columbia. Those are the people buying houses, or else they're getting massive assistance from their parents, who are using some of the accumulated equity in their homes to assist their kids in buying a home.

I don't mean to sound nostalgic, but I far preferred the old way, where ordinary people making ordinary wages could go out and buy a home. Obviously, there's been some stagnation in wages.

**Pat Kelly:** How long would it take a normal person such as you've described—a person with a good, solid, full-time job—to save up the minimum down payment on a home in Toronto?

**Ronald Butler:** Well, if we look at just the GTA, particularly in Toronto, the reality is that they never could. That's the reality today. Even with falling prices, even with prices that have fallen 26% in the GTA, they still couldn't. If you're running an income of about \$110,000 to \$115,000, you have to pay rent. You have to eat. You have to live.

**Pat Kelly:** You have to pay taxes.

**Ronald Butler:** You pay taxes. You could not possibly accumulate a satisfactory down payment for a house price that's just under \$1 million.

**Pat Kelly:** Even if you could, would you be able to qualify for the mortgage?

**Ronald Butler:** You would not.

**Pat Kelly:** Okay. So a normal person with a normal job cannot save up the down payment or qualify for the mortgage. We're now back to mom and dad, who—

**Ronald Butler:** In Ontario they are absent from our practice, yes.

**Pat Kelly:** They are absent from your practice. How about in British Columbia?

**Ronald Butler:** They were absent sooner in British Columbia.

**Pat Kelly:** What about some of the other larger cities, such as Calgary and Edmonton, that are not in—

**Ronald Butler:** Calgary may have caught the Toronto virus. We'll see what happens.

**Pat Kelly:** Okay.

It's really impossible to talk about the debt crisis without talking about real estate in Canada. What's happening right now in the real estate market? What's the health of the real estate market in Canada right now?

**Ronald Butler:** The health of the real estate market is that it's probably just starting to slow down in Quebec. It was a very buoyant market. Atlantic Canada is experiencing considerable run-ups in prices. That may turn out to be against their own interests, because Atlantic Canada has never been a hotbed of massive incomes, but again, this virus that comes from these big cities has gone across the country. I can only suspect that there will be more price reduction in Ontario and British Columbia this year, a slowdown in price appreciation in Quebec, and more powers of sale, with more people struggling to make their mortgage payments.

We reached a landmark in the GTA last quarter: There were absolutely no condominium starts of any description in the GTA in the last quarter.

**The Chair:** Thank you, Mr. Butler. That concludes the member's time.

Oh, I'm sorry, Mr. Kelly. You have another minute. Go ahead.

**Pat Kelly:** Okay.

Perhaps you can continue there. We've continually heard that there will be housing supply and that the steps the government has

taken will lead to housing supply. We've argued for years that, no, it's going to get worse before there's any sign of it getting better. What's the current health and situation of the housing starts in Toronto, the market you're most familiar with?

• (1555)

**Ronald Butler:** In all of Ontario, with the minor exception of Ottawa, the housing starts—not just high-rise housing but even low-rise housing—have fallen off a cliff. That's reality. They are so low as to be dangerous to the health of the construction industry in the province of Ontario.

**Pat Kelly:** Thank you.

**The Chair:** Thank you, Mr. Kelly, and I apologize. I was eager there.

Mr. Leitão, you have six minutes.

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

Mr. MacKenzie, you were talking earlier about the three points on which you think that policy should focus. I agree with you that the debt service ratio should be the focus of our attention. Then there is cash flow insolvency versus balance sheet insolvency. However, you didn't have time to expand on the third point you were making: the move to mid-sized cities or encouraging the mid-sized cities. Could you perhaps elaborate a bit on that?

**Peter MacKenzie:** Yes, for sure. I'm happy to.

The third recommendation that I was making is that federal infrastructure and things such as immigration settlement should be geared towards growing mid-sized Canadian cities. I think that in Canada we need more alternatives to larger centres like Toronto and Vancouver, where you have insanely high housing prices relative to income. Canadians who move to these large cities like Toronto and Vancouver are more likely to take on an outsized mortgage to afford a home. Then they're sort of joining that highly leveraged segment of the population that I was talking about, where there is this debt crisis. Often the policies around affordability for housing focus on the demand side. However, if you make housing slightly cheaper in Toronto or Vancouver, then you just get migration in from smaller centres. We definitely have the ability to grow these alternatives, to grow the mid-sized cities in Canada. We have great cities with great, world-class universities. Growing these cities will help grow the Canadian economy and then, at the same time, also make it more affordable.

**Carlos Leitão:** Thank you.

You would recommend, then, that policy encourage and promote investment in smaller cities, so that they can get better jobs and people will move to those areas.

**Peter MacKenzie:** Yes, exactly. I think a lot of the draw for larger cities is the incomes. You get higher incomes in Toronto, and people want to move there to work. If we can grow out some of these smaller cities.... We've seen it happen in the United States, like with Austin, for instance. Twenty years ago, it wasn't really considered a major centre. Now people are moving there, and it's having economic development. I think we can do the same, for example, in Ontario, maybe with Kingston. There are a lot of different options; Kingston just comes to mind. It has a world-class university, Queen's University. Being able to grow the economy there would give people an alternative to moving to Toronto, and it would just sort of increase the options that people have when they're not only looking for higher incomes but also not wanting to spend all their money and go into large debt to afford a home.

**Carlos Leitão:** In another meeting we had—I think it was not the last one but the previous meeting—one of your colleagues, another economist, pointed to the fact that we've had in Canada a period of excess borrowing. Households borrowed excessively, starting in the aftermath of the financial crisis of 2007-08, when interest rates went way down. Then the same thing happened again after the pandemic. What do you make of that, of the excessive borrowing? If that's the case, whose fault is it? We're not in the business of blaming anyone, but is access to credit too lenient in Canada? Did interest rates stay, perhaps, too low for too long? Could you address that?

• (1600)

**Peter MacKenzie:** It's a hard question to answer in some ways, because there are so many confounding factors involved in it. I would say there are certainly reasons that the federal government or governments in general may take on debt, like in response to the great financial crisis or to COVID-19. As for whether or not they took on too much debt, they probably did when you see deficits balloon the way they have. Governments were responding to a crisis, so in some ways it's understandable.

I would say that this debt increase, corresponding with a period of very low interest rates, also allowed households to take on more debt, because they didn't have to pay as much monthly to service it. When you have a low interest rate environment, it's natural to increase debt.

From a business lending perspective, I think the response to the great financial crisis and the Basel III capital requirements have actually made the banks draw back a bit from business lending, especially on the smaller end. That has probably contributed to our decreased productivity. On that end, I think it's important to have pathways for more business lending and maybe have OSFI decrease prudential business lending requirements.

That said, on the consumer side, as on the homeowner side, the low interest rate environment plus the heavy government spending did allow consumers to take on quite a bit of debt. Nonetheless, as we can see, they seem to be handling it okay—at least on average—when you look at the debt service ratio.

**Carlos Leitão:** Okay. I guess I'm running out of time.

Mr. Butler, in my next turn, I'll come to you on the mortgage renewal issue, because it is important, but my time is up.

**The Chair:** Thank you, Mr. Leitão.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

Mr. Butler, you host a podcast called *Angry Mortgage*. At first glance, you don't look too angry.

In language acceptable to a parliamentary audience, I'd like you to tell me what makes you most angry in the marketplace when it comes to household debt.

[*English*]

**Ronald Butler:** I'm on CTV sometimes, so I can clear it up.

The most concerning issue that is prevalent today is that despite a drastic reduction in house prices, it's not enough. It's not enough to bring the average Canadian and young Canadians to a point where they can easily afford homes. This is very meaningful.

I support the idea of developing smaller centres and smaller cities getting bigger. However, the way the world works is that the action is in larger cities. It is just that way. We've seen Calgary grow. We've seen Edmonton grow. They are feeling the effects in the price matrix of those things.

The point I would make is simply this—and it's not necessarily a federal issue. It might be a provincial issue. There has to be deregulation of how we allow the building of houses. There have to be ways to get more land available at lower costs. There have to be ways just to have lower-priced materials in the homes. There have to be ways to address the massive charges that municipalities put on new home builds. The Government of Ontario just moved on that matter. That's been a crucial issue that has relentlessly increased the price of homes.

