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Chair: The Honourable Wayne Easter



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• (1500)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting of the finance committee to order. For the first half-hour, we'll deal with business. I believe, Mr. Julian, that you have a motion. I know that Mr. Poilievre also has one, but I believe yours was in first.

We'll start with you if you want to go ahead, Peter.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks very much, Mr. Chair.

Hopefully, this won't be controversial. I would like to move:

That, pursuant to Standing Order 108(1)(a), the Committee order that any contracts concluded with WE Charity and Me to We, all briefing notes, memos and emails from senior officials prepared for or sent to any Minister regarding the design and creation of the Canada Student Service Grant, as well as any written correspondence and records of other correspondence with WE Charity and Me to We from March 2020 be provided to the Committee no later than August 8, 2020; that matters of Cabinet confidence and national security be excluded from the request; and that any redactions necessary, including to protect the privacy of Canadian citizens and permanent residents whose names and personal information may be included in the documents, as well as public servants who have been providing assistance on this matter, be made by the Office of the Law Clerk and Parliamentary Counsel of the House of Commons.

Just briefly, Mr. Chair, as The Globe and Mail outlined this morning, a lot of questions are being asked around this. As the finance committee, we were charged back in March, you'll recall, to do the stewardship around all spending programs related to COVID-19, including this one. Our responsibility as the finance committee is to ask these questions and to get answers on behalf of Canadians.

We need to know whether or not this decision went to cabinet and why there was a reduction in the number of positions for Canada summer jobs—it's certainly something that has had an impact on ridings across the country— and why this organization was put forward instead of our civil service. I understand that the government is potentially moving this program back to the civil service. On the sole sourcing of it, what was the process? How was the organization informed?

All of these are questions that people are asking. As the stewards of the public trust around all the spending related to COVID-19, I'd like to move this motion so that we can get those answers for Canadians and, hopefully, we'll have consensus on the committee.

The Chair: I believe everyone has a copy of it, Peter.

I'll go to Mr. Fragiskatos first and then Mr. Fraser. Anyone else can put their hand up so I know where to go.

Go ahead, Peter, and then Julian.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you very much, Mr. Chair.

I have a friendly amendment to put forward, and then I have a question for Mr. Julian.

With respect to the friendly amendment, I'm going to seek the advice of the clerk on where it ought to be included. I believe that the contribution agreement between the department and WE ought to be a part of the motion as well.

The Chair: What's your wording, though?

Mr. Peter Fragiskatos: That the contribution agreement between the department and WE be included, be accessible, something along those lines, but as for its placement, I'm not sure.

The Chair: Peter Julian.

Mr. Peter Julian: I think that's included in the motion as written. It allows for all of the information—briefing notes, memos and emails—but I'll certainly let colleagues join in. For the moment, I'd like to keep the motion as presented.

Mr. Peter Fragiskatos: It's a friendly amendment. It just provides a specific understanding that this would be included as well.

The Chair: The amendment I believe—I'll have to ask the clerk for this—is in order and we will have to go to the amendment first.

Go ahead, Caroline.

The Clerk of the Committee (Ms. Caroline Bosc): It is in order, but I would ask that we know exactly where we want it in the motion, because depending on where it is put in the motion, it could change the sense of the motion. I would ask that the member specify where in the motion they would like to add it.

• (1505)

Mr. Peter Fragiskatos: Okay. If I could, Mr. Chair, perhaps it could be included right after the word “emails”. How does that work? You'd strike “and” and “memos” would get a comma. You'd strike “and” emails and include a new word there, that new word being “and”, and then the point about the contribution agreement, phrased as I did a moment ago.

The Chair: Could you do it this way, “all briefing notes, memos, including the contribution agreement between” and then “and emails from senior officials”? I think it would be better in there.

Mr. Peter Fragiskatos: That works for me.

The Chair: Does that work, Caroline?

The Clerk: Yes.

The Chair: Okay. The discussion's on the amendment. I know made Peter made a point. We'll have to start a new list here.

Is there any discussion or will we move on the amendment and then go back to the original motion, or go back to the motion as amended?

Any further discussion on the amendment? It's just being more specific, I would suggest, to make sure that contribution agreement is there.

Mr. Peter Fragiskatos: Exactly.

Mr. Peter Julian: My sense is that it's redundant, but I'll let the committee decide.

(Amendment agreed to: yeas 9; nays 2 [*See Minutes of Proceedings*])

The Chair: On the motion as amended, I have Mr. Fragiskatos, Mr. Fraser and Ms. Dzerowicz. We'll start with that and then we'll see where we go.

Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you very much, Mr. Chair.

I just want to draw attention to the section of the motion that begins with:

that matters of Cabinet confidence and national security be excluded from the request; and that any redactions necessary, including to protect the privacy of Canadian citizens and permanent residents whose names and personal information may be included in the documents, as well as public servants who have been providing assistance on this matter, be made by the Office of the Law Clerk and Parliamentary Counsel of the House of Commons.

I raise it here out of my curiosity. The motion adopted at the health committee a while back called for all documents, including briefing notes, memos and emails from senior officials prepared for the Minister of Health, Minister of Transport, Minister of Public Safety, Minister of Foreign Affairs and Minister of National Defence regarding the outbreak of the coronavirus, no later than March 15, 2020.

We see in the motion why redactions of national security were important in that case, and that's why I read in detail what was presented at the health committee, but why the focus on national security here? What are the concerns regarding national security on the part of Mr. Julian? I'm curious about that.

The Chair: Okay the point has been made.

Do you want to answer that, Peter, and then I'll go to Mr. Fraser?

• (1510)

Mr. Peter Julian: Thanks, Mr. Chair, and I thank Mr. Fragiskatos for his question.

This is standard format that other committees have adopted, potentially not the health committee at that time, but generally this is the type of structure that allows for those matters that shouldn't be released with a very strict framework to be protected items. It's not something that's out of the ordinary at all.

The Chair: Mr. Fraser.

Mr. Sean Fraser (Central Nova, Lib.): On the same issue, substantially I don't have a problem with what you're proposing, Peter. There's a technical piece that I have a little bit of a concern about. I spent a little bit of time working for an access to information organization and the way that you framed the motion has two issues that I have a concern about. First, to the point of national security and cabinet confidence, those would routinely be excluded under the ordinary process, as would things like solicitor-client privilege and real estate transactions. There's a handful of them in the Access to Information Act.

The second piece is about the law clerk and parliamentary counsel and the disclosure of Canadians' personal information that could be included in these documents to the people you've requested make the redactions. I understand that, in and of itself, would be a violation of federal privacy legislation. You're right. I've seen this type of a motion in a couple of committees and I've seen as many or more essentially try to do the same thing, by tasking the department with producing them in accordance with the required access to information practices. Is there a reason?

I really don't have a strong preference here, but there are similar kinds of issues that I've seen cause problems before. I'm wondering if there's a reason why you have the preferred approach with the language you've used as opposed to, say, the health committee...or I think the government operations committee had a similar one to what Peter has mentioned. I'm not going to dig my heels in and be difficult here, but if there's a reason to go your way I'd be interesting in knowing it, because I do see there could be a bit of an administrative difficulty and a potential privacy violation by proceeding with the motion as is.

The Chair: We'll go to Ms. Dzerowicz and then back to Mr. Julian.

You're making note of that I assume, Peter.

Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thanks very much, Mr. Chair.

I just want to say more accountability and transparency is extraordinarily important, particularly at this time during this pandemic when we're spending an exorbitant amount of money in a very short period of time during an unprecedented period.

I wonder though to what end is this motion and to what purpose. There is already someone highly qualified looking into the Me To We decision with respect to the Canada student service grant program. We have Mr. Dion, our Ethics Commissioner. He is a 40-year, seasoned, outstanding independent public servant who has agreed to do an investigation that will no doubt do a complete full accounting of the matter. I just wonder what this motion will add, other than duplication.

Given the fact that we have so many big issues in front of us for our bureaucrats to focus on, is this really how we want to be using their time? I just want mention.... I was a little fearful of mentioning this point because it always gives the perception of “Well, you're trying to cover up something. Do you not want more transparency?”, which is the furthest thing from the case. Absolutely, accountability and transparency on everything that we do has to be paramount. In terms of this motion, though, I wonder. It entails a huge amount of data gathering in a short period of time and to what end? Essentially the motion is huge data gathering exercise by August 8.

Those are my comments and thoughts for the moment.

The Chair: We'll go back to you, Peter. While you're at it, I'm neutral on this, but is the August 8 deadline possible for people to pull that together? I don't know if that's doable in terms of a time frame. I've been involved in access to information too and have signed off on requests where I had letters in the system and I just don't know if the August date deadline is doable. That's what the motion says, but it's your motion. I just don't know if that's possible and I'm wondering if we're putting in too tight a time frame, but that's entirely up to you.

Go ahead. The floor is yours, Peter.

• (1515)

Mr. Peter Julian: Thank you, Mr. Chair.

I appreciated Mr. Fraser and Ms. Dzerowicz's comments. As always, they put it very eloquently, but I respectfully disagree.

In terms of access to information, as Mr. Fraser mentioned, providing the parliamentary counsel with that determination is something that is relatively commonplace with committees.

As to Ms. Dzerowicz's comments, the reality is that we were given the stewardship of the financial outlay through this pandemic. That's our responsibility. Parliament gave this finance committee the charge or the stewardship over all government expenditures related to COVID-19, so this is just doing our job.

I think the Ethics Commissioner may be looking into whether or not there is an ethical violation. This is a question of financial procedure, financial control, and these questions deserve answers, in the same way that we may find there are other issues that come up in the coming months that, as stewards of the financial outlay of the federal government, the finance committee is called upon to look into. The House of Commons directed us that way; that's our responsibility.

Hopefully we'll get answers in the coming weeks. I don't think a one-month timeline is, by any means, too onerous, but we'll have the answers and that will be responding to the stewardship that was given to us by the House of Commons back in March, at the beginning of the pandemic.

We don't know how long this pandemic is going to continue. We don't know what other programs may need to be brought forward to deal with the pandemic. We have the responsibility, any time there are unanswered questions, to delve a little bit deeper and get the information. That's what this motion is endeavouring to do.

The Chair: We have Mr. Fragiskatos and then Ms. Dzerowicz.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

With all due respect to Mr. Julian, I still have not heard an explanation as to why this matter constitutes an issue of national security. I could see why national security language was used in the motion that was introduced in the health committee, but why is the concept of national security included in here at all? I have not heard an explanation from Mr. Julian.

The Chair: I'll go to Ms. Dzerowicz, and I'll let Peter answer that then. I'll just keep things in order here.

Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I appreciated Mr. Julian's response.

I would say that my understanding is that there has been no money spent, so I'm not quite sure what financial accountability we're actually looking at by asking for all these documents. That's one.

The second comment—and I'm glad that the chair brought that up; I think it was an excellent point—is that it is a very short period of time for an extraordinary amount of data, and I wonder whether that is doable. You didn't get a chance to address that, and I would ask that you do.

Hon. Pierre Poilievre (Carleton, CPC): Chair, can I get in on the debate as well, when you have a moment?

The Chair: Yes.

Peter is next on the list, and then Mr. Poilievre.

Mr. Julian.

Mr. Peter Julian: In answer to Mr. Fragiskatos, this is the standard formulation. No, I am not tying this issue to national security. We have had in the past—as you are aware, Mr. Chair—governments, both Conservative and Liberal, ask to ensure that documentation not related to those things is put in the public domain. This is a standard process, standard wording, as a number of members have said, and it goes in the same way that other motions that look to the production of documents have been formulated as well. I am not tying it to issues of national security, and I think Mr. Fragiskatos is aware of that.

The one-month timeline is very realistic. We're talking about information that should be top of mind and easy to present, and it helps to clarify the issue and the questions people are asking.

The Chair: Okay.

We have Mr. Poilievre next, and then I'd like to get to Mr. Poilievre's motion too, if we could. I don't want to cut off debate, but we do have a group waiting at 3:30 Ottawa time.

Pierre.

• (1520)

Hon. Pierre Poilievre: Thank you, Mr. Chairman.

I too have a bit of an issue with the one-month timeline to produce all of these documents. It does seem a little bit long. These documents should be ready right now. The government has been seized with this controversy, and basically nothing but it, for the last 10 days since the scandal was revealed. It should not be hard for the committee to receive that documentation by, say, early next week.

That said, in the spirit of compromise, we're obviously going to support Mr. Julian's motion regardless. A month to produce documents on something like this is an extraordinarily long time. I think if the Clerk of the Privy Council were to put out a call to all the officials who were supposedly involved in this decision, he could probably summon those documents in a couple of hours. I do think Peter's suggestion that we wait until early August is extremely generous. Again, I would have preferred if he had suggested a shorter timeline, but given that he has in his judgment come up with this date, we will accept it.

The Chair: I don't see any other hands up or any other points being raised. Could we go to the vote, Madam Clerk?

(Motion as amended agreed to: yeas 9; nays 0 [See *Minutes of Proceedings*])

The Chair: Thank you. We'll now turn to the motion by Mr. Poilievre.

Go ahead, Mr. Poilievre.

Hon. Pierre Poilievre: I will read the motion. Before I do, I should say that I made some very small changes to it to subtract a few witnesses from the list I had included in the motion as circulated. Other than that, the motion is the same as you all have seen:

That the Standing Committee on Finance, as part of its study on COVID-19, hold hearings in July 2020, for no less than four meetings for a duration of three hours each to examine how much the government spent in awarding the \$912 million sole-source contract to WE Charity, and how the outsourcing of the Canada Student Service Grant to WE Charity proceeded as far as it did; that the committee produces a report on its findings to be tabled in the House of Commons; that the witnesses must include, but are not limited to the following: the Clerk of the Privy Council, Ian Shugart; the Senior Assistant Deputy Minister, Skills and Employment Branch at Employment and Social Development Canada (the official Mark Kielburger claims to have told him to deliver the \$912 million-dollar Canada Student Service Grant); Minister of Diversity and Inclusion and Youth, Bardish Chagger; and Volunteer Canada.

We can add any witnesses whom committee members submit as part of routine planning for a committee study.

That is the motion.

• (1525)

The Chair: Thank you.

It's open for discussion. Just as a point of clarification on my end, Mr. Poilievre, regarding "no less than four meetings", at three hours each, I know that one should never make assumptions, but I'm assuming that the witness list would be somewhat proportional with our original motion at committee that stated that each party would have the right to give the clerk their witnesses—and the ones that you name are certainly a part of that.

Hon. Pierre Poilievre: Yes.

The Chair: All right. Good. That's just so we're clear on it.

The floor is open. We have Ms. Dzerowicz, Mr. Julian and then Mr. Fragiskatos.

Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I just want to mention that when I saw this motion come in I was super disappointed. Four meetings of the finance committee at three hours each during the summer to discuss a program where there's been zero evidence of the spending of any money.... In fact, I don't think there's been any money spent on the program, as it was just announced. If there was some admin stuff, I think that money has already been sent back. I mentioned when we talked about the previous motion that we have a highly qualified Ethics Commissioner who is looking into the actual decision around the Canada student service contract. I have no doubt that he will be very thorough in his investigation.

My understanding also is that the Standing Committee on Government Operations and Estimates has also allocated four committee meetings to studying this as well. I just wonder, given everything that we have to look at and all our priorities, is this the best way to spend finance committee time?

There are major economic sectors that need our attention, such as the oil and gas sector. You have HR technology and resources leading the sector, and there is the issue of how we can develop while we're reducing emissions and moving to some sort of low-carbon future. How do we start the just transition process?

We have the arts and culture, tourism and hospitality sectors, where the rug has been pulled from under them. How can they be supported during this time and beyond?

These are the areas that I really believe need to be the focus of our finance committee. I will not be supporting this motion and am very disappointed that we wouldn't have some other options to be looking into at this moment.

The Chair: Okay.

Mr. Julian, and then Mr. Fragiskatos.

Mr. Peter Julian: Thanks, Mr. Chair.

I'll be supporting the motion.

I agree with Ms. Dzerowicz. You'll recall, Mr. Chair, that we brought forward a plan. The NDP wanted to work all summer and have a variety of meetings throughout the summer months. As far as I'm concerned, if Ms. Dzerowicz has other studies she wants to undertake at the same time, I'd be more than happy to consider them. This is a pandemic. We have to make sure that government programs are being put into place properly. That isn't the case, it seems, in this case. As *The Globe and Mail* reported this morning, there are a lot of unanswered questions that people certainly need to get to.

