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TO:	CHAIR AND MEMBERS COMMUNITY AND NEIGHBOURHOODS COMMITTEE MEETING ON SEPTEMBER 27, 2011
FROM:	CINDY HOWARD DIRECTOR OF SOCIAL AND COMMUNITY SUPPORT SERVICES COMMUNITY SERVICES DEPARTMENT
SUBJECT:	REDUCING THE COST OF CASHING GOVERNMENT OF ONTARIO CHEQUES AND SIMPLIFYING ACCESS TO MAINSTREAM FINANCIAL SERVICES

RECOMMENDATION

That, on the recommendation of the Director of Social and Community Support Services with the concurrence of the Executive Director of Community Services, the following actions **BE TAKEN**:

- a) That the policy issues and recommendations **BE RECEIVED** by Municipal Council;
- b) That the Mayor **BE REQUESTED** to write to the Minister of Community and Social Services providing this report and:
 - i) Advocating for changes within Provincial Ministries to simplify and integrate the process for accessing government identification for those on social assistance;
 - ii) Recommending the development of indemnity agreements between the Province and mainstream financial service providers similar to what other provinces and the Federal government have done;
- c) That the Mayor **BE REQUESTED** to write to the Commission for the Review of Social Assistance, copying this report and the above noted letter for their consideration of these actions in their final report to the government in June 2012 noting that these recommendations address the Commission's direction to provide improved system integration and to identify areas of federal-provincial interaction related to social assistance; and
- d) That the Director of Social and Community Support Services **BE DIRECTED** to:
 - i) Continue monitoring actions being taken by the City of Toronto in their review of contracted electronic banking services for those receiving Ontario Works,
 - ii) Advocate with senior provincial social services administration for a more comprehensive provincial review of options and actions that support simplified access to mainstream financial services for social assistance recipients, and
 - iii) Continue internal actions with service delivery staff and community agency partners to support access to direct bank deposits and access to mainstream financial services, including access to necessary identification.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- Alternative Financial Services: Pay Day Loans and Cheque Cashing (June 14, 2011)
- Business Venture Relocation Request. Gordon Russell, Chair, London Homeless Coalition (March 8, 2011)
- The Law Commission of Ontario (LCO) Recommendations: Fees for Cashing Government Cheques (December 8, 2008)

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BACKGROUND

At the June 14, 2011 Community and Neighbourhoods Committee (CNC) meeting, the Community Services Department reported on information related to “alternative financial services” including payday loans and cheque cashing services, regulations related to these services, actions and limitations by the London OW office to assist individuals in accessing traditional banking services, and options for further consideration.

This report provides follow-up information from our community discussions with aligned community partners and from our continued review of these matters. As directed, discussions included representatives from the London Homeless Coalition and Neighbourhood Legal Services regarding options for reducing the cost of cashing Government of Ontario cheques, including social assistance cheques; and simplifying access to mainstream financial services for people on social assistance or with low income.

Approach:

Members of the London Homeless Coalition and Advocates Committee were invited to participate in one of three discussion sessions held during the month of August. Community Services staff also met with representatives from financial institutions in order to include the financial perspective. In addition, input from social services delivery staff from our local OW and ODSP offices was gathered and included in this report. The perspective and real life circumstances of those with lived experience was included through these consultations.

Consultation:

Inquiries with stakeholders focused on their input related to:

- Improved access to generic, no cost traditional banking and other mainstream financial services;
- Considerations for other levels of government to make critical government identification or replacement official ID more accessible to those on low or fixed income including social assistance;
- Efforts to expand Direct Bank Deposit services in Ontario Works; and
- Development of indemnity agreements between the Province and mainstream financial service providers (such as those in British Columbia, Manitoba and New Brunswick) so that individuals without bank accounts may cash social assistance cheques at no cost at all major banks.