[*Translation*]

**Jean-Denis Garon:** Thank you.

On another topic, when we look at social networks like TikTok, we see that there are a lot of people, a lot of young people who get information about personal finance, how to get rich and how to invest in people, some of whom are a good prospect, and some of whom are not. In addition, we've seen a real estate fetish develop. As a result, real estate is being presented as a way to get rich very quickly. Presumably, that's speculation. People have benefited from price increases in recent years.

What are your thoughts on that? What do you think about the quality of the information that young first, second or third-time buyers are exposed to?

Do you think that's a good strategy? In your practice, have you seen people become financially compromised by using these serial buy and refinance techniques?

[*English*]

**Ronald Butler:** That's an excellent question.

The most popular mortgage person on social media in Canada is Québécois. He is Pierre-Charles Jolicoeur, who has an enormous following in the province. It far outdistances anything I have accomplished in English Canada. You make a great point that—

• (1605)

[Translation]

**Jean-Denis Garon:** Would you let him advise you? Is it good advice? Are those good investment techniques? Ultimately, shouldn't the people who listen to these would-be advisers invest in more productive assets elsewhere?

[English]

**Ronald Butler:** It is almost universally bad advice. It is almost exclusively trickery and memes; it's really bad advice in general. It's a free access platform. Anyone can say whatever they want on those. Unfortunately, the majority of the financial advice that's given is pretty bad, so I would support that concept.

[Translation]

**Jean-Denis Garon:** Up until a few years ago, purchasing a property was presented as an important way to build wealth and accumulate capital. For most households, if you exclude defined benefit pension plans, that was the main source of capital accumulation. Do you think that's still true? Do you think we should somewhat reconsider how we see property and view it as a place to live, and invest in more productive assets, for example? Doesn't the high level of household debt, particularly mortgage debt, to some extent eat up savings that should be invested elsewhere in the economy?

[English]

**Ronald Butler:** You are absolutely correct. The reality of life is that all of the advice over the last 15 years to run out and create a real estate empire was terrible advice, because it's all leveraged. It is all self-serving and self-fulfilling. You are correct: In reality, people should have bought one home, put money into inexpensive ETFs and just husbanded their resources.

I say this because every time you recommend leveraging investment, you're taking on an outsized risk that you in all likelihood should not take.

[Translation]

**Jean-Denis Garon:** Quickly, how important are auto loans to people's financial situation? Does the desire to have a car and dependence on the car hinder access to home ownership?

[English]

**Ronald Butler:** I have some expertise in the area. Unfortunately, it's incredibly easy to buy a car—incredibly easy to buy a very expensive car—and it will come back to bite you in the end. That is something we have experienced in our business, where we see huge payments.

**The Chair:** Thank you, Mr. Butler. We're going to have to end it there.

We're going to continue now with Mr. Hallan for five minutes, please.

**Jasraj Hallan (Calgary East, CPC):** Thanks, Chair.

Mr. Butler, thank you for being here again.

The current Minister of Canadian Identity and Culture, Marc Miller, who used to be the immigration minister, slammed his own government at the time and said that immigration was out of control.

Can you tell us about the impact of the Liberals' out-of-control population growth and the effect it has had not just on housing, but overall on the debt?

**Ronald Butler:** There were three years of extreme immigration, when almost 3.5 million people came to Canada.

Canada itself, the government, has done a fantastic job on immigration for decades. It's one of the most important, possibly one of the best features of our country. However, 3.2 million people coming in an incredibly short period of time created such an impact on housing resources. It also impacted health care resources and education resources, but it absolutely created a devastating impact on housing. New Canadians rent. They don't just appear and buy a home; they rent. The rental rates in Canada soared in every province except Quebec. That has had a really severe economic impact on so many Canadians and, unfortunately, on young Canadians and lower-income Canadians. The rise in rents was so spectacular that it impacted everyone.

**Jasraj Hallan:** Is there a long-term effect of this?

• (1610)

**Ronald Butler:** The long-term effect is a slingshot, to the point where now we're going to have excess rental inventory, as the population of Canada reversed by about 65,000 people the previous quarter. We're going to have excess rental inventory, and we have an ocean of unsold dog-crate condos in Toronto that will take a long time to clear.

**Jasraj Hallan:** You've seen the RBC report, I imagine, that shows that there's a lost Liberal decade when about \$1 trillion of our investment went out. Can you talk a bit about that and the impact it has on housing?

**Ronald Butler:** I would say this. The difficulty was an obsession with investing just in real estate—real estate as a mechanism towards wealth. To a certain extent, the negligence was that, while productive money could have been going to resources, to manufacturing or to other job-creating scenarios, we saw money going strictly to real estate. It's helpful to construction workers, but in the end it creates a glut, and there's no more work for the workers.

**Jasraj Hallan:** This Liberal government is known for its massive money printing and massive deficits. In fact, Mark Carney, the current Prime Minister, has now doubled the deficit of even Justin Trudeau. Even I was surprised by that. What do all this money printing and these deficits do to the middle class, and what does that do for taxes later on for young people looking to get into home ownership?

**Ronald Butler:** We've seen the issues of accelerated asset growth and the outcome of much deficit. By the way, this is a problem throughout the world. In the whole Anglosphere, we see where there's been great deficit spending. We've seen asset inflation. That asset inflation aids people who are wealthy or already own homes and harms people who are young and don't have adequate income to buy homes. That's been an obvious outgrowth of what we've seen for the last number of years.

**Jasraj Hallan:** Ms. Bednar, I want to get you in as well.

Canadians are taking on more non-mortgage debt than ever before. According to Equifax, the bottom 75% of earners in Canada have a debt-to-income ratio of at least 200%, and it's over 480% for the bottom 20% of income earners. What impact do growing household debt levels have on first-time homebuyers and for young Canadians?

**Vasiliki Bednar:** Maybe I'll speak broadly to young Canadians.

About a decade ago, I was chair of the expert panel on youth employment, and the economy is something I continue to follow. What we're seeing are some of the challenges with accessing affordable homes, and that could just be through affordable rental items that allow people to save money and live. We're starting to see that reflected in happiness surveys and young people's forecasting around their own ability to prosper and succeed. That's why I bring it back to broader, bigger prosperity opportunities, how we're growing the economy, and what other complementary public policy tools we have beyond the negative.

**The Chair:** Thank you, Ms. Bednar. I'm going to have to end that there.

Thank you, Mr. Hallan.

We're going to continue now with Mr. Sawatzky for five minutes.

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

Thank you to our witnesses for coming in today.

Ms. Bednar, in your opening remarks you were talking about buy now pay later. You mentioned that this has become an increasingly common situation with younger Canadians.

I was seeing a joke about an ad where people could finance a pizza, which goes to show how common this is, even for small transactions. Where does financial literacy come into play here? How can we educate the younger generations about what's in the small print? What would you see? What are the first steps we can take to reduce some of this being such a common occurrence?

**Vasiliki Bednar:** I don't think it's good or bad that we have a lot more people engaging with buy now pay later. I think the failure is in our regulatory infrastructure. You could argue that buy now pay later is a really savvy competitor to the Visa-Mastercard duopoly, where front-loading somebody at zero interest with the ability to break something up into four payments is kind of great. We see this reflected in other policy areas, for example, a dental program we have that allows people to access dental care up front and pay it off in later instalments that are interest-free.

I don't want to discount financial literacy being an element here, but, again, when it's not reflected, when we haven't decided whether we see this as a credit product or a loan product, for young people, buy now pay later could be a vehicle to build credit outside of a credit card in the way we've seen that ability through incredible Canadian fintechs like Borrowell, which allows people to use paying their rent on time as a vehicle towards credit.

I'm more saying that often we talk about sovereignty as a deficit, something that we don't have or we don't do, but if you think of just keeping it in line with young people, like doing a quiz in a magazine, can you govern the markets you have, yes or no? Often we're talking about it on the no side, but on the yes side, the quiz isn't over. The next question is: Are you? I think with buy now pay later, there's a yes-no there. Right now we're on the no side. We need to get to the yes side, because young people, like all Canadians, expect our legislation to reflect the reality they live every day, and right now it doesn't.

• (1615)

**Jake Sawatzky:** Thank you.

What would you say are some of the more predatory practices with buy now pay later? Are there certain instances where this is particularly bad? I know you mentioned some good aspects, and that's nice to hear. What would be some negative ones?

**Vasiliki Bednar:** I had a laugh at the pizza one, too. I think I saw it with instalments of a burrito. It was a partnership with Uber Eats, or something like that. It's good to have a laugh but also recognize what's out there in the marketplace and what people are using it for.