The finance committee is the principal steward, and I think that if there are other programs that Ms. Dzerowicz or any other member suggests need looking into, we should be prepared to do that. I'm certainly prepared to work all summer, because we have that responsibility from the House of Commons to do that stewardship and look over programs that are going well, but also programs that may not have been properly conceived.

The Chair: Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

As we've heard already, the government operations and estimates committee is devoting four meetings to the subject. I wonder if Mr. Poilievre would entertain a friendly amendment to the effect that we would have two meetings on this.

I would also put to him that the list of witnesses he has come up with is in some cases very relevant and in other cases not relevant at all. The Clerk of the Privy Council, for example, was not involved in this decision. If we're going to devote time on this, I would want to hear from people who were directly involved. Again, it's a matter of hearing from people who did participate in decision-making so that we can maximize our time as committee members.

I would also draw attention to Ms. Krause. This is certainly not a personal comment Ms. Krause—not at all—but what expertise does Ms. Krause have when it comes to this particular decision? She obviously did not take part in it. What commentary can she add that will help us understand the trajectory of the process in terms of the decision and what happened and what did not? Again, I would suggest that Ms. Krause be taken off this list, in addition to, as I mentioned already, the Clerk of the Privy Council.

Thanks, Mr. Chair.

• (1530)

The Chair: Okay.

We'll have to see if it's a friendly amendment, Mr. Poilievre, for two meetings instead of four. We'll get an answer on that and then we'll go back to the list if there are any additions to it.

Hon. Pierre Poilievre: No.

The Chair: Okay. No to the two-meeting proposal.

Are we ready for the question, then? I don't believe Mr. Fraser is back.

(Motion agreed to: yeas 9; nays 1)

The Chair: We will have to go to the other meeting, but could I have some idea, Pierre, when we should try to start these meetings?

Hon. Pierre Poilievre: The idea was to hold them all within this month. I think we could just get the subcommittee together and book some time and we'd be off to the races.

The Chair: Yes, we can do that, then.

Parties, think about your witness lists. We have four three-hour meetings and we certainly don't want to go with more witnesses than we have for our regular pre-budget consultations. That may be too many, I would think.

We'll get together as a steering committee and try to sort this out. I'll be in contact with people as soon as possible.

We'll suspend for two minutes and then we'll go to our regular meeting.

• (1530)

(Pause)

• (1535)

The Chair: We will reconvene.

For the witnesses who are here, we had a committee meeting just before this, and we'll continue now.

I welcome people to meeting number 40 of the House of Commons Standing Committee on Finance.

We're operating under an order of reference from the House and meeting on the government's response to the COVID-19 pandemic, as has no doubt been stated to you on your invitation.

Today's meeting is taking place by video conference and the proceedings will be made available via the House of Commons website.

With that, I would like to welcome the witnesses from the Financial Consumer Agency of Canada. I am not sure who is leading off with a presentation.

Please go ahead and introduce yourself. The floor is yours.

Ms. Judith Robertson (Commissioner, Financial Consumer Agency of Canada): Thank you very much, Mr. Chair.

I am the leadoff hitter today and I am very happy to be here. Thank you very much for the invitation to update the committee on how FCAC is responding to the COVID-19 pandemic.

[*Translation*]

As suggested to me, I will be speaking only in English to avoid any technical difficulties.

[*English*]

As suggested to me, I will be speaking in English today to avoid technical difficulties with the back-and-forth.

I am joined by three colleagues: Frank Lofranco, deputy commissioner of supervision and enforcement; Teresa Frick, director of supervision; and Ruth Stephen, director of strategic policy, research and education. They are here to provide additional detail on specific program areas if desired by the committee.

I will first give a short background on the agency and then focus my comments on our response to the pandemic.

FCAC is a federal agency that operates independently and is primarily funded by the financial institutions we regulate. Our mandate is to protect Canadian financial consumers. We do that in two principal ways.

First, we supervise federally regulated financial entities, primarily banks, for compliance with consumer protection measures as set out in legislation, public commitments and codes of conduct. Second, we promote financial literacy through education and raise awareness of consumer issues and rights. Knowledgeable consumers are better-protected consumers.

I was appointed commissioner last August, so this is my first appearance before this committee, and since that time we have been focused on preparing the agency for our next stage of evolution.

Even prior to the unique challenges of COVID-19, we had a lot on our plate. Our role was recently strengthened, as you know, by legislative changes to the FCAC Act and the Bank Act that received royal assent in December 2018. They provide new powers for the commissioner, embed financial literacy as core to our mandate, and modernize Canada's financial consumer protection framework. Some of these provisions came into force on April 30 of this year. The other elements will come into force over time, as they require the regulations that are currently being drafted and time for both industry and FCAC to prepare for implementation.

We have made remarkable progress over the past year. We refreshed our vision and mission statements, introduced a new organization structure, recruited a new senior management team—including Frank Lofranco, who has been with us two months—published our strategic priorities and improved the transparency of our adjudication process. Of course, there is still much to do.

FCAC has a team of about 160 people who have been working remotely since the middle of March. Like many organizations, this is a difficult new reality for our employees and has required us all to adapt and adjust. I am happy to report that thanks to the dedicated efforts of our team, we have adapted and have maintained our progress even during these unprecedented times.

Turning to our COVID-related actions, in our supervisory work we have maintained close contact with the financial institutions we regulate and have proactively communicated our expectations, including that they prioritize providing safe access to financial services, particularly for vulnerable consumers. We adjusted our priorities so that financial institutions could reassign internal resources to adapt their operations and to accommodate the demand for financial relief. For example, we paused our industry consultations on the new framework for the past few months. That work is now back on track; however, we recognize that we need to remain flexible and may need to adjust again as the situation evolves.

Despite considerable disruption and pressure on their operations and employees, banks have demonstrated a commitment to ensuring that financial services remain available. They have shown a willingness to work with impacted consumers who request financial relief. We have provided some data on that in our background information.

• (1540)

We consider these relief measures to be public commitments and are therefore monitoring that they are implemented in a fair and appropriate manner. To that end, we have been receiving weekly reports on payment deferrals for mortgages and other credit products since April. Based on our data, while the implementation has not

been perfect, most consumer requests have been approved and in a timely manner.

On the consumer education side, FCAC is supporting consumers with unbiased, fact-based information through our call centre and online resources. Our call centre volume has increased by 28% compared with the same period last year, and our online resources have seen increased traffic, as we quickly created and promoted new pandemic-specific information that is responsive to the current situation. We are committed to providing updates as the situation evolves.

Finally, through our ongoing research programs, FCAC monitors financial consumer trends and behaviours. For example, we are building on the baseline established by the Canadian financial capability survey, which we published last fall. Starting this month, we will be launching two new monthly surveys to update that information and assess the changes resulting from the impact of the pandemic. These survey findings will help inform our supervision efforts and enable us to refine and update our educational information for consumers.

From the outset of the pandemic, we have worked closely with our stakeholders to gain insights into the issues consumers are facing. This includes the 18 financial literacy networks, representing over 600 community organizations across the country. We have also initiated communication with provincial regulators on matters of mutual interest and have been coordinating closely with the other members of the Financial Institutions Supervisory Committee, or FISC, which, as you know, includes the Department of Finance, the Bank of Canada, CDIC, OSFI and us. In addition, FCAC actively participates internationally in organizations such as the OECD, where we share information and ideas and learn about best practices elsewhere.

Through all these efforts and initiatives, we aim to live up to our vision, which is to be a leader and innovator in financial consumer protection. Consumers must have confidence in the financial system, especially in times of crisis. The actions we and our FISC partners have been taking in response to the pandemic are designed to contribute to that confidence, and FCAC is committed to working together with others to uphold the protection measures that consumers have come to rely on.

This completes my opening statement, and I am happy to answer any questions that you may have.

• (1545)

The Chair: Thank you very much, Ms. Robertson.

Mr. Lofranco, you sure picked an interesting time to come into your new seat.

Mr. Frank Lofranco (Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada): I agree.

The Chair: It's interesting and difficult.

For members of the committee, I just got an email from Mr. Fraser, who is the parliamentary secretary. The power is out in his area of Nova Scotia and the Internet is down. Nothing is working, so we'll see if he gets back on.

We will now turn to the first round of questions. The question order will be Mr. Poilievre, Ms. Koutrakis, Mr. Ste-Marie and Mr. Julian.

Mr. Poilievre, you're up.

Hon. Pierre Poilievre: Thank you very much.

It's good to be with the FCAC. Thank you very much for coming.

In 2019, consumer bankruptcies were up 9.3%. Other proposals, which can include insolvency or writedowns, were up 17.8%. That's the year-over-year change from 2018-19. In other words, there was a very large increase in bankruptcies prior to COVID-19. This is not a phenomenon that can be blamed on COVID-19, because it occurred before the very first case of COVID-19 was discovered in Canada.

Do you have any insight into why an increasing number of people were finding themselves in this tenuous position prior to the arrival of COVID-19?

Ms. Judith Robertson: It is well understood that there were increasing concerns—and certainly our research supports those concerns—about the high level of indebtedness of consumers generally, and particularly those consumers whom we consider vulnerable.

I mentioned in my opening remarks our financial consumers survey, which we publish on a five-year basis. We published it last fall, and certainly the information in that survey corroborated the high levels of indebtedness and the lack of resiliency among Canadian consumers. If you would like more detail on that, Ruth was instrumental in that survey. She could go a little deeper if you would like.

The Chair: Ms. Stephen, go ahead.

Ms. Ruth Stephen (Director, Research, Policy and Education, Financial Consumer Agency of Canada): Thank you, Mr. Chair.

Results from our 2019 financial capabilities survey indicate that nearly three-quarters of Canadians have some type of debt outstanding or used a payday loan at some point over the previous 12 months, and almost 31% believe that they have too much debt. We know that higher debt levels are linked to financial stress, so we've been working hard to inform consumers about how to manage their finances well, and we continue to collect data on debt.

Hon. Pierre Poilievre: Thank you, Ms. Stephen.

I have two questions to follow up. One, did you say 19% of Canadians used a payday loan? Did I hear you right?

Ms. Ruth Stephen: Nearly three-quarters of Canadians have some type of outstanding debt or used a payday loan. If you would

like, I could provide you with more specific data on payday loans specifically.

• (1550)

Hon. Pierre Poilievre: Yes, if you would, that would be very helpful. Do you have that now, or would you like to send it later? Either is fine.

Ms. Ruth Stephen: I have that. In terms of the overall population, 2% of Canadians used a payday loan over the previous 12 months. Then you will see that percentage rising for a specific vulnerable subgroups. For example, in low-income households, 4% of low-income households used payday loans. Among indigenous peoples, it was 8%, and it was 3% of individuals with lower educational attainment and then 8% of single parents.

Hon. Pierre Poilievre: All right.

What group of Canadians is most vulnerable to a financial crisis like a bankruptcy or an insolvency? Is there a specific income quintile, a specific geography, a specific age group or a combination thereof that you can highlight?

Ms. Ruth Stephen: I could speak to the demographics that are struggling to make ends meet. Based again on our Canadian financial capability survey, people struggling to meet their financial commitments or falling behind on bill payments are most likely to be under the age of 65, individuals with incomes under \$40,000, those who are separated or divorced, indigenous peoples and lone single parents.

In terms of individuals who are least confident in their ability to meet unexpected expenses, these were vulnerable populations such as single parents, once again; low-income households; renters; and individuals who were aged 55 and under.

Hon. Pierre Poilievre: More specifically then, do you believe that there is a possibility of large-scale bankruptcies and insolvencies? Right now, do you believe we could experience enough bankruptcies and insolvencies that there would be a generalized debt crisis?

Ms. Judith Robertson: I'll take that one. Thanks, Ruth.

The current situation, of course, is very difficult for all Canadians, and particularly difficult for those who had less financial resilience to start with. This is an area of concern for us. We do not have any particular insight into bankruptcies or insolvencies. Our role is not to forecast those things, but we do share the concern about the exposure of these vulnerable groups of Canadians.

We have been doing a number of things, particularly on the education front. I mentioned that over the course of the first weekend we pulled together some excellent information about how to respond and react. We are continuing to update that and will use the information we get on our new surveys.

We have also been working with the Department of Finance, for example, to increase the size of government cheques that can be cashed at a bank to match the CERB amount, again to try to avoid people going into payday loans. We've updated our payday loan information in order to give people the information they need in order to do the best they can with the resources they have.

The Chair: Thank you all.

Ms. Stephen, what's the regular interest rate on payday loans?

Ms. Ruth Stephen: I don't have that information with me, but I can certainly provide it.

The Chair: It's desperately high, I know, but I would love to know how much they're overcharging.

Go ahead, Ms. Robertson.

Ms. Judith Robertson: I have a quick reference. We did an infographic that's on the Government of Canada website. I don't have the numbers in my head, but it's actually a pretty good picture that translates into an interest rate. If you wanted to just go to governmentofcanada.ca/moneypaydayloan, you'll find it.

The Chair: Thank you. That's good information to have.

We'll turn to Ms. Koutrakis, followed by Mr. Ste-Marie.

• (1555)

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

Good afternoon and thank you to our witnesses.

Can you comment on the impact the pandemic has had on fraudulent behaviour and scams against Canadians? Are we seeing an increase in scams?

Ms. Judith Robertson: We do have a concern about that. We are seeing an increased level in scams. I would guess everyone on this call has had those telephone calls. We have embedded alerts against fraudulent behaviour in our information and have been working to update the information with the Canadian Anti-Fraud Centre and with our regulated entities, because it is an area of shared responsibility to try to ensure that consumers are aware and avoid these traps.

Ms. Annie Koutrakis: Would you say there's an increase in these scams? Are the scams most prevalent in targeting certain groups? How would you recommend that the federal government respond if there is an increase?

Ms. Judith Robertson: I don't have particular information about levels or targeting. I would say anecdotally that it would appear as though there has been an increase in these scams and that the response is elsewhere than the FCAC, except to say that we view it as part of our education mandate to try to forewarn and prepare consumers every time we see a scam.

Ms. Annie Koutrakis: Also, in order to protect seniors and make banking safer and more secure, we called for the creation of a code of conduct to guide banks and delivery services to seniors. Can you tell us about the code of conduct for the delivery of banking services to seniors?

Ms. Judith Robertson: Sure. We call it the seniors code. It was agreed to last summer, about a year ago now. It was negotiated with the Canadian Bankers Association, and all members of that associa-

tion have signed on to it. We view that as an excellent first step in recognizing that there are specialized concerns and issues facing seniors.

We also recognize, though, that the code, as it's drafted, doesn't include everything that people are concerned about, so we will look to continue working in that area for seniors and other vulnerable consumers over time.

Ms. Annie Koutrakis: Do I have time for one quick question?

The Chair: You have time for two.

Ms. Annie Koutrakis: Okay. Great.

How does the financial literacy of Canadians compare to that of citizens of other G7 countries? Also, how do you think we might improve financial literacy to soften the economic impact in future emergencies like COVID-19?

Ms. Judith Robertson: That's such a great question. Thank you so much.

Comparisons are difficult. We do have one international study that compared Canadian 15-year-olds internationally, so we have that, and we scored very high. Ruth will correct me if I'm wrong, but I think we were tied for second. I'll say that it's not a very high bar, so doing well internationally, which is our impression as we talk to our international colleagues, is probably still quite challenging for us.

Where we see us moving is in the growing recognition that information is not sufficient, right? Information is not sufficient, so part of our new initiatives is experimentation in using tools and techniques to change behaviour and on what is effective for changing behaviour. It's not just knowledge; it's knowledge at the right time in the right place and in the right form of information, but it's also nudges and behavioural changes. It's quite an exciting time, but also a lot for us to learn and experiment with.

• (1600)

Ms. Annie Koutrakis: Do you think that after COVID-19, savings goals for Canadians will or should change? How do you see the future of financial literacy, and should Canadians be trying to save more for unforeseen situations?

Ms. Judith Robertson: Well, we certainly do see this as a great example of why you should care about your financial resiliency. We've described that as having emergency savings or a cushion, with the ability to withstand unexpected shocks. There could be no better example than this, I would say. It is our hope that if there is a positive that comes out of this experience for all of us, there is perhaps some learning that happens as a result of that shock.