Social media is also a vehicle that allows us to have access to how other people live and what their lives look like in a way that we never quite had before. It can also entice and encourage supplementary spending outside of the essentials when you're keeping up with people in your feeds or with algorithms. I would also put that forward, because it's so easy to engage with, and it's just a click away. I understand why people may think, if they see it as an option at a checkout, or something that's simple or traditional, that it is part of the infrastructure we understand. I'm not advocating to hurt people's credit scores but rather to protect young people who may become quickly over-leveraged in a way that they don't realize and that can hurt them later—outside of burritos.

**Jake Sawatzky:** You mentioned some further regulations. What could those regulations look like?

**Vasiliki Bednar:** The big question is whether we want to deem this a credit or a loan product in Canada. It seems that other jurisdictions are looking at it more like a credit program. It basically reverses layaway, where you used to be able to pay for something in instalments, but you got the prize—what you were saving for—at the end of that journey. Now we're front-loading it, which does a lot for dopamine and gratification but can feel confusing too. You get something important that you may have coveted or that is necessary for daily life, but it has a longer tail with the payment structure.

Ultimately, it's about asserting the right jurisdiction and recognizing that this product is out there. We've permitted it in our digital economy. That happens more and more, but it's incumbent upon us to respond to it appropriately.

**Jake Sawatzky:** What's the best-case scenario? Have we taken all the steps that we should here? How could this look in a good situation?

**The Chair:** I apologize. You'll have to get to that in another response.

That concludes your time. Thank you, Mr. Sawatzky.

[*Translation*]

We'll continue with you, Mr. Garon. You have the floor for two and a half minutes.

**Jean-Denis Garon:** Thank you.

I'm going to continue along the same lines as my colleague.

Ms. Bednar, if we want to understand debt problems, we need to understand the psychology of people who go into debt. For example, some bankers might tell us that the buy now, pay later plan is just a financial product available on the market. Reasonable and rational people use it intelligently. However, when these products are offered to people with self-control issues when they want something right way or when they're hungry and they have no income or are on a tight budget, they can be a tool that makes them even more financially insecure. They could start a cascade of financial events that can potentially lead to bankruptcy.

First, I would like to know how popular this practice is. What does it say about our needs and about how our environment is creating needs for us today? Isn't it also the source of a lot of debt problems?

I would also like to know whether using these products a lot leads to financial problems. Do we know if they indicate that someone will have financial problems in the future? What is the profile of people who use them a lot? Do they tend to be younger people? I can tell you that my grandmother doesn't pay for her groceries in 12 equal instalments. Are they more popular with young people, then? I'll let you comment on that.

• (1620)

[*English*]

**Vasiliki Bednar:** My grandmother pays for her groceries in cash, too.

The information that's available suggests it is younger Canadians, 30 and under, who tend to turn to buy now pay later. Because we don't integrate it into our ledger of global household debt in

Canada, which, as you've heard, is already quite high and rising, it's invisible to policy-makers. It's also invisible to the various buy now pay later programs. They have a harder time deciding who's credit-worthy, unless you've been with one of the giants, a firm, and you've defaulted on that buy now pay later option, in which case they'll understand and be able to make a decision that this option may not be available to you. Because there are many of these products in the marketplace, that's how people can stack that debt.

In terms of the key indicators, I think what also matters is when and where people are using it. Again, if you move somewhere, you need a couch, you need a mattress. This makes sense in a particular way. The concerning element of it being used for groceries and other everyday essentials is symptomatic of the affordability problem and the broader prosperity problem. It's not that buy now pay later is bad.

**The Chair:** I'm sorry, Ms. Bednar. I'm going to cut you off there.

**Vasiliki Bednar:** I'm so sorry. I'll speed it up next time.

**The Chair:** It's a condensed round.

We're now going to continue with Ms. Cobena for five minutes, please.

**Sandra Cobena (Newmarket—Aurora, CPC):** Thank you, Madam Chair.

My question is for Mr. Butler.

In your opening remarks, you talked about how you would love to go back to seeing more ordinary Canadians making an ordinary income be able to afford a home. We used to see 27 as the average age when one would acquire a home, and now the average age is about 40. Clearly, there's a problem here that we need to address.

We have seen the government respond with a fourth housing bureaucracy, yet we continue to see reports that there are still even 100,000 construction workers who are at risk of facing layoffs, and we are still seeing Canadians struggle to enter the housing market.

What are your thoughts about this fourth housing bureaucracy as a solution to the problem?

**Ronald Butler:** It's no secret that I never understood Build Canada Homes or why the agency was created. I don't understand how it's going to move forward to accomplish very much in the end, because we had existing bureaucracies that could do the same thing. We had Canada Lands Company, and we had CMHC, which runs splendid programs in those areas.

We have to also understand really clearly that there's absolutely no home that Build Canada Homes will develop that will ever be sold to a Canadian. This is social housing and purpose-built rentals. There's never going to be a home for sale that comes out of Build Canada Homes, and that's my entire critique.

The greatest thing we could do in Canada is make it possible for more younger, middle-income people to buy homes in places they want to live. It is a good idea to develop smaller centres, but why would we want to insist that young Canadians move far away? You can't live in Burnaby anymore. You have to go way the hell to somewhere else. You can't do it, because it's just too expensive, and it will be too expensive forever.

That's my problem with the whole approach. Yes, more social housing is a great thing, because people who have problems need housing, but it's not helping young people buy homes.

**Sandra Cobena:** It's interesting, because there was a recent MNP consumer debt index report that found that young Canadians are actually the most likely to feel financially paralyzed.

Do you see that in your line of work as well?

**Ronald Butler:** We don't see it too much, because the truth is that they've given up. They don't call a mortgage company. They know they can't get a mortgage. Probably the most tragic element is that we don't get those calls. We don't get the calls from young people who say, "Hey, I think I can buy this house in Vancouver, Markham or Oakville." We don't get the calls, because they know they can't buy it unless they have massive parental assistance.

**Sandra Cobena:** You have 30 years of experience in the mortgage market. Is that correct?

**Ronald Butler:** I'm very old, yes.

**Sandra Cobena:** That's a good thing.

What would be your recommendation for how the government could better address the housing market problem that we have?

• (1625)

**Ronald Butler:** The recommendation is one that is unlikely to occur. It is to let nature take its course and continue to allow house prices to fall.

More than anything else, the government needs to find a way to re-energize investment in Canada for high-paying jobs or better-paying jobs and avoid any type of wage suppression; I don't think that is the intention of the government, but it's certainly been the outcome we've seen for the best part of a decade. Wage suppression has gone on to the point where young people can't afford homes and middle-income people can't afford homes.

**Sandra Cobena:** Thank you, Mr. Butler.

Ms. Bednar, you mentioned that, obviously, there are some Canadians who are paying for burritos in instalments. Even though there may be a deal and it may be an alternative to using a credit card, it is a sign of a cash flow restraint.

This is a household debt study, but you mentioned something that I found interesting. You said private debt is compensating for public policy failure. Could you expand on that?

**Vasiliki Bednar:** The public policy failure is the prosperity one. Our wages have not kept up. Our economic growth is so slow that people are constrained when it comes to wage growth and the cost of living, which is why it's so connected to all these other policy levers.

**The Chair:** Thank you very much, Ms. Cobena.

Mr. MacDonald, you have five minutes.

**Kent MacDonald (Cardigan, Lib.):** I'll question Mr. MacKenzie first.

Mr. MacKenzie, we've heard a lot of testimony here at committee arguing that many owners of households may appear to be stable because of their accumulated home equity, but in practice they could be short on liquidity, and they're vulnerable to refinancing challenges and rising mortgage payments when they refinance, as well as the cost of insurance, taxes and maintenance.

My question for you today is this: Are you seeing more homeowners who are asset rich but cash poor? I thought that was always a farming term, but I guess it's spread to home ownership as well.

What specific mortgage market changes, whether around underwriting, refinancing flexibility or product design, would you recommend to help stabilize these issues?

**Peter MacKenzie:** You're right in that there is a segment of homeowners coming up to refinance who is asset rich, because the price of their home has increased, but they don't have the money to pay that higher mortgage rate. Refinancing and temporary payment relief are some policy levers, but it's hard, in the short term, to really fix it.

When you look at the debt service ratio, it's going to be a systemic problem across Canada. When you look at bigger centres, such as Toronto and Vancouver, that's definitely a concern.

As far as a policy lever is concerned, it's not completely obvious what it would be, besides some temporary payment relief.

**Kent MacDonald:** I'll stick with you, Mr. MacKenzie.

Budget 2025, which we passed in the House, offers tax relief, but it also offers first-time homebuyers a GST rebate.

Which of those measures do you think will help affordability the most?

**Peter MacKenzie:** I think both can help affordability, but to me, both are more demand-side measures.

The way to fix the housing supply problem in Canada and get people out of having to take these oversized mortgages they won't necessarily be able to afford in the future is to build more housing. The supply side is where it has to come from.

As my friend Ron talked about, in Toronto there are many condos sitting unsold, and the condo market is in a big downturn there. The demand is really for single-family homes and not condos, for the most part, at least. Giving the market time to fill that demand and having the government help them do that would be ideal.

• (1630)

**Kent MacDonald:** In my region of the country, Atlantic Canada, we've seen post-COVID housing prices driven up by out-migration from Toronto and other large centres. They took advantage of the equity in their homes and purchased less expensive homes in rural regions. Maybe they wanted to live in a less dense population and COVID made them make that decision. I don't know what their decision-making process was.

What we do know in Atlantic Canada now is that we are seeing rentals coming down. We're seeing the price of homes at least stabilizing and not escalating anymore. If you talk to real estate companies, their sales have slowed down considerably. With the right type of building going forward, we should see home ownership for young Canadians become more affordable.

Would you agree with that? Can you speak to that?

**Peter MacKenzie:** Yes, generally, I would agree with that.

I actually lived in Atlantic Canada during COVID. I followed that movement out east. Certain factors, like working from home, enabled people to live in different areas.

The type of housing offered is a major consideration when looking at this. People want different types of housing. The demand across the board seems to be for detached single-family homes, but there are different density considerations as well.

**The Chair:** Thank you, Mr. MacKenzie.

Thank you, Mr. MacDonald.

That concludes the time we have for this hour. On behalf of the committee, I would like to thank our witnesses for their time today.

We're going to now briefly suspend as we change over for the next hour.

Thank you very much.

• (1630)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1635)

**The Chair:** Welcome back. We will resume the meeting.

[*Translation*]

I'd like to welcome the witnesses.

[*English*]

We have, from the Canadian Association of Insolvency and Restructuring Professionals, Mr. André Bolduc, licensed insolvency

trustee, as well as Wesley Cowan, another licensed insolvency trustee.

[*Translation*]

We also have Maude Pugliese, associate professor at the Institut national de la recherche scientifique at Université du Québec.

[*English*]

We have as well Douglas Hoyes, the licensed insolvency trustee for Hoyes, Michalos and Associates Inc.

I would 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 microphone, and please mute it when you are not speaking.

For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: the floor audio, English or French.

As a reminder, all comments should be addressed through the chair.

As you just heard, all of our virtual witnesses have conducted a mandatory witness onboarding test.

[*Translation*]

Let's get started. Each witness will have five minutes for their opening remarks. Afterwards, we will proceed with a round of questions.

[*English*]

We will begin with the Canadian Association of Insolvency and Restructuring Professionals.

**André Bolduc (Licensed Insolvency Trustee, Canadian Association of Insolvency and Restructuring Professionals):** Madam Chair and members of the committee, thank you for the opportunity to appear today.

My name is André Bolduc, and with me virtually is Wes Cowan. We are both licensed insolvency trustees, federally regulated by the Office of the Superintendent of Bankruptcy, and we appear on behalf of the Canadian Association of Insolvency and Restructuring Professionals, or CAIRP for short. I am the immediate past chair, and Wes is the current vice-chair. CAIRP represents nearly 1,400 members and associates working in consumer and commercial insolvency and restructuring across Canada.

As frontline professionals, we work directly with Canadians in financial distress and, as the only professionals authorized to provide formal legal debt solutions to Canadians, we see first-hand the consequences of household debt.

I will now turn things over to my colleague, Wes Cowan, on the trends we are seeing.

**Wesley Cowan (Licensed Insolvency Trustee, Canadian Association of Insolvency and Restructuring Professionals):** Thank you, André.

We are seeing several consistent trends.

First, many Canadian households remain under significant financial pressure due to increasing debt levels. With little savings and many living paycheque to paycheque, even a modest shock can quickly lead to a financial crisis.

Second, we are seeing longer-term and riskier debt products, especially in auto lending. The combination of higher vehicle prices, loan terms stretching over seven to eight years and consumers carrying negative equity is a problem for households.

Third, alternative and digital lending, including buy now pay later products, have expanded rapidly. Once used mainly for small purchases, these products now finance everything from travel to major household expenses. These lending products are easy to access, but they are expensive and difficult to exit.

Fourth, the costs of housing pressures are increasing. Rents are higher, and many preconstruction buyers are losing deposits and walking away from contracts as falling property values make financing harder to secure. Longer mortgage amortizations may delay distress, but they can also mask underlying affordability problems.

Finally, income volatility is becoming more common. Irregular earnings in gig work and self-employment can leave households struggling to match tax obligations and cash flow, often increasing reliance on credit.

We believe there are four areas where targeted action could improve the resilience of Canadian households. At this point, I'll turn it back to André to expand on these areas.

**André Bolduc:** These four targeted actions could improve the resilience of Canadian households.

First, we believe that stronger federal-provincial alignment is needed to improve consumer protection. Rules on issues such as statute-barred debts, collection practices, credit reporting and consumer remedies vary widely across provinces, creating confusion for consumers and regulatory gaps.

Second, stronger protections are needed against false and misleading advertising of debt solutions, along with clearer direction to trusted sources of advice. For example, Google offers a useful model whereby, in Canada, only federally regulated, licensed insolvency trustees may advertise debt services on its platform. We believe that similar standards should apply across other digital and social media platforms.

Third, CAIRP supports having responsible lending guardrails that preserve access to credit while reducing harm. Possible measures could include limits on auto loans where there is negative equity, clearer disclosure for high-cost and digital lending and, of course, more consistent oversight across all types of lenders.

Lastly, financial literacy efforts should continue to be strengthened. Licensed insolvency trustees contribute to financial literacy through the mandatory counselling we provide in bankruptcies and

consumer proposals, but we believe that more could be done. CAIRP remains committed to working with the OSB and the FCAC to help Canadians access reliable and timely debt advice.

We look forward to answering the committee's questions.

Thank you.

● (1640)

**The Chair:** Great. Thank you, Mr. Bolduc and Mr. Cowan.

[*Translation*]

I'm going to turn the floor over to Ms. Pugliese for five minutes.

**Maude Pugliese (Associate Professor, Institut national de la recherche scientifique, Université du Québec, As an Individual):** Good afternoon, Madam Chair and members of the committee.

Thank you very much for the invitation to appear.

I am a sociologist, a professor at the Institut national de la recherche scientifique or INRS, and the Canada research chair in family financial experiences and wealth inequality.

In 2022, I did a study on close to 5,000 adult Quebecers to document their debt. My work is largely based on the results of that study. I've also submitted my full research report to the committee for further reference.

I'd first like to emphasize the importance of distinguishing between debt and excessive debt, that is, debt that's become difficult or impossible to repay. It's really these situations that cause stress, even psychological distress and a decline in financial health, particularly due to the accumulation of interest.

My study shows that, despite the extent of household debt in Canada, most people are not dealing with excessive debt, but a sizeable minority is. In 2022, 66% of Quebecers were in debt, and only 10% of those debtors were having a very hard time paying it off or were unable to do so. Another 18% of them struggled to pay it off on occasion. That's a pretty big group.

We need to understand what leads to excessive debt in order to implement effective prevention strategies. My results suggest that it's not just a matter of how much debt one carries, poor financial literacy or spending beyond one's means. The determining factor is also the context in which the debt was incurred.

Those struggling to repay have generally taken on debt, not as a planned strategic investment, such as buying a house, but to make up for a lack of resources often linked to a destabilizing life event. In these cases, debt is urgently used as a last resort to meet basic needs, often through high-interest credit products—we've mentioned them at this meeting—because people have no other options or they are unaware of their options.

My study more specifically identified three major situations that lead to this type of debt, which I call compensatory debt.

First is support for children and loved ones: 12% of indebted individuals, especially women, reported going into debt to finance parental leave because they had no access to child care or due to a caregiving situation.