The Chair: Thanks, all of you.

Just to go back to the point I raised earlier on the payday loans, I am absolutely shocked that there are 8% of indigenous and 8% of single parents using payday loans. I never realized it was anywhere near that.

I looked at that website that you mentioned to me, and you basically say that “payday loans are very expensive compared to other ways of borrowing money” and that “is because you pay high fees”, and “the cost may be equivalent to an interest rate of 500% or 600%”. That’s usury. That’s ungodly. I know they’re legal, but man, we have to do something about that.

We will go to Mr. Ste-Marie, followed by Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair. I agree wholeheartedly with what you just said.

I would like to welcome the witnesses representing the Financial Consumer Agency of Canada and thank them for participating in today’s meeting. Their presentation was very interesting.

I’m going to come back to the chair’s question. Is there anything you can do about the situation he raised?

[*English*]

Ms. Judith Robertson: I’d just like to clarify the question. Is it on the point about payday loans and the interest rate? Is that the question?

Mr. Gabriel Ste-Marie: Yes.

Ms. Judith Robertson: Thank you.

We share the concern, which is why we have tried, as graphically as we can, to put that information on our website. It’s not just on our website, of course; we share that through our networks and try to get that information out.

We do not have authority. That’s not part of our regulatory authority over payday lenders. They are regulated provincially. However, we do have an interest, as do you, and we try to use our educational tools in order to give consumers the information they need to make better choices, but the truth is that these businesses exist because they are serving a need.

[*Translation*]

Mr. Gabriel Ste-Marie: You oversee the Payment Card Networks Act, so as I understand it, you have the authority to investigate interchange fees. I would like to know whether you have the authority to make that information public. I’ll explain.

Apparently, because of the pandemic, the number of credit card transactions has skyrocketed, both in person, to avoid physical contact, and online, because people are staying home and making more purchases on the Internet. First, can you confirm this boom in credit card transactions?

As elected officials, we often hear that these transactions result in higher interchange fees for merchants. In addition, consumers seem to be more dependent on credit cards and, therefore, on credit.

Could you tell me what kind of investigation you have conducted so far or are planning to conduct?

[*English*]

Ms. Judith Robertson: Perhaps I’ll first explain where we fit in the credit card network operators, because it’s a complicated area, with many parties.

The network operators like Visa, Mastercard and Interac also work with individual parties like the merchants, the banks that issue the credit cards, and then of course the consumers.

Your question is about the relationship and the charges between the merchants and the payment card network operators. Our role in that relationship is governed by a code of conduct that is principally designed to ensure that there is proper disclosure and information about charges so that merchants know what they have to pay. That’s just a little background on our role.

We do agree, and we have seen reported the increase in transactions taking place, either by debit or credit. That is absolutely valid. We do not know whether that will continue or whether it’s a permanent change or a temporary thing, but that is something that we are monitoring.

• (1605)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

As I understand it, then, a code of conduct requires that Visa and MasterCard honour their own commitments. If we wanted to change that, it would be our duty to pass a new bill in the House.

Comparisons are often drawn with Australia and the European Union, which regulate interchange fees. I will digress for a moment. In your response, you talked about the relationship between the merchant and the credit card company, but you also spoke of the consumer and their reliance on credit, which is reflected in their credit card usage. The banks and credit card companies were asked to be flexible during the pandemic, but we are quite disappointed with what we’ve seen so far.

With respect to the Payment Card Networks Act, how does Canada compare with Australia and the European Union, where legislative changes have been undertaken to rein in the credit card companies’ power?

[*English*]

Ms. Judith Robertson: I’m going to ask Teresa if she has some information on an international comparison of fees. As I say, we monitor compliance with the code of conduct, as opposed to setting fees or regulating fees.

Just before we see if Teresa has something to add, I’ll just say that the relationship between the bank and the consumer is of course governed under the Bank Act. There are separate regulations there that we also monitor, including the disclosure of the cost of borrowing.

Teresa, I don't want to put you on the spot, but do you have any information on an international comparison of exchange rates, or is that outside our purview?

Ms. Teresa Frick (Director, Supervisor, Financial Consumer Agency of Canada): Thank you very much. I appreciate the question.

I know that we do have some information on international comparisons. Unfortunately, I don't have that with me right now. I'd be happy to share it with you at a later date, if that's all right.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Ms. Frick, if you send that in to the clerk, she will distribute it to the committee.

Ms. Teresa Frick: Of course.

The Chair: Thank you all.

We'll turn now to Mr. Julian, who will be followed by Mr. Kelly.

Mr. Peter Julian: Thank you, Mr. Chair.

To our witnesses, thank you for coming forward. We certainly hope your families are safe and healthy. We appreciate your work on behalf of Canadians.

I have a bunch of questions, so give relatively short answers if you can.

Of course, the concerns I'm raising are concerns that many people feel across the country. The federal government and its various agencies—we've heard from the Office of the Superintendent of Financial Institutions—have supported the banking sector to the tune of close to \$700 billion, with an extension of up to \$750 billion, which is three-quarters of a trillion dollars, and yet there has been very little asked of the banking sector, particularly Canada's big banks. Just in the first few weeks of the pandemic, as we know, they announced profits of \$5 billion. Anecdotally, those profits are skyrocketing as the misery of the pandemic continues to afflict Canadians.

In that context, for the banking sector, do you track the administrative monetary penalties levied against the banks over the last quarter or last year or whatever period you have available?

• (1610)

Ms. Judith Robertson: Just to clarify the question, are you asking what FCAC has levied?

Mr. Peter Julian: It's what you are aware of, from FCAC or other agencies.

Ms. Judith Robertson: Any administrative monetary penalties that we have levied are available on our website. They are publicly disclosed. I do not have a total to provide you.

Mr. Peter Julian: More specifically, have any penalties been imposed by the Financial Consumer Agency around the practice of redlining? I know you're aware of it, but this is for the public who are tuned in to the finance committee.

Redlining is a practice that the banks use to basically exclude a group or exclude a whole community from having access to loans. Often it's in communities that have to go to payday loans as a result. Payday loans, as we have seen, have absolutely scandalous interest charges that make it difficult for people, particularly indigenous people and particularly single-parent families, to ever get out of the debt load.

Is there a list of administrative penalties that have been levied against banks on redlining? Is it your sense that redlining continues as a practice, or are you confident that it is being used less often?

Ms. Judith Robertson: It's such an interesting area. We would agree that it's an area of concern. I am not aware of any AMPs being levied as a result of redlining. This is not an area that has been elevated to us. Certainly it's on our radar generally, but it's not something we have seen evidence of in the recent time. As I say, I've been here for not quite a year.

Mr. Peter Julian: Okay. Thank you for that.

As far as the process with external complaints bodies is concerned, do you have a sense now of what the average period is for handling complaints from level one right through to level four? We've had complaints in the past at the finance committee about banks basically ragging the puck and not allowing consumers to get to the period of an external complaints body. Do you know what the average time is now for the four stages of handling complaints?

Ms. Judith Robertson: Off the top of my head, I'm sorry, I don't know the average time, but I will say that it's too long. In our industry study that we published in February, I think we were quite clear about that. I don't know the time, but we have made it very clear to the banks that it is too long. We view this as an industry problem that requires rectification and attention.

Mr. Peter Julian: Is that something you could provide to us?

Ms. Judith Robertson: Yes, of course.

Mr. Peter Julian: Okay. Thank you.

In terms of the information you've provided around the deferral of requests and approvals, I understand that these are statistics that come from the big-six banks themselves. I note the number of declined deferral requests. If it were put out across the country, it would mean that in my riding, seven deferral requests would have been rejected. I can tell you, just from people I know of and constituents, that it's far more than that in New Westminster—Burnaby alone.

I'm wondering if there is a bit of a filtering process going on. The banks are providing these numbers around mortgage deferrals, but are they also including people who have been discouraged from applying or who haven't completed the deferral process because banks have already told them that they won't qualify?

Ms. Judith Robertson: The data is as good as we can make it, I would say. We have no reason to suspect that it is not accurate. It is reflective of what we see in the traffic at our call centre. We continue to work with the banks to refine the data. What we have shown you is a summary.

Of course we have a lot more granular data behind that, and we also compare our datasets with our other regulatory partners, such as OSFI. We are quite confident in the accuracy of the data.

• (1615)

Mr. Peter Julian: Thank you for this.

The Chair: This is your last question, Peter.

Mr. Peter Julian: Thank you, Mr. Chair.

As to the more granular data, I would be very interested in knowing how many of these deferrals take place without penalties, without fees, without all of the add-ins that I certainly heard from my constituents that banks are imposing. They're profiting from the deferral.

Does your granular information reveal what percentage of the deferrals have come without penalties and what percentage have come with fees, penalties, and compounded interest charges on top of that?

Ms. Judith Robertson: I think that's an important point to clarify. We do probe and we have almost daily conversations with our regular entities. They aren't just the top six; they are all of our regulated entities that we are collecting data on.

The first thing is that we are not aware of penalties or fees being charged on deferrals. We share your concerns about that, but it is not a standard that we have seen applied.

There are different methods that different banks are using in their treatment of interest. Some are continuing to charge interest during the deferral period. Others are rebating that interest collection. Our focus has been on ensuring that the disclosures banks are making to their consumers are initially accurate, and we've also asked them to go back, now that the dust has settled on the first wave, to ensure consumers really understand what they have agreed to and what all of the costs are.

The Chair: Thank you all.

We'll turn to five-minute rounds, starting with Mr. Kelly, who will be followed by Mr. Sorbara.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

On the deferral program, based on the data here, the overwhelming majority, it seems, of those who have applied for or are receiving deferral, according to the chart that you had.... The numbers are quite extraordinary. We heard testimony at this committee about the effect that mortgage deferral and default may have on the health of the real estate market.

Are you concerned overall about the deferral of all these different types of consumer credit and how that will eventually work itself out? We know that insolvencies were approaching 10-year records before the pandemic hit. Now payment obligations are being deferred, but this is going to catch up at some point. Is there a

concern about what is around the corner as these deferred debts pile up?

Ms. Judith Robertson: We do have a concern about the unwinding of all of these provisions. That goes back to our focus on communication and disclosure to consumers. We know that in the first wave of the pandemic, quite a lot of consumers, even if they weren't affected or didn't lose their job or something, opted for deferrals as a bit of an insurance policy.

We are reiterating to the banks that we expect them to ensure that they are disclosing all of the costs and the potential outcome for consumers, not just initially but on the way through, and then in particular on the unwinding.

• (1620)

Mr. Pat Kelly: It's interesting that in your new financial consumer protection framework you specify that banks are prohibited from providing false or misleading information to consumers. I think any business that provides false or misleading information would be committing fraud.

Why does that specific piece need to be in your framework? I'd like you to explain that, particularly in the context of the need for clear, transparent disclosure by banks in programs like mortgage deferral.

Ms. Judith Robertson: The false and misleading aspect is actually in the legislation, I believe, or the regulations. I may have that wrong.

This is, I think, an appropriate reflection of the complexity of financial products and the difficulty, which we are very aware of, that consumers have in understanding them. Part of the challenge with financial literacy is the complexity of the products, and we see that over and over again. That's part of the challenge in ensuring that consumers are informed enough to make the right choices.

Mr. Pat Kelly: Have you noticed a lot of complaints about poor disclosure or non-disclosure of costs of credit related to the deferrals, or is it too early to say? Do you expect that or have you seen it already?

Ms. Judith Robertson: We haven't seen that, but I will ask one of my colleagues to give a bit more colour on it.

Frank, would you mind piping in on our specific activities in relation to the disclosure statements? I'm hoping Frank is still with us.

The Chair: Yes, he is. We see him.

Mr. Frank Lofranco: Thank you, Commissioner, and thank you to the committee for having me here today.

I should note that I've been kicked from the meeting a couple of times due to Internet problems, but I'm glad I'm connected for this part of the meeting since this question was directed my way.

Since the onset of the pandemic, the FCAC supervision branch has been in constant contact with the regulated entities and six banks in particular, the D-SIBs, on a daily basis initially. That communication continues.

At front and centre, we are seized with the requirement for disclosure. A lot of information that came out initially was confusing because entities were trying to adjust to the environment, as we were. However, as the weeks have gone by, we have taken the time to interact with those entities, going so far as to look at their training materials, review their scripts and look at what has been posted on the website to reassure ourselves that disclosures have been made in a way that's appropriate and fair, and to—

Mr. Pat Kelly: Sorry, please continue.

Mr. Frank Lofranco: The remaining issue now is to track the reaction of consumers in relation to these programs and track complaints in particular. I think that's part of your question as well.

We will be getting information on COVID-related complaints toward the fall period, but in the meantime we have continued to remain accessible to all consumers should they have any complaints or concerns they want to register with us.

The Chair: We're over our time, but do you have an important supplementary question, Pat?

Mr. Pat Kelly: I have a really quick comment. Five million consumers are filing at least one complaint with a bank every year, and I find that to be an extraordinarily high number. That was quite revealing, actually, in your presentation.

The Chair: Thank you, all.

We'll now go to Mr. Sorbara. I think Mr. Fraser is here, but his Internet is wobbly.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Good afternoon, everyone.

I'm looking at the Financial Consumer Agency of Canada's 2020-21 business plan. You have put forward a number of responsibilities and fulfillment priorities, one of them being a renewal of the national strategy for financial literacy, which expired in 2019.

First, with COVID-19, how much, or what, has been disrupted in the business plan, if you've been analyzing it?

Second, we know that financial literacy is a very important aspect of everyone's life in Canada. Here in the province of Ontario, financial literacy will be brought in at the beginning of a child's education. It will be in the curriculum, so we know how important it is.

How much work has been done on the renewal of the financial literacy strategy and what can we see of that? Also, how much has COVID-19 impacted the organization?

• (1625)

Ms. Judith Robertson: Thank you very much.

I'll take the first one first. The answer is that of course it's impacted, but my last discussion around this subject with my executive team is that we have not adjusted our business plan. That's where I'm saying that I'm feeling super great about how it's going, but we also, I think, need to be realistic that as this goes on we may have a harder time doing the hiring and so on that we need to do. For the moment, we're in great shape.

As far as the national strategy goes, we are on track. We have been consulting with our stakeholders. We had a summative evaluation that we are responding to about the last financial literacy one, and we have a bit of a draft that is being circulated internally. We expect to do public consultations on that in August. We're quite excited about the project.

It is our anticipation that we will be able to release it in November in time for the 10th anniversary of the financial literacy month.

The Chair: Just to interrupt for a second, Francesco, I want to give Mr. Cumming a heads-up. He's next on the question list. I neglected to do that.

Go ahead, Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

As a follow-up, I've gone quickly to the FCAC website, and I want to say thank you to your team for having the website updated. There are some great resources for Canadians from coast to coast to coast to look at, especially during this extraordinary period of time.

Our government has put in place a number of measures, including the Canada emergency response benefit and the wage subsidy, and my seniors, over 20,000 of them, this week will be receiving a \$300 old age security tax-free one-time payment. If they're collecting the supplement or the allowance, there's an additional \$200. That's on top of the GST/HST credit they received, which was another several hundred dollars. We are assisting Canadians to weather this time. We don't want to have people having to choose between paying bills and putting food on their table. We don't want to have people facing that financial hardship due to this extraordinary and unique period of time.

Largely, our government has been applauded for the number of measures that we've taken. I look forward to continuing as we move out of the recovery to work with all agencies and to see what all agencies have put up on their websites. One question is, do you folks at FCAC measure the number of times that Canadians have visited the website and looked at the information to help themselves and to ensure that they know what they need to do to weather this storm as well?

Ms. Judith Robertson: If I understand the question correctly, it's do we monitor our traffic to our web pages...?

Mr. Francesco Sorbara: Yes.

Ms. Judith Robertson: Yes, we do. We are also active on social media, and we monitor the response on that as well—the pickup and so on. Honestly, it's an area of quite strong interest to us to try to evaluate the effectiveness of what we're doing and ensure that we're devoting our resources in the right places.

Mr. Francesco Sorbara: Yes, of course.

If I can just finish up, Chair, on the strategic plan and the number of FTEs, there's a big ramp-up in terms of hires. I would think that this came from the last session of Parliament, when we did a study on the Financial Consumer Agency and came out with a number of recommendations to strengthen rules to make sure that Canadians are protected when they go to a bank, a financial institution—or to a credit union, for that matter, if they're federally regulated. We came out with a great report, actually. It was really very good to work on it with the current chair.