Second, 11% took on debt to cope with job loss, and this was often coupled with health problems.

Finally, 4% said they took on debt to offset a combination of financial problems related to chronically low resources.

More than half of the people who took on debt for those reasons were struggling to pay it off.

To prevent excessive debt, we need to act upstream, in my opinion, by helping people be better able to deal with these situations without resorting to costly credit.

I could offer three main suggestions.

First, certain social programs should be enhanced, including family policies, namely child care services, parental leave, and support for family caregivers and, of course, programs related to job loss and disability.

Second, we should improve awareness of available programs and alternatives to credit during transitions that may lead to compensatory debt, such as the birth of a child, job loss or illness, through education and financial counselling that truly aim to connect with people when they are experiencing those situations.

Third, we must also recognize the real need for small amounts of credit in the short and medium terms among people with lower incomes or who are experiencing a significant loss of income. For many of them, it's really hard to save for basic expenses like winter clothing or emergencies. Also, it's almost inevitable that they will purchase these expensive items on credit.

However, for people with lower incomes, the supply of short-term credit is currently dominated by alternative sector lenders that are often more expensive and less regulated. Banks, for example, often exclude low-income people from their best offers, such as their rewards credit cards, while at the same time indirectly making them bear the costs—

• (1645)

**The Chair:** Can you wrap up quickly, please, Ms. Pugliese?

**Maude Pugliese:** —associated with those products through interchange fees. Programs aimed at developing a supply of small, affordable short-term credit that meets the needs of people with lower incomes would prevent problematic debt.

In closing, I would say that, in comparison, a number of public programs support mortgage credit.

**The Chair:** Thank you, Ms. Pugliese. We have to end opening remarks there.

[English]

We will continue now with Mr. Hoyes for five minutes, please.

**Douglas Hoyes (Licensed Insolvency Trustee, Hoyes, Michalos and Associates Inc., As an Individual):** Madam Chair and honourable members of the committee, thank you for the invitation. My name is Doug Hoyes of Hoyes, Michalos. I am a licensed insolvency trustee. Over the last 27 years, my firm has helped more than 75,000 Canadians formally deal with their debt.

Let me give you three observations on what we're seeing on the ground right now. First, this isn't a new debt problem. It's the same problem stretched further. Canadians are carrying more debt for longer before they run out of options. Based on data we gather from our clients and publish annually in our Hoyes, Michalos Joe Debtor bankruptcy study, the average insolvent Canadian now owes over \$67,000 in unsecured debt, spread across more than 10 creditors. That's not one bad decision. Canadians are layering debt on top of debt, using credit as a coping strategy. By the time they come to see me, they're not dealing with one problem. They're dealing with 10.

Consumer insolvency is a lagging indicator. People don't rush to file. They exhaust every option first—refinancing, balance transfers, minimum payments—before seeking formal help. What we are seeing today is financial stress being stored, not resolved. That doesn't fully show up in today's numbers, but it will. Today's relatively modest increase in insolvency filings understates the pressure building beneath the surface. That pressure will lead to a higher number of insolvency filings over the next 12 to 24 months.

My second observation is that the federal government, through the Canada Revenue Agency, is a creditor in over 40% of personal insolvencies. Based on my estimates, approximately \$1.4 billion of CRA debt was included in consumer insolvencies last year. In most cases, the best outcome for all parties is a consumer proposal, one where the debtor repays a portion of their debt and creditors receive more than they would in a bankruptcy. In practice, though, we are seeing a growing disconnect.

As you may be aware, the Office of the Auditor General of Canada recently identified significant service delivery challenges at the CRA. I have the same concerns. In practice, when the CRA is a significant creditor, consumer proposals may take months to be reviewed. In some cases, the CRA requires repayment terms that exceed what the debtor can realistically afford.

The result is predictable. The proposal fails. The debtor files bankruptcy. Everyone, including the government, recovers less. The debtor was willing to pay more, but the system just didn't allow it. This is not a policy problem; it's a process problem. If the goal is to maximize recovery, then decisions should be grounded in what is achievable, not what is theoretically recoverable.

Finally, I would like to address the issue of unlicensed debt advisers. We continue to see cases where vulnerable Canadians unwittingly fall prey to unregulated advisers who charge significant upfront fees for unnecessary services or, in some cases, harmful ones. These consumers often arrive at a licensed insolvency trustee later, with fewer options and worse outcomes. As the superintendent of bankruptcy noted in her testimony before this committee last week, she has made progress in this area. I commend her for that and encourage continued enforcement.

Canada's insolvency system is fundamentally sound. It balances two objectives—maximizing recovery for creditors and providing a fresh start for the honest but unfortunate debtor—but right now we are seeing strains in how it operates. Financial pressure is building, process decisions are reducing recoveries, and vulnerable consumers are still falling prey to unscrupulous debt advisers. These are real problems, but they are solvable. If we focus on what people can realistically repay, we will improve outcomes for debtors, creditors and taxpayers.

Thank you. I look forward to your questions.

• (1650)

**The Chair:** Great.

Thank you very much to all our witnesses for their opening remarks.

We will commence with Mr. McLean for six minutes.

**Greg McLean (Calgary Centre, CPC):** Thank you, Madam Chair.

Thank you to the witnesses for appearing today and for this input.

Mr. Cowan, you talked about longer-term debt commitments. You referenced the cost of housing and how it's affecting Canadians who are in some kind of trouble right now. You also talked about longer amortization periods.

Could you quickly give me what you think the right amortization period is for a mortgage that has increased significantly over the last number of years? What's the correct number, in your opinion, for the amount of time over which we should amortize a house?

**Wesley Cowan:** It's a difficult thing to pin down. Obviously, right now what's happening for a lot of Canadians, although interest rates have fallen back over the past number of years—

**Greg McLean:** Mr. Cowan, it's a straightforward question.

What number of years do you think we should amortize a house over in a mortgage period?

**Wesley Cowan:** I would say it's probably what it's been more traditionally. A reasonable period of time is 25 to 40 years.

**Greg McLean:** Did you say 25 to 30 years?

**Wesley Cowan:** Ideally, yes—

**Greg McLean:** Twenty-five to 40 years is way too large of a spread. Can you give us a number, please?

**Wesley Cowan:** This is a personal opinion. I'm not an economist. Based on what I've seen, I would say probably 30 years.

**Greg McLean:** Personally, I'd say 25 years, but maybe I'm a little tighter than you are.

When the Bank of Canada drops its baseline interest rate, it is to stimulate the economy and to stimulate people into houses. Can you tell us if that, in your opinion, has any effect on the price of houses?

**Wesley Cowan:** I think we certainly did see this during the pandemic. When interest rates were quite low, there was an opportunity for people to get into a house and their monthly mortgage cost was affordable. That—

**Greg McLean:** Mr. Cowan, I have limited time, so I'm asking you straightforward questions.

Does dropping interest rates on mortgages inflate the cost of housing?

**Wesley Cowan:** In my opinion, it does.

**Greg McLean:** Do you have any idea how much it inflates the price? If you drop a baseline mortgage from 4%, for instance, to 2%, how much would that inflate, say, a \$600,000 house?

**Wesley Cowan:** Sir, that's an answer I cannot give you. It's outside of my wheelhouse.

**Greg McLean:** Okay, thank you.

One of the issues here is that the government has said it's going to build houses at levels "not seen in generations". Once you inflate the market for housing, what do you think the obvious result—because of the inputs and labour required to do that and therefore the price you're going to have to sell those houses at—will be on the cost of those houses?

**Wesley Cowan:** If the price of housing overall has gone up, then newbuilds will also be at a higher price, as long as the demand is there for them.

**Greg McLean:** If we build more houses and it costs more to build those houses, the prices are going to have to go up as well. Would that be correct?

**Wesley Cowan:** That's except if there's more supply. The price of housing should stabilize or come down as a result of that. If there's more opportunity for buyers, there'll be more competition in the market.

**Greg McLean:** We often say that people don't buy houses; they buy payments, and those are mortgage payments. In a stabilized environment, as far as building housing and financing housing goes, how many houses per year should we be building in Canada, in your opinion?

• (1655)

**Wesley Cowan:** Sir, that is a question for an economist, which I am not. I wouldn't venture to go there.

**Greg McLean:** All right. Then I shall move on to Mr. Bolduc, if I may.

Right now, Canada has the highest debt of all the countries in the G7. That's consumer debt as well. Consumer debt alone is at 103% of GDP, not counting all the government debt that would layer in at a significant level on top of that. Consumer debt is 177% of disposable income, yet our debt service ratio in Canada is significantly higher than it is in the United States. It's about 14.6% of disposable income in Canada versus about 11.3% in the U.S.

Can you tell me why we have that differential with the United States? Why are Canadians spending so much more on interest than our neighbours just across the border to the south of us?

**André Bolduc:** We're spending more on interest because we have a higher amount of debt, quite simply. We do follow the debt-to-income ratio quite closely, but the other ratio, not so much. It's simply that Canadians are carrying more debt.

I would also point out that our savings rate in Canada is lower than what it is in the U.S. as well. People have less of a pad to fall back onto.

**Greg McLean:** At the same time, the Canadian bank rate is 150 basis points lower than the U.S.'s bank rate. Somehow we're missing something whereby consumers are suddenly more exposed in Canada versus the United States.

One of your predecessors in the last panel said this was a result of wage suppression in Canada over the last 10 years. Do you have any comment on that?

**André Bolduc:** I'm not sure I would phrase it exactly in that way, and I'm not an economist, but I think that in the U.S. they have

more disposable income, and generally wages are higher comparative to Canada.

**The Chair:** Thank you, Mr. Bolduc.

Thank you, Mr. McLean.

We'll continue now with Mr. MacDonald for six minutes.

**Kent MacDonald:** Thank you, Madam Chair. Thank you to the witnesses.

Mr. Hoyes, you were talking about the consumer insolvencies. I was noticing, when I was doing my research, that prior to, let's say, the pandemic, we saw a lot of consumers go through bankruptcy. Today, it's proposals, so that trend, obviously, is better. It probably gets better returns for everyone affected by an insolvency situation.

Is there one point in particular that drives these? I'm thinking in terms of, is it housing costs, is it food and everyday expenses, or is it debt accumulated gradually through credit cards and unsecured borrowing? Is there one of those factors that plays a bigger role in what you see?

**Douglas Hoyes:** Are you asking about why there are more consumer proposals than bankruptcies, or why there are more insolvencies in general?

**Kent MacDonald:** Why are there more insolvencies in general? That was just something I noted, that now it's gone to proposals rather than bankruptcies.

**Douglas Hoyes:** Yes, there have always been life events that have caused insolvencies: losing your job, getting divorced, medical issues and that sort of thing. That has always been the case. What we are seeing increasing now is that people are coming to us who have not had a specific life event. "What happened? My expenses are much higher than what my income is, and I just can't keep up."

That's why we're seeing an increasing level of debt over an increasing number of creditors. It's become more of a structural problem rather than a one-time event that is tipping a lot of people into insolvency.

**Kent MacDonald:** People don't talk about a bankruptcy or an insolvency situation. When they acquire the services of a company like yours to put a proposal forward, and they're successful, is there an average cost to that? I'm just asking out of my own curiosity.

**Douglas Hoyes:** Yes. If you want me to pick a number out of the air, I would say it is roughly a third of their total debt. There's a significant range. It could be 10%, or it could be up to 100%, but that's the area where creditors are generally willing to accept it, provided that return is greater than what they would receive in a bankruptcy.

**Kent MacDonald:** You pointed out that the Canada Revenue Agency has maybe not been a willing negotiator on these proposals. Are you recommending that government change the regulations to try to...?

• (1700)

**Douglas Hoyes:** No. What I'm recommending is that we create a coffee club, where licensed insolvency trustees, representatives of CRA and the Office of the Superintendent of Bankruptcy can get together every three months, have a coffee and talk about these issues, because I think it's just a disconnect between what one party thinks they want and the other party thinks they can get. If we could talk this out, it would not be very complicated. I think the laws are fine. It's just that the representatives from CRA are thinking they have to recover more money. Yes, but if it isn't there, you can't recover it.

I think a bit of communication would solve 80% of this problem.

**Kent MacDonald:** In these proposals, then, if the bank is accepting 50 cents on the dollar, then CRA has to be in that same category: 50 cents on the dollar.

**Douglas Hoyes:** Debtors can afford only so much. Asking someone for this much when they can afford only this much means they don't do it, and it tips into a bankruptcy. That's not a good solution for anybody.

**Kent MacDonald:** Okay, I'm going to move on to Mr. Cowan.

Mr. Cowan, I met recently with a lot of university and college students across Atlantic Canada, and one of the things I took from that meeting was they spoke about the amount of debt they started life with after school. In lots of instances, it's a lot more than \$25,000, and particularly in Atlantic Canada, a lot of these students have to be mobile, in that they have to go and find work in their careers where the work is available, which increases their need either to find rental properties or—down the road, when they're established—to buy homes.

In your experience, are you seeing more young Canadians, particularly in regions like Atlantic Canada, entering insolvency? Are they hitting a brick wall?

**Wesley Cowan:** Definitely, in my own practice, I've noticed that there is a growing number of younger Canadians who are running into financial difficulty and sometimes having to seek assistance and possibly insolvency services.

I think a lot of that has to do with just what we touched on in our introductory remarks. The nature of work, particularly for younger people, tends to be more short-term, the gig economy kind of thing, and that inconsistency in their income is what contributes to that problem.

To your point about the idea of student loans, fortunately the student loan bodies in Canada, for the most part, are very co-operative and try to help students as much as they can with payment deferrals and things like that. That's a great help to those students, those young people, but you know, it is a challenge right now to try to maintain a level of income that will allow them that mobility and those opportunities.

**Kent MacDonald:** I'll continue with a question for Professor Pugliese.

**The Chair:** Mr. MacDonald, you have only 10 seconds left.

**Kent MacDonald:** Oh, I'm sorry. If I get another round, I'll ask the question.

**The Chair:** I apologize for that.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

**Jean-Denis Garon:** Thank you.

As it happens, my colleague Mr. McDonald almost saved me because I was going to ask Professor Pugliese some questions and apologize for perhaps mispronouncing her name. So I thank him, that's some very good cross-partisan work.

Professor Pugliese, you talked about the distinction between debt and excessive debt. I imagine that, somewhere, there must be a dynamic there. A person who has a lot of debt can, through a combination of circumstances, develop excessive debt. After that, they become subject to all the problems associated with that.

I'd like to know what factors in an economic environment can make someone go from being in debt to being in excessive debt. For example, I'm thinking of rising interest rates or rising commodity prices, but also of the fact that we have an employment insurance program. You talked about the social safety net, which, according to the latest figures I've seen, doesn't adequately cover nearly 45% of workers in Canada.

What factors take people from debt to excessive debt, with all the attendant ills?

**Maude Pugliese:** Actually, economically speaking, it's interesting to note that I did the study in 2022, just before inflation hit and mortgage rates went up. I did the same study again in 2023 with a smaller sample. We saw a marked increase in debt difficulties, even in the category of people who said they had gone into debt simply to buy a house or a car. These are indeed environmental effects that can have an impact.

That said, I still believe that excessive debt issues are very much related to the context in which people take on debt at the outset. It often happens in an emergency or when there are no other options. That's often when people are likely to turn to debt products that are ultimately more expensive than what they can afford based on their income.

• (1705)

**Jean-Denis Garon:** That leads me to my second question. At the end of your opening remarks, you were very graciously cut off by the chair, but I know you were going to talk about the fact that some low-income households also need credit. There are times when people need it, and what the market often has to offer these individuals, who are considered very high risk, are products with very high interest rates. They may not be aware of the other products available to them, or it may take them longer to go to the bank to get a line of credit. So they don't tend to do that.

I would like you to tell us about the need for credit for low-income people. What tools are there? Are they underutilized? What tools could be developed?

**Maude Pugliese:** There are few tools and they're very fragmented.

There are some initiatives at the community level. For example, there are credit unions, but very few of them. That's the point I wanted to make: There are legitimate credit needs out there. Currently, supply is really dominated by players in the alternative sector. We know, for example, that different parts of government—

**Jean-Denis Garon:** Can you give me an example of a player in the alternative sector? Give me the worst example you've ever seen.

**Maude Pugliese:** Payday loans are an example. There are online loans people take out that not only have interest rates, but also all kinds of administrative fees that are not currently considered interest rates. They're charging very high fees.

Are there ways to provide more support for initiatives in credit unions, for example, knowing that the Canadian government provides a lot of support to the mortgage sector?