I was just wondering, in terms of the FTE count and being able to bring in human capital, how is that process going?

Ms. Judith Robertson: We do have a targeted plan for recruiting. We have a great recruiting story, so we're actually quite able to attract people. It's difficult in these times, as you can imagine, a difficult situation in which to attract.

We are at about 160 people, as I say. Our plan is to grow to about 200 people over the next year. We're confident that we will get there and that we will have the resources we need.

• (1630)

The Chair: Okay. Thanks to all of you.

Mr. Cumming is next, followed by Mr. McLeod.

James.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Mr. Chair, and thank you to all the witnesses today.

Ms. Robertson, I want to come back to some very distressing numbers on the risk of bankruptcy, on people being able to pay their bills pre-COVID and the notion of deferrals.

The deferrals are, for the most part, exactly what they are. They're deferrals. If people have been out of work and they've been struggling before COVID, and now they're post COVID, whether it be a deferral on mortgages, or interest payments on mortgages, or utility bills, or on property taxes, which many communities have done, how concerned are you that the insolvency numbers will skyrocket? I just see that we're going to hit a fiscal cliff this fall, and I'd like your opinion on that.

Ms. Judith Robertson: Of course, it's difficult to predict, and in our role we have no specific ability to make predictions of that nature. I think it's fair to reflect that everyone was concerned about the level of indebtedness of Canadian consumers before this shock to the economy, and the uncertainty it has created definitely contributes to the difficulties consumers have been facing.

Mr. James Cumming: I'm quite curious about the piece that you have under financial literacy. If I read this right, the agency has increased its funding significantly, by something like 40%, between 2014-15 and 2018-19, and there's another planned increase of 65% by 2022-23.

Can you tell us where those funds are targeted? Is it predominantly around financial literacy?

Ms. Judith Robertson: Yes, the percentage increases have been high, but our total budget for the last fiscal year was less than \$35 million, and our total spend for the last fiscal year was less than \$40

million, and we are staying within our anticipated budget for this fiscal year. We're trying to be responsible stewards of our resources.

As for the division of our spend, we don't specify financial literacy per se, but we have two principal divisions, our supervision and enforcement division and our research, policy and education division, and we use tools from both sides to increase the information for and financial education of consumers.

Mr. James Cumming: Given what we know about consumers and the increase in debt and their debt load, and given that we have this financial literacy program, how will you measure success? If we're going to spend taxpayers' dollars to try to improve the situation, how will you measure success? I'm wondering how coordinated your efforts are with the provinces, because I know for sure that most of the provinces have something of the same kind in place. Is there duplication of services?

Ms. Judith Robertson: First, I offer a point of clarification. Our funding is principally from the sectors we regulate, so our only amount of taxpayer funding is the \$5 million annual allocation. The rest of our expenses are covered by the industry.

Second, as far as how we measure success is concerned, this is where our research comes in. We have benchmarks, we measure changes and we are using experimentation to see if behaviours are changing, and I can give you a couple of examples on those if you're interested.

As for our relationship with the provincial regulators, this is an area of great interest to me. We have very fruitful relationships with provincial regulators, and we do share resources and find areas of overlap where we can rationalize resources, but we also find areas where we can amplify each other's methods, so we're very active in that area.

• (1635)

Mr. James Cumming: Great. We could have a great conversation about the industry. You say that the industry is paying. Well, ultimately they're building it into their pricing, so I would tell you that the taxpayers still pay. It's still a cost to them.

My last question is this. It just strikes me that much of what we're doing with financial literacy is reactive to the situation we're currently in or what it was pre-COVID. How much of an emphasis will your group put on trying to intervene earlier and assisting provinces and other sectors with being in front of the curve so that when people get out into the working world, they will realize that debt isn't necessarily a good thing?

Ms. Judith Robertson: We couldn't agree more that moving ahead of the problem, as opposed to trying to fix it, is the right way to go.

I have just a couple of things to add.

First, one of our targeted areas is youth, students—again trying to make sure that good financial habits are built early.

Second, I'll highlight two of our, I would say, more experimental resources. One is something we call a “budget planner”, which was released last fall. It had great reception. It's basically a very simple budgeting tool that people can use totally free. It helps people get into the habit of planning and building a resilient financial future.

The third one is a pilot program we're running now based on a program in the U.S. called “refund to savings”, which is trying to nudge taxpayers who are getting a refund to put that refund directly into a savings vehicle. Research shows that once it's in a savings vehicle, as opposed to someone's regular account, it tends to stay there. It's a bit of a “free money” way to build that emergency cushion.

These are the kinds of things we're quite excited about.

The Chair: Thank you all.

We'll go to Mr. McLeod, and then to Mr. Ste-Marie.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you to the presenters today, and everybody, for their questions.

It was a very interesting discussion. COVID-19 has certainly changed our world in a short period of time, especially for the people who are in very fragile financial situations.

I think our federal government has done a really good job, along with the Government of the Northwest Territories, our communities and band councils, the Métis locals, the friendship centres and the food banks. All have really made sure that our people are okay. We live in an area in the north where there's a high cost of living, and food security has always concerned us.

I'm curious, and perhaps I could ask a question about if and how COVID-19 has affected the financial protection of the potentially vulnerable consumer population, such as the elders, the seniors and people in remote communities. These are the ones who may, for the most part, have difficulty accessing financial institutions in their communities. I know that in the north we don't have a lot of banks, and people may not be able to securely or comfortably access online banking. That's my first question.

Ms. Judith Robertson: We share your concern, and it's something that we recognized early on.

In fact, as part of the research we did leading up to the seniors code, we did a survey of banking practices, banking habits by different segments of the population. That gave us insight into who uses bank branches, or who doesn't use digital banking. That information was very helpful to our reacting quickly to COVID, when we realized that bank branches needed to be shut down for the health and safety of the bank employees. We communicated both with the Department of Finance and the regulated entities, saying that we understood that they needed to protect their employees, but that they also needed to provide services, and that here are the groups we're concerned about, because we know that they are the ones

who are most dependent. And you're right, they are our seniors or people who don't have access to reliable Internet or to the computer hardware that is required for digital banking.

We're pleased—well, “pleased” may be too strong a word, because we're never pleased—to recognize that banks did take action to provide alternative forms of service. In terms of telephone banking, obviously it's not perfect. Banks then provided things like specific hours for seniors and vulnerable people. One did a jump the line. They definitely did try to find ways to bridge this problem that, unfortunately, disproportionately affected certain segments of the population.

• (1640)

Mr. Michael McLeod: I'm also very curious; you talked about the financial consumer trends and the survey that you've done. I ask this question of everybody who talks about trying to assess what people are doing in terms of their habits and all kinds of measures that we seem to want to track, because these never seem to include the north. Does your survey include the Northwest Territories or Nunavut? We really have a hard time getting information to... A lot of times, this is very important information that everybody else in the country is using to make decisions and base their decisions on. Do you do some of your work in the Northwest Territories?

Ms. Judith Robertson: I'll let Ruth respond specifically on the surveys, if she has that.

I'll just say, though, that in addition to surveys, as I mentioned, we have this large stakeholder network that we use. We recognize that it's the local community organizations that really have their pulse. We do have community networks in the north. There's a financial literacy network located in Whitehorse that's part of our group. At the beginning of the crisis, one of the things we did was to have an ad hoc call-around to bring people together: What are the problems? What are the issues? We continue to do that. That's a little bit more informal, a little more ad hoc, but it does happen, and it's tremendously effective.

Ruth, I don't know if you want to mention our more formal research and our ability to be granular down to a regional or provincial level.

Ms. Ruth Stephen: Sure. Thank you, Commissioner.

We do oversample target populations in order to identify challenges for vulnerable groups. That is a regular way that we collect research data. Sometimes it's difficult because of small population size, but we do tend to oversample so that we have enough incidents to be able to have results.

Mr. Michael McLeod: Does that mean you sample in the north, or do you just sample other parts of the country and use it to try to...?

Ms. Ruth Stephen: No, we do collect provincial data and territorial data, but sometimes we have to aggregate it on a regional basis. In terms of specific vulnerable subgroups, we will tend to over-sample rural Canadians, for example, or indigenous communities so that we have enough to report on specific target segments.

Mr. Michael McLeod: I have just one more question.

The Chair: Go ahead.

Mr. Michael McLeod: It's really surprising to see the increasing use of payday loans. I know that when the service moved into the Northwest Territories, we saw a lot of resistance but it still happened. The service is only available in the capital city of the NWT, so I would be really curious as to...if that's happening here in the Northwest Territories. The people who are using these loans are the ones who are falling between the cracks and ending up in the cities. They're the least able to afford it, actually.

I'm curious; how do these companies collect if the people who borrow default? How do they collect? Most people don't have the security to...or even a promissory note. What do they do? I don't know if you'd be able to answer that, but I'm pretty curious to know what happens there.

• (1645)

Ms. Judith Robertson: Yes. I'm really sorry, but I cannot answer that question. That's a level of operational detail on their business that I just don't know.

The Chair: Thank you, all.

I think you're seeing some of the committee members concerned about this particular issue.

We'll go to a question from Mr. Ste-Marie and then Mr. Julian. Then we'll go to a five-minute round with Mr. Cooper and then Mr. Fragiskatos.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Robertson, in your presentation, you said that you work closely with your provincial counterparts. In Quebec, the Office de la protection du consommateur administers the Civil Code, and so, contracts.

Can you tell us more about those ties and relationships? How do you work with the Office de la protection du consommateur?

I have the same question with regard to Desjardins Group, Quebec's main financial institution. What is your relationship and what ties do you have with Desjardins Group?

[*English*]

Ms. Judith Robertson: Maybe an example is a good way to answer that. I introduced myself to the head of the Office de la protection du consommateur when I first joined and then, as a result of COVID, we had occasion to communicate about credit ratings.

This is a serious issue, of course, that we were very concerned about. We made it clear to our regulated entities that any deferrals or skipped payments should not negatively affect the credit standing of the consumer, but we have no regulatory authority over the

credit agencies. I did some outreach, again to the Office de la protection du consommateur, and also to the AMF. We had a very engaging discussion in which we agreed that we were aligned in our concern and we were able to share our knowledge: they understood what we were doing with our regulated entities and we understood what they were doing. That's a good example of where our jurisdictions touch, don't overlap, but it's important that one side knows what the other side is doing.

Is that a fair example?

The Chair: Thank you.

Mr.—

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, I had asked about Desjardins Group as well, but I believe my time is up.

[*English*]

The Chair: Go ahead now, Gabriel, if you want to ask a question because we'll soon run out of time.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I'd like to know about your relationship with Desjardins Group.

[*English*]

Ms. Judith Robertson: We do not regulate Desjardins as a financial entity, although we are interested. Quite often, they show leadership in things related to consumers, so we are quite keen. We meet with them from time to time to make sure we are exchanging information. The only official intersection we have is on the credit card side.

The Chair: Okay, thank you all.

Mr. Julian followed by Mr. Cooper and then Mr. Fragiskatos.

Peter.

Mr. Peter Julian: Thanks, Mr. Chair.

I'm going to dovetail two questions together.

You mentioned having granular information around banking and I would like to ask you to share that information with the committee. You mentioned that there are some financial institutions that aren't levelling penalties and fees. It would be very useful, I think, for this committee to know who is doing that.

Community Savings Credit Union in New Westminster, B.C. has offered zero per cent on lines of credit because of the pandemic. I'm interested in knowing, on things like lines of credit, whether other banks are doing that. On credit cards, Vancity, the largest credit union in the country, has offered zero per cent on credit cards.

To what extent do you have that granular information available to us so we can actually determine if there are any banks that are following best practices?

Then, in terms of payday loans, does the FCAC have a position on a publicly owned banking institution like the postal banking system so that those communities can actually get service from a banking sector rather than being redlined?

• (1650)

Ms. Judith Robertson: I think it's probably best for me to commit to provide you with that information that you requested, the more granular information and the differentiation among the various banks.

As far as the credit cards are concerned and interest on outstanding balances, again, there are some differences amongst the banks. Some—I would say most—have dropped to half of their normal rates, to just under 11%, but to my knowledge no banks have gone as far as Vancity to zero.

Then, related to your question on payday lending, we have not engaged in any research on potential solutions as you suggest. I don't have anything to offer there.

The Chair: Okay. We have to move on.

You can provide that information, Ms. Robertson, to the clerk and we'll get it to committee members.

We'll split the remaining time four minutes apiece. First we have Mr. Cooper, and then Mr. Fragiskatos to wrap it up.

Michael.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair.

Thank you to the witnesses.

I have a few questions just arising from your report, “Bank Complaint Handling Procedures”. I note that page 15 of the report notes that of the four steps in terms of escalating complaints, in the first step, which is really the first point of contact typically in a financial institution, 90% of complainants are not satisfied with the resolution, or, where it's not resolved, don't advance it any further. That seems awfully high.

Why do you think that is? Your report suggests that “it is not straightforward or easy for consumers to escalate complaints.” Could you elaborate on exactly what the issues are, because that seems very high?

Ms. Judith Robertson: Yes, we would agree with you that it is high and it is of concern.

I will point out, in fairness, that three-quarters of the complaints are dealt with successfully. The definition of “success” in the legislation is to the satisfaction of the consumer, so that is a very high success rate for any retail operation.

We are very concerned about the challenges faced by consumers if they are not satisfied. We identified many issues in the report: first, the lack of knowledge about their ability and their rights to escalate; second, the onus being placed on consumers to navigate these systems; and third, the delays and lack of assistance on the part of the banks. I think those are the main ones.

Mr. Michael Cooper: Good. Thanks for that.

In your report, you looked at some other jurisdictions, including Australia, the United Kingdom, the United States and the Netherlands. The standard in Canada in terms of resolution of complaints is 90 days. You note that out of the six banks, that standard is not being met. In some cases, it's not being met by quite a significant number of additional days, double the time or more, in terms of an average.

Your report notes that the 90-day standard is double that of Australia, double that of the United Kingdom, and that the counting of the 90-day period excludes the first step, whereas the first step is typically included in some of those other comparator jurisdictions.

What about the Netherlands and the United States? How do we compare in that regard?

• (1655)

Ms. Judith Robertson: I'm sorry. I was prepared to answer a different question. I honestly do not know. On the Netherlands, I don't know. We'd certainly be able to provide that information to you.

There are two points. First of all, those results are not satisfactory. They're very concerning, and these are issues I have raised at the most senior levels of the banks in the strongest possible ways.

I will say, though, that of course our report deals with a point in time. I would say that if we were to do the report again, based on current...we would expect to see improvements, because banks have been paying attention to this. It is important that they do so, because we anticipate a wave of complaints, which follows every crisis, so it's very critical that the industry get its complaint-handling processes in order, so that consumers can be treated fairly.

Mr. Michael Cooper: Fair enough.

The Chair: We'll have to move on, Michael, sorry.

Mr. Fragiskatos, you have four minutes to wrap it up.

Mr. Peter Fragiskatos: Thank you, Ms. Robertson. That is very important information, particularly on payday loans. I'm not going to focus on that specifically, and my colleagues have done a great job in helping raise key questions.

I just want confirmation from you that payday loans and matters relating to them, including, most importantly, how they operate, all the way down to the rates of interest, those issues are regulated provincially, first and foremost, and to an extent, depending on the province, at the municipal level through bylaws. Is that correct?

Ms. Judith Robertson: That's my understanding, yes.

Mr. Peter Fragiskatos: Okay. At the federal level, is there any regulatory role or not?

Ms. Judith Robertson: It's hard for me to be completely categorical, but certainly the FCAC plays no role.

Mr. Peter Fragiskatos: Okay.

I also want to ask about financial literacy, since this is one of the main focuses of the agency. What does “financial literacy” mean in 2020, from your perspective? That’s a term that’s thrown around and that has been thrown around for many years. I know you’ve made a specific focus on young people, helping them become financially literate. I can tell you that when I was in high school, in the late 1990s and early 2000s, financial literacy meant something entirely different. When the good teachers at South Huron District High School helped me understand as a grade 9 student how to write a cheque, or something like that, that qualified then, in 1996, as an example of being financially literate. In 2020, it’s a whole different ball game.

Can you give the committee an understanding of what financial literacy means today, from your perspective and from the perspective, obviously, of the agency?