**Jean-Denis Garon:** The banks would simply tell you that these people are high risk, and that the interest rates charged solely depend on risk. What would you say to those bankers who would tell you that, ultimately, the market simply can't offer what you're asking for?

**Maude Pugliese:** I get that. Arguably, that's not necessarily the banks' role per se. The idea is to look into co-operatives.

Also, should we be asking more of the banking sector? These are interesting and innovative questions to ask ourselves right now on this topic. For example, do banks have a duty to serve the public, as they do in other countries, particularly in France?

**Jean-Denis Garon:** I'd like you to tell me about the importance of the social safety net.

Earlier, a witness here in the room told us that we save less than Americans. That's true, but Americans have to insure themselves against all sorts of things that might happen to them, whereas that's not necessarily the case here. That's not the only reason. I started by mentioning the employment insurance program, which leaves nearly one in two workers out in the cold.

What role does the social safety net play in preventing the excessive debt that can result from potentially unexpected life events?

**Maude Pugliese:** I think this can be a major issue for three types of situations, as I mentioned. There's job loss, but there's also disability. Once you become disabled and are receiving welfare, even saving money can reduce your welfare benefits. So this is really a problem.

There is also the arrival of children, which is increasingly having an impact. I wanted to highlight that. In this regard, child care networks play a role. It is more often women who take leave, but when that leave ends—

**The Chair:** Thank you, Ms. Pugliese. We have to stop there.

Thank you, Mr. Garon.

**Maude Pugliese:** Okay. Thank you very much.

[English]

**The Chair:** Ms. Cobena, go ahead for five minutes, please.

**Sandra Cobena:** Thank you, Chair.

My question is for Mr. Hoyes. You mentioned in your opening statement that you're seeing that Canadians have higher levels of debt for a longer period of time. Can you expand on that? What do you think is driving that?

• (1710)

**Douglas Hoyes:** I think what's driving it are the ins and the outs. Incomes have not risen as fast as expenses have, so how do you bridge the gap? You get credit. You have the ability to borrow more and more. There are many different.... As I said, we layer. It used to be that you'd get a bank loan. Well, now you can get a bank loan, and then you can get a credit card, then finance company loans and then payday loans. When you layer all those things on top, you end up with more debt. It's not just a higher dollar number, but the number of creditors you have is also larger. That's obviously what puts people into more and more trouble.

**Sandra Cobena:** You mentioned the statistics, that an average amount of debt is \$67,000, and an average number of creditors is 10 per Canadian. Is that right?

**Douglas Hoyes:** Yes, that's correct. That would be something like three or four credit cards, and then a bank loan, perhaps some CRA debt, a finance company loan and then, perhaps...well, one to five payday loans.

**Sandra Cobena:** You deal, of course, with Canadians who have been driven to insolvencies. You also mentioned that the number of insolvencies we're seeing today is actually a modest number. Can you talk about that?

**Douglas Hoyes:** That's correct, because there's a big lag effect. If you lose your job today and your income stops, you don't go bankrupt tomorrow. You refinance. You delay payments. It takes a long time, so the problems that are percolating under the surface are going to create higher insolvency numbers over the next one to two years.

**Sandra Cobena:** It's interesting, because we had Statistics Canada here at the committee, talking about food, housing and transportation being more than Canadians' income by roughly 104%, and Canadians being about \$200 away from not being able to meet their financial obligations. Is that something you see as well? Do you see that Canadians are going into debt because they're struggling to cover their basic expenses?

**Douglas Hoyes:** Yes, and the expenses you mentioned...well, those are the expenses that pretty much everybody has. My typical client, last year, had a take-home pay of just over \$3,400 a month. If you live in Toronto and you're paying \$2,100 or \$2,200 a month just in rent, it's not hard to see that there's just too big a gap, and that gap gets filled with borrowing.

**Sandra Cobena:** It's interesting, because, just the other day, the Prime Minister said that affordability has not been this good in the last 10 years, yet Canadians are going into debt to pay day-to-day expenses. You mentioned that it is, in fact, a structural problem. Can you talk about that?

**Douglas Hoyes:** Yes, we talk about financial literacy, but if my income is \$3,400 and my expenses are \$3,600, I don't know what more someone can do other than increase their income or reduce their expenses. That's why I say it's a structural problem, and it's not an easy thing to solve.

**Sandra Cobena:** Would you agree, then, that the Prime Minister was wrong when he said that affordability is the best it has been in the last 10 years?

**Douglas Hoyes:** I don't have historical comparisons. All I can tell you is that my clients are coming to me, saying, "My expenses are higher than my income. I can't make a go of it."

**Sandra Cobena:** There was an MNP report that showed that 59% of Canadians are actually struggling with housing pressures. Have you noticed these constraints or concerns in your own line of work?

**Douglas Hoyes:** Yes, and I can tell you that we published the Hoyes Michalos homeowners bankruptcy index, which says that only 10% of my clients own a home at the time they file an insolvency. If you go back to 2011, it was more like one-third. I believe Ron Butler made the same comment earlier.

If you own a property and have owned it for the last five, 10 or 15 years, everything's good. If you've been a renter or have not had assets, you have not had that same asset growth, and you have therefore not been able to resort to refinancing to bridge the gap. There's absolutely a difference between homeowners and renters.

**Sandra Cobena:** How much additional debt is not being displayed in the mainstream figures that we are seeing?

**Douglas Hoyes:** Well, we are dealing with, obviously, clients who are at the end of the road and file an insolvency. The average Canadian does not have \$67,000 worth of unsecured debt, but that tells you where the tipping point is. When you get to that level, unless your income is really high, you have a problem.

**Sandra Cobena:** What does this buy now pay later usage that we're seeing tell you, in terms of Canadians being able to afford their necessities?

**The Chair:** Unfortunately you're going to have to answer that at another time, because that concludes your time.

We will continue with Mr. Leitão now for five minutes.

• (1715)

**Carlos Leitão:** Thank you very much, Madam Chair. I will be sharing my time with my colleague, Mr. Sawatzky.

[*Translation*]

I'd like to ask you a quick question, Mr. Bolduc.

You and your colleague, as well as other witnesses, have mentioned auto loans as a source of pressure. Could you tell us a little more about that? What's the problem with auto loans?

[*English*]

**André Bolduc:** Yes. When you look at consumers' budgets, probably the second-highest expense after housing is car payments, along with the gas and the insurance. Sometimes it's a lot more than food, even. If you have a household with two cars, it gets compounded.

We've found that cars are more expensive. You used to finance cars over four or five years. Now, the average is seven years, and we see up to eight years. These are major lenders giving those rates. Payments are getting spread out more.

Also, we're seeing people trade in cars that are not fully paid off. Those get traded in at what's outstanding on the loan, not what the car is worth. When you get a new car, you're rolling in the shortfall on the other one, and now you're paying for two cars or a car and a half. I've also seen scenarios where there are two cars that were traded in. When we see them, the shortfall can be \$20,000 to \$30,000. Over time, those additional payments grind down on your budget, and that's money you can't spend elsewhere. That's the problem we're seeing there.

**Carlos Leitão:** Indeed, yes. Eight years to repay an automobile is a little much. I agree with you.

I will cede my time to my colleague, Mr. Sawatzky, now. Thank you.

[*Translation*]

**Jake Sawatzky:** Thank you, Mr. Leitão.

I would also like to thank the witnesses for joining us today.

Ms. Pugliese, in your opening remarks, you mentioned that people often find themselves in debt following a life-altering event. Could you specify what types of events you observe most frequently and how they specifically lead to debt?

**Maude Pugliese:** The first situation is the need to care for children or family members. Very often, when a child is born, for example, taking parental leave reduces income, and then, when it's time to return to work, if child care isn't available, people often have no choice but to stay home longer. This was not planned at all; the child is at home and debts are piling up. This is a situation that has frequently been noted. In fact, in 14% of cases, debt is linked to the need to care for children or, at the other end of the spectrum, to a situation of caring for a family member. If a parent falls ill, once again, work hours must be reduced. Obviously, in this case, it is more often women who find themselves in this type of situation.

The second very common type of situation is job loss due to illness. This tends to affect men more.

Finally, the third scenario involves people with chronically low incomes, particularly those receiving social assistance. Often, a separation is also a factor in these cases. These are the three most common scenarios.

**Jake Sawatzky:** Thank you very much, Ms. Pugliese.

[*English*]

My next question is for Mr. Cowan.