Ms. Judith Robertson: It’s a good question. We define financial literacy as the knowledge, skills and confidence to manage your financial affairs appropriately. Of course, that will mean different things at different stages of your life. Your example is actually not that far off. While it would be rare, I think, for anyone to teach someone how to write a cheque these days, it actually is appropriate to teach young people how to pay a bill online or how to manage their password information to keep their account secure. These are things that we as adults and sophisticated adults take for granted, but they do need their skills and they do need to be taught.

Mr. Peter Fragiskatos: Thank you very much for that, Ms. Robertson.

As a final question, I would just ask, in terms of financial literacy, what are the key points of focus for you and the agency going forward in the next few years? What issues do you think will be of paramount importance? In what ways might those issues involve COVID-19 and the economic response that’s in motion and that will certainly continue?

• (1700)

Ms. Judith Robertson: Thinking about the two sides of our mandate, certainly the economic uncertainty and the economic stress created by COVID-19 put even more importance on our ability to assist Canadians in managing their financial affairs with knowledge and experience. Certainly what we’re doing, as I mentioned before, in trying to shift from just awareness to actual tools and proactive behaviours seems to me to be on the right track. That’s definitely a thrust.

On the supervisory and regulatory side, we have a full suite of priority areas to ensure that we are putting into effect the changes from the consumer protection framework so that consumers get the benefit of the protections embedded in the legislation. We have a full plate.

Mr. Peter Fragiskatos: Thank you.

The Chair: With that, we will have to wrap it up.

On behalf of the committee, I want to thank you, Ms. Robertson, the witnesses who came with you today, and your whole team at the Financial Consumer Agency of Canada. These are strange and startling times, and they’re creating scenarios that I don’t think many of us expected to see in life, with people working from home.

You have an important job to do, especially with the amount of money going out of the system and the loans that are coming through the banks, etc. You have important work to do, and we thank you for it.

Thank you for your appearance here today.

Ms. Judith Robertson: Thank you very much.

The Chair: With that, we will suspend for about three minutes to bring up the next witness, who is with the Office of the Superintendent of Bankruptcy.

• (1700)

(Pause)

• (1705)

The Chair: We will reconvene. For this two-hour session, we’ll be meeting with the Office of the Superintendent of Bankruptcy and Ms. Elisabeth Lang, superintendent.

Before I turn to you, Ms. Lang, we’ll officially call the meeting to order. I guess we had better do that or we won’t be on the public system. For your information, Ms. Lang, we are meeting, as you know, on the COVID-19 pandemic and the government response to that. The meeting will be taking place by video conference, and the proceedings will be made available via the House of Commons website.

Before we get into your presentation, for those who are on the steering committee, which includes Peter Fragiskatos, Mr. Ste-Marie, Mr. Julian, and Mr. Poilievre, is anybody out of position such that they can’t do a steering committee meeting this Thursday at three o’clock Ottawa time? We’d like to call that as quickly as possible so that it will give the clerk and staff enough time to get witnesses. If we’re going to have four three-hour meetings before the end of July, we’ll have to get on it pretty fast.

Are you okay with that?

Mr. Peter Fragiskatos: That sounds good, Mr. Chair.

The Chair: I don’t see Mr. Poilievre or Mr. Julian.

Hon. Pierre Poilievre: Yes, that should work.

The Chair: All right. I know that Peter is in Ottawa, so as long as he’s not on a plane or something at that time, we’ll try for three o’clock.

Ms. May.

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Mr. Chair, I happen to know that his plane is towards the evening. I can’t speak for him, but at least I don’t think....

The Chair: Okay, so he shouldn’t be on one at three o’clock Ottawa time. Thanks, Elizabeth.

With that, we will go ahead with that timing, Caroline.

I welcome Ms. Lang, from the Office of the Superintendent of Bankruptcy. She has an opening statement, and then we’ll go to a round of questions.

Ms. Lang, thank you for coming.

• (1710)

Ms. Elisabeth Lang (Superintendent, Office of the Superintendent of Bankruptcy): Thank you for the invitation to appear before you today. I will deliver my remarks in English to avoid any technical difficulties, but I'd be more than happy to answer any questions posed in either English or French.

I want to express my thanks to each of you on this committee for the important work you do on behalf of Canadians, and I hope you and your families are staying safe and healthy.

Today I'll cover three topics. I'll start by providing information about the Office of the Superintendent of Bankruptcy, which I'll refer to as the OSB, and the Canadian insolvency system. As I highlight some of the OSB's programs, I'll provide you with an overview of the steps the OSB has taken in response to the COVID-19 pandemic. I will then address how the OSB is preparing for a possible increase in the number of insolvency filings.

Prior to appearing today, I provided a deck with information about the OSB and data on insolvency filings in Canada. I don't intend to walk you through that, but I am happy to answer any questions about it that you may have.

A well-functioning insolvency system is a key pillar of the economy. It helps to promote investor and creditor confidence in the Canadian marketplace. As superintendent, a Governor in Council appointee, I have statutory duties and authorities that help to ensure that the Canadian insolvency system continues to operate as intended, as set out in the material I provided.

The Chair: Ms. Lang, I'll interrupt for a second and ask you to slow down a bit. Interpretation is even more difficult over video conference, so the people in the booths might be having a little trouble. Just slow down a little.

Ms. Elisabeth Lang: I will try. It's a hard habit to break, apparently.

The OSB is part of Innovation, Science and Economic Development Canada, and the Minister of Industry is responsible for insolvency policy via legislation and regulations. As superintendent, I work closely with my ISED colleagues and also have directive-making power that enables me to provide additional guidance on the legal requirements of the BIA.

As mentioned in the materials, the OSB is predominantly a vote-net organization. OSB revenues cover all direct costs of the operation, as well as indirect costs for various centrally managed expenditures.

In addition to the OSB, the key players in the insolvency system include licensed insolvency trustees, debtors, creditors and the courts. Licensed insolvency trustees, which I call LITs, are private sector individuals and corporations that are the only professionals authorized to administer insolvency proceedings that allow debtors to be discharged from their debt. LITs go through a thorough training and certification process before being licensed by my office. They must adhere to standards of practice set out in the BIA, in the CCAA and in regulations, including the code of ethics for trustees and the superintendent's directives.

Debtors have rights and responsibilities in the insolvency system, including complete and honest disclosure of their assets and liabilities and co-operation throughout the process. In the case of consumer debtors, they must participate in two insolvency counselling sessions. Debtors can be subject to consequences if they fail to fulfill their duties, such as a refused discharge, an order to pay additional amounts to creditors, and even, in the most serious cases, criminal charges. Most debtors, however, are honest and co-operate fully, and upon their discharge can benefit from a fresh financial start.

Creditors also have rights and responsibilities in the insolvency system. They are entitled to receive a portion of the amounts collected from the debtor. They have a role to play in the insolvency proceeding. They must respect a stay of proceedings and cannot attempt to collect debts that have been discharged.

Courts play an important role, which varies depending on the type of insolvency proceeding. Legislative changes in 2009 provided additional automatic discharges for certain bankruptcy types, which reduced the need for court involvement in the majority of bankruptcy proceedings.

I'll turn now to some of the OSB's programs and the steps we've taken to address the COVID-19 pandemic.

Since my appointment as superintendent in October 2018, I have established three strategic objectives for the OSB: engagement with stakeholders, compliance and organizational excellence.

In large part thanks to the OSB's increased engagement with stakeholders, including the Canadian Association of Insolvency and Restructuring Professionals, also known as CAIRP, and LITs across Canada, the OSB was able to act quickly in response to the COVID-19 pandemic by issuing our first guidance note on March 13, 2020. We immediately enabled LITs to carry out certain duties remotely that they would typically have had to carry out in person, including the initial debtor assessment and insolvency counselling. We have since extended this flexibility to March 31, 2021, to support social distancing, help debtors receive services in their preferred way, leverage technology and provide important efficiencies to the system.

Since March 13, 2020, the OSB has issued at least 10 guidance notes, as well as several on behalf of the CRA and Revenu Québec, all of which help to ensure that the system can operate effectively and efficiently. We have sought to lighten compliance requirements where appropriate and have embraced technology and other efficiencies.

Perhaps most significantly, using my authority pursuant to the BIA, I applied for an order on behalf of the more than 451,000 open insolvency estates and those filed by June 30 in all 13 provinces and territories, effective April 27, 2020. This allowed consumer proposal debtors to miss an additional three payments between March 13, 2020 and December 31, 2020 without having their proposal deemed annulled, in recognition of the fact that many consumer proposal debtors found themselves out of work and unable to maintain the promised levels of payments. Note that missed payments would need to be made up at some point prior to the completion of the consumer proposal. The order also allowed for the extension of timelines where necessary for things such as meetings of creditors, applying to court and mediation.

OSB officers across the country reached out to LITs in the early weeks of the pandemic to check in and ensure that they could operate effectively. The OSB also created a dedicated email box and COVID response team to reply accurately, consistently and in a timely manner to all COVID-related questions from LITs and Canadian stakeholders.

We're continuing to explore ways to leverage technology to effectively carry out our compliance duties at a distance, including inspections of LIT practices, debtor examinations, chairing meetings of creditors, opposing discharges and conducting criminal investigations, as well as using electronic signatures and enabling electronic fund transfers.

- (1715)

We've also put an emphasis on ensuring that debtors have accurate and reliable information on the options available to them to address their financial difficulties. Last year, we launched a debt solutions portal on our website, which we promoted with the help of partners, including the FCAC. We issued a guidance note directed at debtors in the context of COVID-19, and developed a series of COVID-19-related social media posts to be published throughout the summer. This year, the OSB launched a map-enabled feature to help debtors find a LIT in their area. In the coming year, we hope to develop new and interactive tools to help Canadians find the best debt solutions for their debt challenges.

In terms of readiness for a possible increase in insolvency filings, we start by looking back at prior years and the past weeks. We are keeping a very close eye on insolvency rates, compared with the last significant Canadian recession, in 2008-09, which impacted insolvency rates with a record high of over 158,000 filings, or 5.83 filings per 1,000 adults, in 2009.

In 2019, the raw numbers of insolvency filings reached more than 140,000, but note that Canada's population has also grown over time. This was the equivalent of 4.64 filings per 1,000 adults, a rate that has been relatively stable since 2011, where it has remained under five following the effects of the recession.

In the weeks following the onset of COVID-19 in Canada, BIA insolvency rates dropped below both 2009 and 2019 rates. For business insolvencies, this drop appeared in the week of March 8, and on the consumer side, it appeared in the week of March 15. The rates have remained well below 2009 and 2019 levels on the BIA side since then. We can surmise, with a fair amount of confidence, the reason insolvency rates have remained low. I think we attribute

it to financial and liquidity supports from government, reduced levels of enforcement by creditors, and uncertainty regarding the future for businesses and employees.

On the CCAA side, I would note that we have received 27 CCAA filings, the largest insolvency filings in Canada, in Q2. This is more than double the 10-year quarterly average. The next-highest quarterly filing rate was 17 in Q1 of 2012. I would note, however, that in some years we see a spike in one quarter followed by a significant drop in others, so it's too soon to tell whether this is a sign of a record year. I would also note that the numbers are very small across the board.

It is important to emphasize that insolvency is a lagging indicator. In the materials I provided, slide 8 shows the correlation between insolvency rates and drops in the gross domestic product, with an increase in insolvency filings occurring when the GDP goes down or in the quarter following a drop in the GDP. Decisions to make a formal insolvency filing are complex. We know that individuals and businesses that may technically be insolvent will not always file a formal proceeding.

Future insolvency rates will be impacted by a multitude of factors. The OSB has not historically been in the business of forecasting insolvency rates. We have a model to forecast revenues, which is very reliable. The majority of fees are paid at the end of an insolvency proceeding, so we base our forecast on current filing data rather than forecasted filing data. We've been in discussions with colleagues, both in Canada and internationally, to determine whether there is a reliable forecasting model and how well it could be applied in the context of the current uncertainties. Work is continuing on that.

In the meantime, the OSB is preparing to ensure that the insolvency system can handle a significant increase in insolvency filings. Based on experience from 2009 and additional efficiencies that have been adopted in the insolvency system, I am confident that the system can handle it.

Specifically, I would point to the fact that insolvencies are filed electronically with the OSB, and we verified that the system could handle significant spikes in 2009. We're also testing it to ensure that it can handle even more. We have extended remote service delivery options by LITs, and the OSB will provide additional efficiencies. LITs have also found efficiencies over the years in how they deliver services. We can make some strategic adjustments to compliance requirements. As well, as I mentioned, we have reduced court time, given the increase in the number of files that can obtain an automatic discharge and due to the increased number of consumer proposals that are filed. We continue to explore other system efficiencies, such as the use of artificial intelligence for detection of potential debtor non-compliance, which we will be piloting this fall.

That concludes my remarks. I'd be happy to answer any questions you may have.

• (1720)

The Chair: Thank you very much, Ms. Lang.

We'll start our first round of questions with Mr. Poilievre. Then we'll go to Ms. Dzerowicz, Mr. Ste-Marie and Mr. Julian. We'll go to a six-minute round.

Mr. Poilievre, you're up.

Hon. Pierre Poilievre: Thank you very much, Ms. Lang. I appreciate your hard work in this difficult time.

Obviously, bankruptcies have basically been frozen throughout the COVID period because of the deferral of taxes, mortgage payments and the sudden but temporary inflow of government assistance that will temporarily get people through this rough patch.

However, in the period leading up to the COVID shutdown, there was a very large increase in insolvencies, particularly from 2018 to 2019, and then January 2019 to January 2020. We saw large increases in insolvencies through those times. A lot of people were clearly suffering.

When the temporary measures of deferred mortgages and taxes and the Canada emergency response benefit lapse, when all of this lapses, do you have a sense of whether or not there could be a large number of Canadians facing the very real likelihood of bankruptcy, an inordinate spike, or maybe even a bankruptcy crisis in Canada?

Ms. Elisabeth Lang: As I mentioned, the 2019 rates were actually fairly stable, up slightly but still under five per 1,000 Canadians, because our population has grown. On the other hand, of course, we know that the household debt ratio has grown significantly over the past number of years, and that's a very real concern for us. However, you don't see every single person file for an insolvency who might, on paper, need to file for an insolvency. It's a multifactorial decision. One question that will remain is whether Canadians will be able to get their jobs back, whether creditors will continue to be reasonable, given the extreme circumstances that everybody is facing.

If, as many are suggesting, we face a recession and our GDP goes down, our historical data shows that we will see an increase, but I don't think it will be sudden. I'm not sure it will be a crisis, but it's very difficult to predict.

Hon. Pierre Poilievre: Currently, Canadian households have about \$1.76 in debt for every dollar of disposable income, which is a record high for Canada. It's actually higher than was the case in the United States in the lead-up to the great financial crisis there. In that context, though, the household debt was concentrated among people who had subprime mortgages and other exotic lending products. In other words, the population as a whole was not exceptionally indebted, but there was a concentrated group of people with a very particular set of circumstances who did have high levels of debt.

My question for you is whether there is a particular group or cohort of Canadians who have an inordinately high debt, who are particularly vulnerable to an eventual rise in interest rates or unemployment.

• (1725)

Ms. Elisabeth Lang: We are able to speak to insolvency statistics, and I think you're asking about a group that has not yet filed, so it would be difficult for us to speak to that. The majority of filings, 37%, are done by people ages 35 to 49. I can tell you that for 2019 data, but yes, it's difficult to talk about. I think others would have to speak to the vulnerabilities of the pre-filing group.

Hon. Pierre Poilievre: This group of people who are 35 to 49 years old, are they filing in unusually high numbers these days, or are they typically above the average for insolvency filings?

Ms. Elisabeth Lang: I would have to look back, but I believe this is the typical age group for the majority of the filings. It's typically higher in the 35-to-49 bracket than in other age groups.

Hon. Pierre Poilievre: I know that your role starts when the filing actually begins, but I imagine you do have some anticipation and do some planning and have some data to predict what's ahead. Do you have any sense that bankruptcies and insolvencies could become a real pandemic, so to speak, in the next several years, given the enormous amount of debt that people have racked up in the lead-up to COVID-19 and perhaps while it's been going on?

Ms. Elisabeth Lang: As I said, we don't actually have a forecasting model. We're talking to colleagues to see if one exists. I think even if one existed, it might be truly tested by the current situation, which is more uncertain and has more variables than we would have ever seen before, with things like government supports and creditor forbearance.