I was having a look at your recent podcast, in which you talk about global changes. We've been hearing at times that explaining these is an excuse.

It's not necessarily an excuse. I think it's just important to consider the context.

I have about 50 seconds here. How would you explain how these economic shocks can affect consumer confidence?

**Wesley Cowan:** Clearly, right now we're experiencing this with respect to the conflict overseas and the impact on oil prices and, therefore, prices at the pump. We talked about the issue of car expenses. That's a big one for a lot of people—transporting themselves around to work and to things like that.

Generally, what we find too, certainly in my line of work, is that these external factors have a psychological impact on people. If they feel besieged by the debt they have already, they are even more likely to seek out a solution, like an insolvency proceeding, in order to solve the problems they have because of the impact of these external factors.

• (1720)

**The Chair:** Thank you, Mr. Cowan.

Thank you, Mr. Sawatzky.

[Translation]

Mr. Garon for two and a half minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

I'll continue with you, Professor Pugliese.

Are young people affected by excessive debt, and if so, how?

**Maude Pugliese:** Yes. They are affected in the sense that they are more likely to report having difficulty in repaying their debts. Obviously, in their case, part of that debt is related to increasingly costly education, which may not yield the same returns as in the past because of the difficulty in finding employment after graduation and stagnant wages, as has already been mentioned.

Another point worth noting about young people, beyond the fact that their income is significantly lower, is that they often report feeling uncomfortable asking questions at financial institutions and not feeling respected. So if we want to talk about consumer protection, financial literacy and that kind of thing, perhaps we should also find ways to help young people feel welcome in financial institutions and comfortable asking questions.

**Jean-Denis Garon:** Quickly, because time is running out, I'd like to ask you a question that a Liberal colleague, who spent 20 years in the banking sector and isn't here today, has asked several times in other meetings: Is credit too easily accessible?

I'm asking you the same question, but with a particular focus on young people. Also, do they have the financial literacy needed to deal with that availability of credit?

**Maude Pugliese:** Is credit too easily accessible? I tend to agree with a comment that was made in the previous part of the meeting. I think having access to credit can be a good thing, because sometimes it's necessary, especially when you're young and need to invest in the future. It may be more a question of regulating rates.

Can financial literacy play a role? I think it certainly can.

**Jean-Denis Garon:** Quickly, in 10 seconds, what most distinguishes the over-indebtedness situation of Quebecers from that of the rest of Canada?

You have eight seconds.

**Maude Pugliese:** In Quebec, the data are somewhat dated, but Quebec is slightly less over-indebted than the rest of Canada. Why is that? That's a good question.

**The Chair:** Thank you, madam. Time is up.

We have about seven or eight minutes left. If the committee is in agreement, I will cut the remaining time in half and give four minutes to the Conservatives and four minutes to the Liberals.

**Some hon. members:** Agreed.

**The Chair:** Mr. Kelly, you have the floor for four minutes.

[English]

**Pat Kelly:** Thank you.

Mr. Hoyes, you said that debt is not a new problem, that it's a lagging indicator, meaning that people get themselves into debt and that it takes many years before it lands at your office.

What do you make of testimony we heard earlier today about mortgage renewals? We heard that 70% of renewing mortgage customers are paying more than they were paying before, and that there is a record number of them. There are more mortgages maturing in 2026 than in any year in Canadian history. What does that say about the prospects for your business in the coming months and years?

**Douglas Hoyes:** Prospects are good. I will be increasingly busy, because, you're right, let's say I renew my mortgage today. The payment has gone up by \$1,000 a month. That's no problem; I take some money from here and from there and make the payments, but if that happens month after month after month, which it does, eventually you hit the breaking point.

**Pat Kelly:** That's right, and we've heard testimony affirmed by many witnesses at this committee that Canadians are not earning more. Their incomes are not going up. They are dealing with these higher costs. It's not just mortgage credit and not just housing but everything: food, gasoline and all the necessities of life are going up while their wages are not. They're dealing with it by skipping out on other expenses, exhausting their savings or refinancing. Eventually, this is not sustainable and, again, lands at your office. Is that fair to say?

**Douglas Hoyes:** That's exactly right. For many years, house prices went up, so if I had credit card debt, there's no problem. I re-finance and go back to the ATM that is my house. That is no longer there, and that's why we're seeing this pressure building and building.

• (1725)

**Pat Kelly:** Some are refinancing. There was earlier testimony about the appropriate length of time to amortize a mortgage. If you extend the amortization consistently, it almost doesn't matter whether it was 25 or 30 years to start with if you never get under 25 years. Sooner or later this comes to a head.

**Douglas Hoyes:** Yes, because you cannot borrow any more. If the house price is staying the same or going down, you can make the amortization 100 years. It doesn't matter, because the bank's not going to lend you any more money. You can't kick the can down the road any further, and that's pretty much the position we're getting to now.

**Pat Kelly:** I'll maybe just give you a bit of time, because I'm interested in the connection you were making with insolvency proposals and the CRA. Is it your testimony that the CRA is not acting in the best interest of Canadians but wants taxes that are owed collected in dealing with other creditors in a proposal?

**Douglas Hoyes:** Yes. I think they are trying to get more than is available, and, as a result, it backfires. I don't think it's nefarious or anything like that. I think they have instructions to collect what they can and, rather than do what other businesses would do, which is take what they can get, they're holding out for a bit more. As a result, it backfires and, in some cases—not all cases; I don't want to place a blanket on it—they end up getting less.

**Pat Kelly:** Then Canadians, like everybody else, have to make up the difference, because they're not collecting these taxes that are owed.

**Douglas Hoyes:** Yes.

**Pat Kelly:** Thank you.

**The Chair:** Thank you, Mr. Kelly.

Mr. Turnbull, you have the floor for four minutes.

**Ryan Turnbull:** Thanks.

It's a really great conversation today, and I appreciate all the witnesses' testimony.

As I'm listening here, I think our economy has gone through shock after shock after shock. We can go back to the 2008 financial crisis. We can think of COVID-19. We have climate change, and we have the trade and tariff war at this point. These shocks are what, predominantly anyway, have situationally had Canadians fall further and further behind.

Isn't the challenge really to build a more prosperous and resilient economy, so that Canadians who are accumulating debt...? For example, I know that my grandmother paid 19% on her first mortgage with my grandfather many years ago. We've been in a low-interest environment for quite some time that Canadians got used to, and rightly so. It's no longer a stable environment, due to all these shocks.

We've targeted supports as a government to individuals who find themselves extra vulnerable in that leg of the K-shaped economy that we've heard so many talk about. We have an income tax cut for 22 million Canadians in the lowest tax bracket, a groceries and essentials benefit, the Canada child benefit, child care and dental care. We've capped non-sufficient fund fees and done so much more. There are many other policies that have been targeted.

I'm asking myself what more we can do. We've heard that, in many cases, people have been pushed into further and further indebtedness through no fault of their own. A major life event has often precipitated their reaching that point where their over-indebtedness is something that they can't really cope with.

Ms. Pugliese, you talked about people who had experienced a job loss, were injured or went through a separation or divorce. A lot of the measures I've mentioned already target individuals with subsidizing child care, offering the Canada child benefit or reducing the cost of dental care. Those must be helping those families. What more do you think we should do? Can you acknowledge that those have helped, and can you also suggest anything further that we should be considering?

**Maude Pugliese:** I think those things certainly help, especially the child care infrastructure. I think it's quite new, and it's very promising. I think we also need to do more in terms of supporting people who are family caregivers.

Perhaps one last thing I would like to mention is the complexity of figuring out what we are entitled to in different situations. I think any initiatives that would be aiming to inform people of the various benefits would be very useful also, as well as, of course, improving the benefits to which people are already entitled.

• (1730)

**Ryan Turnbull:** I know that we moved forward with an automatic tax filing system that will help many millions of Canadians access some of the benefits that they haven't been able to access or might otherwise not access. Would you say that this would be a helpful initiative?

**Maude Pugliese:** Yes. Actually, I was about to mention it. I think those kinds of smaller initiatives could be very helpful. Maybe I can mention that the timing of receiving benefits is also very important.

**The Chair:** Thank you very much, Madame Pugliese.

I would like to take this opportunity to thank all of the witnesses on behalf of the committee. We appreciate your time with us today.

If it is the will of the committee, I will adjourn.

**Some hon. members:** Agreed.

**The Chair:** The meeting is adjourned. Thank you.







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