We look at the GDP and we listen to experts who say that we may be facing a recession, and we prepare for the possibility of an increase.

Hon. Pierre Poilievre: You don't have any predictive modelling that could help us anticipate what's ahead.

Ms. Elisabeth Lang: No, I'm sorry. I don't.

Hon. Pierre Poilievre: Interesting.

The Chair: Thank you, Mr. Poilievre.

We'll go to Ms. Dzerowicz, followed by Mr. Ste-Marie.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

Thank you, Ms. Lang, for your excellent presentation. You covered a lot of territory very quickly, and thank you so much for your service to our nation.

We've mentioned a few times in different ways the impact of the COVID-19 programs on consumer and business insolvencies. Do you actually have numbers? Are you able to say that CERB actually stopped x number of insolvencies, and the wage subsidy actually...? Do you actually delve down, or do you just say that in general this is what we understand has happened?

Ms. Elisabeth Lang: Based on our statistics that we report monthly on our website, we know that the numbers are down by about 50% this May versus last May. That would be one number you could look at. However, what you don't know is what they would have been, of course.

Ms. Julie Dzerowicz: We're not able to say that this program had more of an impact than another program. You're just able to give the overall bucket.

Ms. Elisabeth Lang: Yes.

Ms. Julie Dzerowicz: Okay. That's helpful.

Have you noticed any deviations from the norm? For example, I live in downtown west Toronto. There is a natural turnover of businesses within different sectors here. Have you started noticing deviations from the norm in different sectors, in different areas?

Ms. Elisabeth Lang: No, we have not, as of yet.

Ms. Julie Dzerowicz: Okay. Are you actually measuring that?

Ms. Elisabeth Lang: Our statistics on our website report on insolvencies by sector, so you can see that data. But, again, because the numbers are so small and in fact business numbers have been on the decline for a number of years now—we're talking about very small numbers—it's hard to read a lot into that.

Ms. Julie Dzerowicz: Okay, that's helpful.

I think there are always going to be comparisons between where we're at in terms of insolvencies and bankruptcies here in Canada versus the U.S., and versus other G7 countries. Do you have an idea of that at this moment?

• (1730)

Ms. Elisabeth Lang: I reached out to some of my international colleagues very early on to talk about the trends they were seeing and the best practices in dealing with COVID-19 and beyond. I don't have actual stats, but, to a country that participated in my call, everybody was experiencing a significant drop in insolvency rates.

Ms. Julie Dzerowicz: Okay.

Is it for similar reasons to what you had mentioned, because it wasn't just programs. I think it was debtors not really going after the money. There were a number of different reasons. Are they for the same reasons as well?

Ms. Elisabeth Lang: As far as I know, yes. We didn't delve into the details of why.

Ms. Julie Dzerowicz: I am assuming there is also a way your office actually monitors the policies and procedural decisions of comparable organizations in other jurisdictions and what measures they are putting into place or starting to prepare for. Can you maybe talk a bit about that?

Is there anything you're noticing or is there some policy that's being put into place or are there things you're thinking about that we need to be looking at?

Ms. Elisabeth Lang: On the policy side, that would be largely the responsibility of my colleagues at ISED, but my office has been tracking the legislative changes that have been occurring in some countries. I should note that most countries have slight variations in their insolvency systems, so it's hard to make direct comparisons.

I think the number one change that would be applicable in Canada would be suspension of timelines, because insolvency legislation typically has required you to do certain things at certain times. The suspension of those timelines, in recognition of the fact that people were temporarily laid off or courts were temporarily closed, was probably the number one thing that would jump out at me.

The OSB was able to provide guidance to our stakeholders to address most of these issues and challenges. The courts have also been remarkably able to address the needs out there as well, so Canada has fared quite well in spite of some of the challenges.

Ms. Julie Dzerowicz: That's great to hear.

I think this was alluded to, there's always a concern, as you're starting to lift some of the measures that we have in place, what the impact is going to be around bankruptcies or personal insolvencies. One of the things that you had mentioned is that there will be an increase of activity, but you don't think it will be sudden. Why don't you think it will be sort of automatic? Do you think it will take a certain period of time?

Ms. Elisabeth Lang: It seems to be, based on what we see from debtor behaviour, that a lot of debtors try to do everything they possibly can before they decide to file for an insolvency. We have some excellent and reputable credit counsellors in Canada who are provincially regulated who can sometimes help somebody through budgetary problems and see them out the other side without having to file an insolvency. In some cases, people will just avoid the inevitable and not necessarily in the most healthy way. It's a very stressful situation for people. In some cases, we wish that they would come sooner.

There are tools that we want to put on our website this year to help people to understand, "In which category do I fall? Where should I go for help?", so that they can go and get that help as quickly as possible.

Ms. Julie Dzerowicz: Do you only offer that information in English and French?

Ms. Elisabeth Lang: We offer a lot of our products in English and French, but we have a “Consumed by Debt?” brochure that we have translated into—I won't get the number right—13 languages, give or take.

Ms. Julie Dzerowicz: I think that's important.

Thank you.

The Chair: Thank you both. Right down to the second, Julie, you've got it timed.

Mr. Ste-Marie followed by Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Lang, thank you for joining us. Thank you, as well, for your presentation at the beginning of the meeting. I must say hats off to the interpreters, who did an outstanding job keeping up with you.

I'd like to talk about the statistics you shared. My goodness, are they ever surprising. I am referring to the report entitled "Insolvency Statistics in Canada". The latest data cover the month of May. Because of the pandemic, I would have expected the number of insolvencies and bankruptcies to rise. You say, however, that the total number of insolvencies, bankruptcies and consumer proposals in Canada fell by 8.2% in May 2020, as compared with the previous month. We saw 3.9% fewer bankruptcies, and consumer proposals were down 10.3%. The total number of insolvencies filed in May decreased by 50.3%, compared with May 2019. From what I understand, that is half as many, even though we are in an economic crisis. In Quebec, according to your data, it is 64% fewer. That's incredible. In your report, the numbers follow the same trend.

I have some theories that might explain it, but I'd like you to tell us the reasons that might explain the decrease. I'm not sure whether you can answer me off-the-cuff. The Library of Parliament analysts indicate that it could be due to a slowdown in court activity. Are you in a position to comment on that? If not, how have the programs implemented by the government also made a difference?

Other theories are more worrisome. You mentioned the permission to miss the first three payments, but also the fact that financial institutions have entered into deferred payment agreements. However, if financial institutions have agreed to temporary deferrals, we can expect a huge number of insolvencies and bankruptcies in the fall. That is cause for concern.

What say you about these theories?

● (1735)

Ms. Elisabeth Lang: Thank you for the question.

I don't think the courts are really a factor. As a first step, insolvency cases in Canada are sent electronically to my office. For more serious cases involving the Companies' Creditors Arrangement Act, the process starts off in court. As I said, the courts have been available for serious cases. In my opinion, the other factors I brought up are more important, including creditor conduct and government payments. We'll see what happens when the measures end. I hope that most debtors will be able to get their jobs back. That would keep the situation from getting much worse. We'll have to wait and see what happens.

Mr. Gabriel Ste-Marie: All right. Thank you.

Your French is excellent, so kudos to you. Thank you for answering in my language.

To get back to the statistics, I would like to know whether you've obtained or seen the preliminary data for the month of June.

In your opinion, will this downward trend over the previous year continue? Are you able to comment on the preliminary data yet?

Ms. Elisabeth Lang: We are watching the numbers very closely. So far, they are continuing to drop considerably.

Mr. Gabriel Ste-Marie: Okay, thank you.

I must say I'm very surprised, especially given the unemployment forecasts. They say the unemployment rate has increased and that, in the coming months, over the next year, even the next few years, it will be higher than it was before the pandemic.

Assuming that the unemployment forecasts are accurate, in your opinion, how can a higher unemployment rate go hand in hand with a lower number of bankruptcies?

Ms. Elisabeth Lang: I believe the government benefits are at play here. They are causing a bit of a hiatus. If the unemployment rate continues to rise, the number of bankruptcies is going to rise, that's for sure.

Mr. Gabriel Ste-Marie: Okay, thank you.

A survey was done of U.S. economists. Nearly three-quarters of them, so 70%, expect a "square root-shaped" recovery, if you'll pardon the expression. The crisis is causing the economy to shrink; the economy then picks up again, but less vigorously, and then you get a kind of plateau at a lower level than before the crisis. We are talking about the U.S. economy, but the Canadian economy is linked to it in many ways.

Similarly, the day will come when special arrangements between financial institutions and businesses are no longer in place and exceptional government support measures have ended. If, by then, the economy is not at its full potential or at a level comparable to what it was before the pandemic, there will likely be a higher number of bankruptcies or defaults.

Is that how you see it?

● (1740)

Ms. Elisabeth Lang: It is possible, yes. We'll see. You never know. If we have a recession again, it is quite possible it could happen.

Mr. Gabriel Ste-Marie: Okay, thank you.

Mr. Chair, as I have no further questions, I am going to give Ms. May my time for the second round.

[English]

The Chair: Elizabeth's in luck today.

We'll go to Mr. Julian, who will be followed by Michael Cooper.

Peter.

Mr. Peter Julian: Thank you very much, Mr. Chair.

Thanks, Ms. Lang, for your presence here today. We hope your family is safe and healthy.

I also want to compliment you and the OSB for your very prompt action, moving quickly within a few weeks of this pandemic hitting to make sure that people had options, that they wouldn't be in a situation where they were basically in default of their arrangements around bankruptcy. It was a very significant step. I think it's important to underscore how prompt and effective your actions and the actions of the OSB were, and the potentially positive impacts. People will be able to come through this pandemic without the crushing financial loss that comes from bankruptcy and not having met the obligations that they had agreed to before the pandemic. I thank you for that.

I'm interested in knowing to what extent the OSB actually tracks the reasons why people run into financial difficulties. In Canada, we have the highest level of family debt in the industrialized world. The debt levels, as I'm sure you're aware, are similar to what we saw in 1929. We're seeing an increase in concentration of wealth in very few hands, where the top 1% have as much wealth as the bottom 80% of our country. Those figures, as well, are very similar to 1929. It's like government policies of both the former government and the current government are designed to provide the most support to the people at the top of the country and often forget about so many others.

To what extent does the OSB track the reasons around bankruptcy? I'm thinking of things like the end of a marriage, the death of a family member, a disability, illness and loss of a job. Do you have those statistics that indicate why people are finding themselves in financial difficulty?

Ms. Elisabeth Lang: First, thank you very much for your kind words. I truly appreciate those.

We do ask for the reason for insolvency. I will say with a bit of a caveat, however, that our forms are not perfect. That is an open text field, so I have some very talented people in my office who have to weed through that and pull the data as best they can. Form updates are something that we do want to work on to improve our data. I can tell you that in 2019, 69% of consumer insolvencies were due to what they called "financial mismanagement", 37% were due to loss of income, 23% for medical reasons, 15% due to a relationship breakdown and 7% from a business failure. In that case, it would be somebody who filed a consumer insolvency but listed at least 50% or more of their debts relating to a business.

Mr. Peter Julian: Obviously people are giving multiple reasons. There's some overlap there.

• (1745)

Ms. Elisabeth Lang: Yes, I guess.

Mr. Peter Julian: Putting aside the issue of finances, what one could consider involuntary causes, so health issues or a breakdown in a relationship, do you have any estimate of the percentage of those who find themselves in bankruptcy because of those kinds of things that are beyond their control?

Ms. Elisabeth Lang: Yes, it's hard to isolate how that breaks out based on the data that I have today. Again, I feel like our forms might not be the perfect tool to give a great answer on that question, unfortunately.

Mr. Peter Julian: Is that raw data something that you could share with the committee?

Ms. Elisabeth Lang: Yes, we could look at that.

Mr. Peter Julian: Yes, because I think it would be helpful to understand.... I note from an earlier question that you were asked that you don't propose policy changes. You don't feel that's your purview, but understanding why people are finding themselves in bankruptcy is often a good indicator to legislators to put in place programs and services that actually prevent them that.

As I mentioned earlier, the increasing massive concentration of wealth, the situation of massive tax evasion that we're seeing, costing \$25 billion a year according to the PBO, are all factors that have an influence on regular people struggling to make ends meet. The fact is that Canada has the sad history of being the worst in the western industrialized world, in terms of family debt that is being imposed on people, because of the lack of services, pharmacare and things like that. I certainly feel it in my own riding. People are connected to that. That information would be very helpful, and any policy prescriptions you could provide would be helpful as well.

I wanted to ask you about something that's a phenomenon certainly right across the country, which is people basically walking away from their businesses. They don't go through the bankruptcy route. They just realize, given the pandemic, that they have a sad situation. They close the door and walk away, and basically leave things. They don't have the ability to continue their business.

Are there any suggestions you can make to address that issue, and what is your sense in terms of businesses that are forced to go into bankruptcy, given the pandemic, and prior to the pandemic?

Ms. Elisabeth Lang: It would be a policy question, I think, on the solutions for that problem, but certainly you are not wrong that the majority of businesses.... We looked at the birth and death rates of businesses, and it's approximately 3% of corporations that actually file a formal insolvency proceeding. So, you're correct in that.

I do not believe—I would have to verify—that we collect a reason for insolvency in the corporate sense, if that's your second question.

Mr. Peter Julian: Okay, so that's not any information that you would be able to share with us.

Ms. Elisabeth Lang: I certainly will if we have it. The only question is whether we collect that, but I will get back to you on that.

The Chair: Peter, we'll have to move on. You will get a second round.

We'll go to Mr. Cooper for five minutes and then Mr. Fragiskatos.

Michael Cooper.

Mr. Michael Cooper: Thank you, Mr. Chair.

Thank you, Ms. Lang.

I just want to follow up in terms of having an understanding of the dramatic decrease that we've seen in terms of bankruptcies. In answer to a question posed by Mr. Ste-Marie you listed some of the factors, including a slowdown in terms of the activity of creditors.

What explains that? Is it a function, for example, of more people being out of work and therefore from a practical standpoint being in a position of being creditor-proof, in that there aren't wages to garnishee and so on?

Ms. Elisabeth Lang: I can only tell you what I've heard anecdotally. Again, we don't have data on files that we haven't received. Anecdotally, we're hearing that creditors are forbearing and being reasonable on both the consumer side and the business side. I think the fact is that everybody realizes that this is an unprecedented, unfortunate situation that we hope is temporary.

Certainly the lockdown provisions are temporary and starting to ease. As they start to get lifted, we'll see what the future will hold. Will businesses be able to successfully pivot or weather the storm and emerge as viable businesses? In that case, as a creditor you're actually better off working with that debtor, because you continue to have a client rather than taking potential losses on the debt they owe you. On the consumer side, will consumers get their jobs back? I think the banks have been doing a fair job on deferring mortgages where necessary. We'll see where that ends up going over the long term.

• (1750)

Mr. Michael Cooper: Right. I understand that you're not in the business of making projections. However...and in fairness, in terms of your answer to Mr. Poilievre, who asked whether you would anticipate a dramatic spike, you said not necessarily, even though you're not in the business of making projections. That's understandable, because filing for bankruptcy is not usually the first thing one does. It's usually a process of two, three, four or five years before one reaches that point.

Now, you did note that pre-COVID, the numbers were relatively stable from 2011 onward. However, I would note that looking at some numbers in October of 2019, there were 13,000 bankruptcies. That represented the highest number since September of 2009. That's concerning, given the situation we were in pre-COVID during relatively good economic times. Given that, would it be fair to say that although we might not see a dramatic spike—again, you're not in the business of making projections—it will be a rough few years?

While you answer that, maybe I could also get you to comment on any trends you see not on the consumer side but in terms of corporate insolvencies going forward.

Ms. Elisabeth Lang: I think we have to recognize that household debt levels were incredibly high and were continuing to rise over the past several years. While the number of filings were high,

the per capita numbers were stable. People have been able to somehow manage those rising debt levels. As I said, on paper somebody might appear to be insolvent and not file. These are the things that make it very hard to predict. As I noted in my slide tracking the rates, and that has the GDP numbers, when you see a significant drop in GDP, you do see an increase in insolvencies. If that's where we're headed, then I think we can expect an increase.

On the corporate side, we do hear about a debt level. That's a concern, and we'll see how that plays out. But the important thing about corporate insolvencies is that largely we hope to see corporations go through a restructuring process, and particularly on the CCAA side. That's what it was really intended for—to see them restructure and come out the other side as a viable business, which saves jobs and contributes to the economy. That's what I hope we will be able to see. Again, creditors will play an important role in that, because it's very much a negotiated outcome.

Mr. Michael Cooper: Good.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Cooper.

Jut on that, because you mentioned the CCAA, where do you stand in terms of farm financial issues? Are you involved in any way in that, or is it left mainly up to the farm debt review boards? Are you involved in that aspect?

Ms. Elisabeth Lang: Are you talking about farmers?

The Chair: Yes.

Ms. Elisabeth Lang: We are not involved in that aspect at all.

The Chair: Okay. That's what I... Mainly it's the farm debt review boards in that particular area. That itself needs to be improved, in my view, but that's personal.

Mr. Fragiskatos, and then on to Mr. Cumming.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

Thank you to the officials, and to Ms. Lang in particular for the presentation.

Ms. Lang, in the post-2008 period, where were we, as far as the numbers show, in terms of bankruptcies in Canada?

Ms. Elisabeth Lang: We reached about 158,000 total bankruptcies, and if I just open my slide, I can tell you where we were on the per capita number, because that was our apex. In 2009, we reached 5.83 filings on a consumer side per 1,000 adults.

Mr. Peter Fragiskatos: Okay, I know you've said that there's no way you can project at this point. You don't have that ability to do so, but do you have any information that would allow us to make comparisons between then and now, or where we might be by the end of the year?

• (1755)

Ms. Elisabeth Lang: No, I'm sorry, I don't. Honestly, our office isn't really about that. We don't have a lot of economists and that's not really one of the jobs we do.

Mr. Peter Fragiskatos: No, that's fine. You've been very good to raise a number of important issues with the committee and you're doing a lot of hard work, so I understand you can't provide every piece of information that MPs may ask for.

I'm looking at an article here from Maclean's magazine. It does quote the Office of the Superintendent of Bankruptcy Canada, and it does so in the context of talking about what happens when one goes bankrupt. The heading at the top of the paragraph reads, "Bankruptcy is not the end of the world." It then continues to say that a credit counsellor or a licensed insolvency trustee is where folks go if they find themselves in this very unfortunate situation. According to your office, in 2019 there were more than 137,000 Canadians who used these options to get a "financial fresh start", as the article puts it.

Do we have the capacity, if we do see a very high number of bankruptcies, to ensure that folks get that support, whether it is by accessing credit counsellors or licensed insolvency trustees?

Ms. Elisabeth Lang: Yes, it's a great question, and my office has been looking at that very carefully. We want to be sure that Canadians in need of help with their debts can get the help they need.

The licensed insolvency trustee community has proven to be very nimble. They've added significant efficiencies over the past number of years, so I do truly believe they will be able to do that.

My office will be there to support them by providing efficiencies as well. For example, in 2009, one thing that we were able to do was to put less of an emphasis on our rate of closing, which we pay close attention to because it's important not just to open files, but to close them in normal times. In 2009, we reduced the emphasis on that so that LITs could focus on opening files and doing that job effectively. That's an example of something we could do again to support the system.

Mr. Peter Fragiskatos: Sure. The article, I don't think, is making light of the matter at all. I certainly don't mean to, but where it does read that bankruptcy is not the end of the world, I think it's an apt point. The reality is that people will find themselves in a position of bankruptcy. That is a fact, but we have seen situations before where people experienced that and were able to come back with assistance.

In fact, the Maclean's piece that I'm referencing does quote an individual who works in that sector as a licensed trustee, and I'll just read it to you here. He says that "we've got [enough] bench strength, experience and compassion to help Canadians going through this crisis [as well]."

The sector seems reassured, but I wanted to put the question to you. Perhaps I could pick up on this point and continue with it. In the 2009 period, as you said, this is where we saw the apex in terms of numbers when it came to bankruptcy post-2008. Did we have any challenges in terms of ensuring that people had access to credit counsellors and/or licensed insolvency trustees? Was that a problem at all during that time?

Ms. Elisabeth Lang: I was at the OSB at the time as a deputy superintendent and certainly not on the insolvency side. Things went extremely well in 2009 and we were able to help a lot of debtors get through their financial difficulties, either with a bankruptcy or at the time, consumer proposals, which were on the rise. They've now exceeded 61% of filings, which is a truly positive piece of policy development in that in those cases, if debtors actually have assets, they don't need to give them up. They need to negotiate with their creditors for what the creditors consider to be a fair and reasonable payment, often over a period of five years. I think that will be a positive development in the current situation as well.

On the credit counselling side, I'll just add, that's outside of my purview.

The Chair: One more, Peter.

Mr. Peter Fragiskatos: I have one last question, and it picks up from our previous session today. The consumer agency brought up the point about payday loans, and members raised concerns about payday loans. In any of your data, do you have numbers indicating, for example, the number of Canadians who have gone bankrupt and how many of those particular individuals have experience with payday loans? I won't say "correlation", but is there some kind of tie you can bring to light there, if at all?

• (1800)

Ms. Elisabeth Lang: First, again, I have to apologize for our data on this. It's not perfect. The way we would look at payday loans is based on the name of the creditor as entered by the licensed insolvency trustee. Of course, a multitude of organizations would fall into that large basket of sort of subprime lending.

I did ask a while back for some information on payday loans. It is an area of concern for me with regard to the lowest-income debtors who may have no choice but to access subprime lending. In terms of what we found, I can't compare it to the rest of Canada, but it appears that the use of this facility is on the rise. In fact, it's about 8% more prevalent with a second-time-or-more filer. It's actually a more worrisome trend in that somebody is less creditworthy and has even fewer options in terms of how to access money that they may need. Often it's to pay for things like rent, groceries for the week and things like that.

The Chair: Thanks, both.

We'll turn now to Mr. Cumming, followed by Ms. Koutrakis.

James.

Mr. James Cumming: Thank you, Mr. Chair.

Thank you, Ms. Lang, for your presentation today.

I wasn't as puzzled about the numbers, that there hasn't been a significant increase in bankruptcies, because I think you covered it. It's a laggard. Given the extent of this financial crisis, from the evidence that I've heard, most of the financial institutes or debtors are doing everything they can to avoid putting people into that situation as they try to work their way through it.

Do you think that's a fair analysis? I don't think these numbers indicate that we're in a financially healthy place because they're lower; I actually think we're not in a financially healthy place, but that's a reaction of the marketplace to not push people into bankruptcy, at least now. Would that be fair?

Ms. Elisabeth Lang: I think that's a fair assumption. I wouldn't say I have empirical data to support that.

Mr. James Cumming: Yes. Okay.

If we see a run going out six months, when most of the government programs will likely come to a stop or start to phase out, and we have these deferrals, we're going to have significant issues for both consumers and businesses. If we see a bit of a run, do you think the office of the superintendent will have to modify some of the standards that are put in place related to creditors, repayment plans and some of the things they have to do in bankruptcy, given the extent of the financial issue we're seeing?

Ms. Elisabeth Lang: Most of the requirements in insolvency are set out in the legislation or regulations. As I mentioned, I do have directive-making power. We can provide some flexibilities on some requirements. We would do that fairly carefully. We are sort of leaning toward areas where we can actually embrace technology and efficiencies. I often say to my team that we're being catapulted into the 21st century by having to go online and use all of this technology, but I'd rather see whether we can embrace it rather than try to fight it and assume that we're going to go back to normal.

We're exploring all those options that will provide significant efficiencies to the system. For us, it's always about balancing the efficiencies and the gains with the risk of non-compliance. That's the delicate balance we walk. Right now we have a bit of a pilot project, which was not chosen by us; by extending the remote delivery of services for LITs to March 31, 2021, we can look at how that goes. How are debtors being served? Are they getting the service and advice that they need, and in the way that they need it? If we can mitigate any risks, then that's an example of something we could continue.

• (1805)

Mr. James Cumming: On corporate bankruptcies or people going into CCAA prior to bankruptcy—and for sure, creditor protection in front of bankruptcy is always the desired approach—some of the experiences I've seen, particularly when you hit a really difficult period like we're seeing right now, are that the banks won't act. If a business has zero revenue and it's struggling and it's on the bottom, you might see an uptick in action after it comes off the bottom. There's some potential to reorganize or potentially put the company up for sale or do something with it.

Do you see trends like that, from what you've seen before? Have you seen that it's not necessarily the bottom of a drop where we start to see bankruptcies, but in a rebound shortly after that period?

Ms. Elisabeth Lang: I don't know if I could speak to seeing a trend in that regard.

From talking to the LIT community, I think one trend that I would note in the past few years is an increase in informal workouts, in creditors working with debtors and finding a solution. They don't necessarily need to file with my office. In that case, we don't

have the data. For me, any time a company can resolve its financial issues and remain a viable going concern is great news, no matter how they do it.

Mr. James Cumming: I'll go back to my original question. We shouldn't think that a reduction in the numbers on bankruptcies is any indication of financial health of both consumers and businesses at this time.

Ms. Elisabeth Lang: No.

Mr. James Cumming: Okay. Thank you.

The Chair: Thank you both.

We're turning to Ms. Koutrakis, followed by Elizabeth May.

Go ahead, Annie.

Ms. Annie Koutrakis: Thank you, Mr. Chair.

Thank you, Ms. Lang, for your testimony today.

The OSB's review of LIT business practices notes:

Interviews with debtors served by LITs who had ongoing working relationships with debt consultants indicated that debtors had a very limited understanding of the role and obligations of the LIT in the insolvency process. Debtors were also usually not aware of the amount of payments they made towards debt consultant fees versus creditors' fees versus the fees of the LIT.

Since the release of this report in 2017, does a lack of debtor understanding of the insolvency process continue to be an issue? Will you be able to comment on the steps that have been taken by the OSB to improve debtor understanding of this process?

Ms. Elisabeth Lang: That was a report that was done after my departure from the OSB. I left for about three years.

Since my return, we've taken a close look at what we're calling the debt advisory marketplace. As I've mentioned, there are credit counsellors in Canada who are excellent. They are well trained and are really looking out for the best interests of debtors and helping them to find solutions, and they are often regulated by the provinces.

However, there's a subset that really falls into a no man's land. They're not regulated by my office and they're not regulated by the provinces. That's because they don't fit the definition of provincial legislation. What we have found is that in some cases, those players are playing an intermediary role between the debtor and the licensed insolvency trustee. They talk about being an advocate for the debtor, but their real business model is basically to bring the debtor to the licensed insolvency trustee to file a consumer proposal.

What we've observed is that this isn't always positive for any of the parties. As you've mentioned, the debtor doesn't always get the full information, and creditors sometimes get a lower return compared to other files.

It's something we're continuing to look at. It's a multipronged project. We're going to look closely at the LITs and make sure that they know their duties are set out in the act, that they need to abide by them, and that if they do not, there are consequences.

We also want to work with the provinces. That's a tough job, but we want to start that project to see if we can close the gaps in these legislative provisions.

Ms. Annie Koutrakis: Great.

In your opinion, can there be other measures that can be put in place, either by the OSB or any other federal government organization, to protect debtors during the insolvency process? I mean measures that have not yet been put in place.

• (1810)

Ms. Elisabeth Lang: One measure we're undertaking is an awareness campaign. We are partnering closely with the FCAC on that. We have added a debt solutions portal to our website that is intended to give debtors a full picture of all of their options, whether they have budgeting challenges, whether they have somewhat serious financial issues or whether they're in dire straits. Really, we want to be an objective source of information for them. I think that's one of the challenges: Where are people getting their information?

We're continuing to work on that. We want to develop some tools in the coming year, such as a calculator that can give a bit more of an answer, a fact sheet—different tools that different debtors will respond to. Hopefully, they will get those answers and then go straight to the kind of help they really need.

Ms. Annie Koutrakis: Great.

In your opinion, Ms. Lang, is there any sign that people or businesses are actually taking advantage of the crisis to file for bankruptcy to improperly gain from the situation?

Ms. Elisabeth Lang: No, there isn't at this stage. The numbers are very low, as I said.

However, we do have compliance programs that look at the debtor side as well. If necessary, we will bring debtors in for an examination. If we think they've behaved improperly, we can oppose their discharge. We can seek additional compensation for their creditors. Of course, creditors and licensed insolvency trustees play a significant role in that as well.

Ms. Annie Koutrakis: Great.

Do I have time for one last question?

The Chair: You do. Go ahead.

Ms. Annie Koutrakis: How are CERB and other COVID-19-related government support payments treated in insolvency proceedings?

Ms. Elisabeth Lang: The CERB and the CESB for students both had specific wording added in their legislation that they would not be subject to the Bankruptcy and Insolvency Act. This means they will not be treated as income.

If you go bankrupt, there's a surplus income provision that looks at your income and at all of your expenses. If you cross a certain threshold, based on your family's size, you are required to pay addi-

tional amounts to your bankruptcy estate, which will be distributed to your creditors. You're also required to stay in bankruptcy for a longer period, for 12 months longer. CERB and CESB would not be part of that calculation in those cases.

I think I can say that consistently, across the board, with the other benefits, the legislation is silent on their treatment in insolvency.

Ms. Annie Koutrakis: Thank you very much for your very interesting and thorough testimony today.

Ms. Elisabeth Lang: Thank you.

The Chair: Thank you both.

We have Ms. May, followed by Mr. Julian.

Elisabeth.

Ms. Elisabeth May: Thank you very much, and *merci*. Oh, I shouldn't speak French, because I put myself on the English channel. I was going to thank Gabriel Ste-Marie properly for giving me some time.

This discussion, as I'm sure the chair of this committee will recall—though many of you wouldn't have been around—was really championed by James Rajotte a lot, going back maybe 10 years now, in bringing forward financial literacy and the need to educate Canadians.

I'm looking at the behaviour of Canadians during the COVID pandemic and that of residents south of the border, and it's striking. I wonder if I could ask you, Ms. Lang, to comment on it.

My understanding of the different reactions is that Americans were saving quite a lot more before the pandemic hit, and that when they got any emergency relief money during the pandemic, they tended to save it. Canadians were spending more before the pandemic, and when we got emergency relief money, we tended to spend it. While retail sales plummeted across Canada, consumer spending, particularly gigantic leaps in online sales, continued to basically keep pace with consumption. Obviously, there was a reduction, but even in the economic uncertainty we're facing, it didn't seem to result in an increased impulse among Canadians to save. I wonder if that impression is correct and if you've looked at that and can help explain it.

Ms. Elisabeth Lang: I haven't looked at it, other than to say that when we look at where the economy is going and try to think about what's going to come in terms of insolvency filings.... I think The Globe and Mail reported in June that the household saving rate in Canada actually increased quite significantly.

On the spending side, I would say that for those who can afford to spend.... Consumer spending is a significant part of our GDP in this country, and so it's not necessarily a bad thing for those of us who can afford to spend, particularly in these times. Hopefully, we will think locally and help our small businesses.

• (1815)

Ms. Elizabeth May: I feel the same way. I think one of the reasons the economy has dropped relatively less than the worst-case scenario is that Canadians have been continuing to spend.

To the other points we've talked about today, I also want to echo the thanks of my colleagues on the actions taken to help keep Canadians from going into bankruptcy, to help counsel people and to provide information.

However, looking at this issue of payday loans and the high interest rates, I know you don't regulate in this area, but are you in a position to recommend any policy prescriptions for that kind of indebtedness, which I think is shocking to a lot of us on this committee?

Ms. Elisabeth Lang: We would certainly be able to share our data. I think the data almost speaks for itself in terms of the usage, and then the increased usage on a repeat filing basis. I have looked at some other countries that have tried to find solutions to this problem. I think the number one thing that strikes me—again, it's not my mandate, so this is personally, as somebody who cares about indebted Canadians—is that you need to replace it with something. There is a need for access to funds that can't just be taken away.

I think recent reports from subprime lenders suggest that they are not seeing defalcations right now, either. I think the majority of people who do take out those loans do manage to repay them, but as I think you heard from the FCAC, the cumulative interest rates, fees and charges can be significant. Our registrar on bankruptcy in Toronto commented that in one case it amounted to 700%, I believe.

Ms. Elizabeth May: Holy mackerel.

I know I'm probably running out of time, but you mentioned that you looked at other countries. Which other countries' policy prescriptions in this area do you think we should have a look at?

Ms. Elisabeth Lang: I'm trying to remember. I will see if I can pull that up and get back to you.

Ms. Elizabeth May: Okay.

Thank you.

The Chair: You have time for one more, Elizabeth.

Ms. Elizabeth May: Oh, my heavenly days. Sorry, Mr. Chair, this never happens.

My last question would be this. Given what you're seeing happening in the pandemic, how are you monitoring the reactions from businesses? Will you be monitoring to make any kind of changes as you see upticks or responses? How responsive can your office be to changes in bankruptcy rates and stresses?

Ms. Elisabeth Lang: As I mentioned, engagement with stakeholders has been one of my strategic objectives for the organization. We've increased our dialogue with the licensed insolvency trustee community significantly. This has really helped us be in touch with what's going on on the ground. That is why we were able to respond so quickly in mid-March, and we would continue to do that.

I have biweekly calls with the Canadian Association of Insolvency and Restructuring Professionals. We get a sense of what the needs are and what the challenges are. Licensed insolvency trustees across the country never hesitate to have productive and innovative solutions for our office on how we can help to improve things.

Ms. Elizabeth May: Thank you for your work. It's much appreciated.

The Chair: Thanks to you both.

Mr. Julian will be next. Then we'll have Mr. Kelly and Mr. Fraser. We'll have room for one more from the Conservative Party, and we'll end with Mr. McLeod.

Mr. Julian.

Mr. Peter Julian: Thanks very much, Mr. Chair.

I'd just like to reiterate, Ms. Lang, following Elizabeth May's question, that it would be very helpful for us to have the international solutions that other countries have brought to bear, due to what is becoming chronic in Canada. I mean, the level of family debt is unbelievably high. The profits in the banking sector are unbelievably high. I think people make the correlation that it's government policy that is putting this concentration of wealth into a few people's hands. The one per cent, the wealthiest Canadians, have as much of the wealth of the country as the bottom 80%. There's a problem there. Certainly the bottom 20% have barely one per cent of the nation's wealth. That, in a nutshell, is why so many people come to you.

I'm interested in the factors you cited earlier, which were mentioned more anecdotally, it seemed, in terms of the reasons for filing. As I recall, 23% were because of medical reasons, which could be long-term illness or disability, and 15% because of the breakup of a relationship. We all know what a tremendous financial cost that can be for families. Putting those together, 38% or almost 40% of bankruptcies are caused by circumstances beyond control. That is a very interesting fact. We'd appreciate having more information.

The other fact that I think we would love to probe into is the number of consumers who are in high interest rate relationships with their bank, with payday loans or with credit card companies. We really haven't seen the banks adjust their levels at all. In fact, they've reaped \$5 billion in profit so far in this pandemic, which many people consider to be despicable. It's supposed to be all hands on deck, rather than profiteering from the immense largesse they've received from the federal government.

Do you have numbers around the percentage of consumers and small businesses that are victims of this high interest rate charge that's based on your credit rating, which really is a way of skimming the public? Certainly, payday loan companies, as you mentioned, with up to 700% interest, are a sad example of that with no government action. Do you have a sense of what consumers and what small businesses are subject to these high interest rates that contribute to their bankruptcy?

• (1820)

Ms. Elisabeth Lang: Let me start with your first point.

When I looked at other countries to try to find solutions to subprime lending, I didn't at the time find anybody who had actually solved the problem, so I'll add that caveat.

In terms of interest rates charged, my belief is that our intake forms do not ask that question. We ask the name of the creditor. For payday loans, we can look for certain keywords to determine if they're payday loans, subprime loans, but it's not based on other information, so we wouldn't be able to report on actual interest rates charged in the majority of bankruptcies.

Mr. Peter Julian: For other countries, some of the solutions that have been put out are lending circles, which provide low-interest loans through local credit unions, and the co-operative movement. Some countries, as you're probably aware, have publicly owned postal banking, so that's a window in the industry that forces the commercial bank rates down because they can no longer collude to boost rates; they have to compete with a public sector bank.

In your initial calls out to other countries, have you seen any of those things as possible solutions for folks who need to have these loans but need to not have to pay an arm and a leg to access credit?

Ms. Elisabeth Lang: We have not discussed that aspect at all on our calls so far.

Mr. Peter Julian: Okay. That would be something I'd certainly urge you to look into, and if you get any information, I'd urge you to share it with the committee as well.

Are there any other factors that you track in terms of statistics for people, either consumers or businesses, who are applying for bankruptcy? Are there any other factors that we haven't talked about at this committee meeting that are taken into consideration or that come up as you see people making these applications?

Ms. Elisabeth Lang: We have a range of data. I'm not sure what you mean. If you're asking about the different reasons for financial difficulty, as I mentioned, that's an open text field, so the number of reasons that we can find is actually endless. The ones I listed are the top five.

Mr. Peter Julian: Okay, but I guess I'm looking for tidbits of information as part of the application process that are relevant for the committee that we haven't asked you about yet.

Ms. Elisabeth Lang: There are none that jump to mind. We collect a lot of data on debtors, and a lot of it is available through our statistics.

Mr. Peter Julian: Okay.

Mr. Chair, you're being very generous. Do you want me to ask a few more questions?

The Chair: I'm sorry, no. I was on mute, so I couldn't cut you off, Peter.

Just spinning off that, Ms. Lang, from the regulatory side of things, are there any shortcomings that you face that the government needs to look at?

• (1825)

Ms. Elisabeth Lang: Again, that would be a policy question for my colleagues at ISED to address.

Generally, I think that the Canadian insolvency system—

The Chair: We don't mind telling them on your behalf, not at all. This is the finance committee, not ISED. Don't worry about them.

Ms. Elisabeth Lang: I think the system works quite well in Canada. It's generally very positive and it's the envy of many countries.

The Chair: Okay. Thank you.

We will turn to Mr. Kelly and then go on to Mr. Fraser.

Go ahead, Pat.

Mr. Pat Kelly: Thank you, Mr. Chair.

Ms. Lang, in your opening remarks you mentioned that the number of filings had dropped after the pandemic began, or at least after the pandemic resulted in the shutdown of large swaths of the Canadian economy. You attributed this to two factors. You said that government supports were offsetting consumers and enabling them to avoid bankruptcy, and that there was forbearance from creditors.

You've been asked about this already, but I'd like a bit more detail about what that really looks like. We certainly want to avoid a catastrophic wave of bankruptcies, as they would cascade throughout the economy. We need to have things smoothed out over a longer period of time, but there are many types of forbearance from creditors that will not ultimately be helpful to the economy. Let's say a creditor business simply decides not to take up a collection action and writes off debt. Writing off a debt impacts their ability to rehire or hire more staff, to expand or to do any of the things that would require the money they had written off.

How much of the forbearance from creditors is simply the result of not having access to the court system right now or being able to delay an action? How much of this is simply bad debt that will ultimately result in further business failure?

Ms. Elisabeth Lang: Again, I don't have hard numbers on this kind of stuff, because these are people who have not filed yet. In my remarks, I suggested that these are some of the theories we would put out there, but it's hard to say with certainty.

I do believe that the courts have not been a factor, from what I've heard. They've largely been accessible when needed, so I would say that's not a factor.

I think the other key factor here is the level of uncertainty, not knowing what's coming around the corner. As things start to reopen and we see how businesses pivot or weather the storm, we'll see what the future will hold.

Mr. Pat Kelly: Did you mean that the uncertainty is a factor in people's decision to file now or not to file?

Ms. Elisabeth Lang: I meant not to file, and for creditors not to force a filing. If you have a relationship with a debtor and they may be able to reopen and succeed, then it's probably in your best interest to wait and see if they can do that successfully, rather than to force a denouement right now.

Mr. Pat Kelly: Right, but the creditor is still owed the money. Yes, if as a creditor you're capitalized well enough that you can allow the debtor time, that's obviously ideal, but it still has a negative ripple effect throughout the economy. That creditor has lost whatever other opportunity they have, whatever their business might be, to employ Canadians or pay their own bills.

At what point do you think some of this will likely come to a head and see, perhaps, increased filings, or give you confidence that there will not be significantly increased filings?

Ms. Elisabeth Lang: I think it's once we get to whatever the future normal state is going to be, with full reopening Canada-wide, when everybody's back to depending on their own incomes and profits for their businesses. That's probably when we'll start to see what the future will hold.

• (1830)

Mr. Pat Kelly: Of course, returning to where we were would be a return to a point when we had, in nominal terms, the highest number of filings in a decade. When adjusted for population growth, it's perhaps not quite as severe, but still higher than it had been in a number of years. That would be the normal we're returning to.

Ms. Elisabeth Lang: Well, one question will be whether consumer behaviour will change, whether people will start to do a bit better on the savings front, based on their experience through COVID.

Mr. Pat Kelly: Right, indeed. I guess perhaps I'm thinking more about business bankruptcies and the avoidance of those.

Perhaps, then, let's look prior to the pandemic, at the bankruptcy statistics you had in the first few months of 2020, the higher numbers you had seen. Were they in both the business and consumer categories?

Ms. Elisabeth Lang: No. BIA business filings have been on a steady decline since about 2012, I believe. On the CCAA, we see ebbs and flows over the years. Based on slide 17 in my deck that I've provided, we had 15 filings in Q4. CCAA numbers are never overly high, but 15 in a quarter is higher than normal. We had six in Q3 and four in Q2 of 2019.

Mr. Pat Kelly: So consumer filings remain your primary concern and the primary vulnerability of the Canadian economy in your area.

Ms. Elisabeth Lang: Both have significant impacts. As you know, a single CCAA filing can involve a large number of employees, and then of course the majority of the numbers of pure filings are on the consumer side, so we pay attention to both.

Mr. Pat Kelly: Okay. You said that the courts and their ability to function through the pandemic are not a factor. It's just simply that the creditor's decision not to force issues is where this forbearance works itself out.

Ms. Elisabeth Lang: Yes, and as I mentioned, there are often some informal conversations going on. My understanding from that side of the business for licensed insolvency trustees and professionals is that they are very busy already, even if they may not have done a filing, and they may be finding solutions that avoid a filing altogether as well.

The Chair: Okay. Thanks, all of you.

We have Mr. Fraser, and then Mr. McLeod will wrap it up.

Mr. Fraser.

Mr. Sean Fraser: Thanks so much. What a perfect place to pick up.

You mentioned that there may be solutions that can be found that avoid filings at all. I'm curious to know if you have thoughts on what the federal government might be able to do to encourage those sorts of informal conversations that lead to solutions and prevent filings in the first place.

Ms. Elisabeth Lang: I would think that would probably be outside of my mandate to opine upon.

Mr. Sean Fraser: I struggle a little because you stick so hard to the data, and I think we're in the business of trying to find solutions before the problems arise, so maybe I'll approach it in a different way.

Before the pandemic, were there certain systemic bottlenecks that existed in the receivership and bankruptcy process? You mentioned that the courts to date have been holding up. I'm wondering, if there is an increase in the volume of filings.... Are there any sorts of links in the chain or steps along the critical path towards bankruptcy that were close to capacity and that might fail if there is an increase in bankruptcies?

Ms. Elisabeth Lang: Do you mean on the business side or on the consumer side?

Mr. Sean Fraser: I was thinking on the business side, but I'm interested in both answers.

Ms. Elisabeth Lang: The CCAA process is very court-driven, so that might be something to watch, certainly. I know that the commercial courts in Canada are very busy. On the BIA business side, it's a little bit less so.

On the consumer side, I mentioned that we've made significant changes. There were changes in the 2009 legislation that increased the number of types of filings that could receive an automatic discharge, so the majority of those cases do not have to go to court. That was an important savings on court time.

• (1835)

Mr. Sean Fraser: I'm curious. Obviously, the provincial court systems would be the place where most of these CCAA cases would end up in the first instance, but are there certain regions or even cities...? I used to practise in Calgary, which had a very well-orchestrated commercial bench. I moved back home a few years ago to small-town Nova Scotia, where I'm from, and we don't exactly have the same capacity within our court system here.

Have you ever done an analysis or do you have any views on which regions of the country may be busiest or—I guess this is a better way to put it—closest to capacity?

Ms. Elisabeth Lang: No. I wouldn't be able to speak to who is closest to capacity, but one thing I would say is that, as I mentioned, with my office having been kind of catapulted into the 21st century, so have the courts. It may be possible that they can leverage technology and find efficiencies that way as well, so that might solve a bit of the pressure.

Mr. Sean Fraser: It's funny. I have a local judge who just moved into the house next to me, so maybe I'll chat with him about it.

I have an additional question that I'm quite concerned about. I think one of the reasons why you haven't seen the dominoes start falling is that there has been a mix of emergency supports that are landing in the right place. There have been, as you pointed out, informal dealings, as there's an incentive for a creditor not to force a debtor into bankruptcy, because they might come out on the other side.

I want to make sure that we don't get into the business of throwing good money after bad if there are companies that are not going to come through this. I would rather deal with that now than spend a lot of taxpayers' money to float structurally unsound companies through a difficult period. Are there particular factors that you've observed historically that would be indicators as to when a company is likely to succeed in a financial storm like this?

Ms. Elisabeth Lang: That wouldn't be data we would have, because we have the companies that have filed a formal proceeding, although, as I mentioned, many of those are filing, doing a restructuring and coming out the other end. That would certainly be a good question for policy-makers to look at.

Mr. Sean Fraser: I'm curious. One of the things I've seen from commentaries in the news on the issue of bankruptcies is about what we're likely to see. Perhaps when the emergency supports are no longer in place or when taxes become due, or whatever the case may be, when we have a clearer picture of what "normal" looks like, to use your analogy, that's when we'll have a handle on whether things have gone wrong or not.

Certain sectors have been hit very hard. I'm thinking of restaurants, for example, and tourism operators. I've seen some concerns raised about the potential for significant liquidation efforts across entire industries, essentially, all at the same time. Have you ever

seen an instance where an entire sector faced extraordinary pressure that led to difficulties in the liquidation process?

Essentially, I'm trying to find all the things that could go wrong should there be an uptick in bankruptcies. I'm wondering if you've seen them before and what lessons there may be. Have you ever seen anything like that on the liquidation side of things?

Ms. Elisabeth Lang: I haven't studied my historical stats that closely to be able to say that I have, but I would say that I don't think a specific sector suffering inordinately versus other sectors would have an impact on our capacity to handle the insolvency filings.

The Chair: Okay. We will wrap it up there, unless you have a really critical one, Mr. Fraser.

Mr. McLeod, all the way from the Northwest Territories, you get to wrap 'er up.

Mr. Michael McLeod: Thank you, Mr. Chair, and thank you to the superintendent for the presentation.

I have one quick question regarding the number of bankruptcies in the indigenous population. I'm not sure if that's data that you collect, but I'm curious to hear what is the percentage of bankruptcies amongst indigenous people versus what the rest of the population is facing.

Ms. Elisabeth Lang: Unfortunately, this is not data that we collect at the moment. It's something that we will look at when we update our forms and work with StatsCan to see how we can properly collect that kind of data.

Mr. Michael McLeod: When are the forms supposed to be updated?

Ms. Elisabeth Lang: Well, we will see. It's definitely something that I want to focus on this year, to the extent that we can. Right now, all of our efforts since March have been focused on COVID-19 issues.

Mr. Michael McLeod: Okay, so you don't collect the data for indigenous corporations or the personal information.

Ms. Elisabeth Lang: No, I don't believe we do for corporations either. Unfortunately, we don't collect any visible minority data at all.

Mr. Michael McLeod: All right. Thank you very much.

• (1840)

The Chair: Okay. I don't see any other hands coming up.

Thank you, Ms. Lang. You have an important role to play. I come out of the farm sector and have been involved in quite a few farm debt review cases. People who've been in financial trouble certainly never want to get into financial trouble again. If anything can be done to help them get through it and be productive in society, that's an important role that you have to play.

Also, I would say that if there are some things you want to tell ISED, don't be afraid to give any of us a call, and we'll tell them for you.

Ms. Elisabeth Lang: Okay. Thank you for that.

The Chair: Thank you very much, and thanks to all your staff for the work you do in your area in terms of bankruptcies.

Ms. Elisabeth Lang: Thanks to all of you for having me.

The Chair: All right.

With that, folks, we'll call it a day. The meeting is adjourned.

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