The purpose of these discussions was to inform:

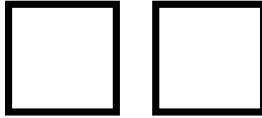
- Policy recommendations for all orders of government;
- Potential opportunities for local community development action; and
- Recommendations for a more comprehensive banking education and communication strategy within London’s OW services delivered in partnership with community agencies.

Findings:

Community members and staff reported that, for many people who are living in poverty and in financial crisis, navigating the banking system can be complex and challenging. The related discussion highlighted the need for a multi-pronged approach to supporting these individuals with their financial decision-making and enhancing their ability to access existing mainstream banking options. (Eg. financial life skill supports, education on low cost/no cost banking, support in completing forms and applications, etc.)

Overall, community members, financial institution representatives, and staff identified the lack of personal identification as an overarching issue for cheque cashing and banking for social assistance recipients. The importance of a strong relationship between the banking community and the social assistance program was also a common theme.

A number of opportunities for staff and business practice development emerged. These opportunities are being reviewed by London’s Ontario Works managers for further action and include improved marketing tools and more consistent training and communication of existing direct banking options, cheque cashing practices, and traditional banking services. These will be implemented both for staff and for associated community agency use.



Further to this, it was also learned that the local United Way is also looking at community development opportunities, including education and communication strategies, to support people with low income to become financially stable. We will work with the United Way on these areas of shared interest.

The remainder of this report will focus on related policy issues and recommendations emerging from the above noted discussions and review.

Policy Issues and Recommendations:

Access to generic, no cost traditional banking and other mainstream financial services

Staff and community members validated the Law Commission of Ontario's findings with regards to the barriers preventing or limiting people from accessing traditional or mainstream financial services. Monthly bank service charges, costs associated with overdrafts and insufficient fund situations, inconvenient hours and locations, lack of trust and/or comfort with institutions, poor customer service from bank tellers, lack of appropriate identification, personal preference, and lack of or incorrect understanding or knowledge of bank policies and practices were consistently referenced as reasons why people may not have a bank account.

No potential negative implications of advocating for a no cost/limited service account were identified by community members, staff or financial institutions and there are no banking regulations preventing banks from offering no cost accounts to people with low income.

Note: Opinion was divided about the benefit of advocating for banks to offer increased access to no cost monthly bank accounts (similar to what is available in many institutions for children, students, and seniors) as the monthly cost of a bank account was not identified as the most significant barrier to obtaining an account.

Making critical government identification or replacement official ID more accessible to those on low or fixed income.

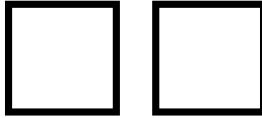
Lack of appropriate identification was identified as a significant barrier to accessing traditional banking services. Cost and complicated ID application processes, the lack of understanding about the importance of having identification were identified as barriers faced by those without the identification needed to open a bank account.

A number of different policy recommendations were offered to make identification more accessible. Recommendations include:

- Social assistance subsidizing or covering the cost of critical government identification;
- Lobbying the department issuing the identification to offer a subsidy program or to waive fees for social assistance recipients;
- Advocating for a subsidy program for identification; and
- Advocating for a simplified and integrated application process for all government identification.

Note: *Ontario Works London provides financial support to participants requiring specific government identification as part of their readiness for employment. This does not include assistance for ID costs for those who are not engaged in employment related activities or for dependents. Although support for ID costs may be considered in extenuating circumstances, it is not the intention of OW benefits (mandatory or discretionary) to fund a payment to another order of government for ID needs.*

It is a policy recommendation that this matter be escalated to the Provincial and Federal Governments that administer these identification programs to provide appropriate mechanisms within the programs for those that require assistance.



Development of indemnity agreements between the Province and mainstream financial service providers

There was universal support among community members advocating for indemnity agreements between the Province and mainstream financial service providers. There are no financial service regulatory limitations preventing agreements such as this.

Debit Cards as a Mechanism for Ontario Works Payment Distribution:

This option has become a point of increased discussion given the timing of recent media reports related to The City of Toronto's endorsement to move forward with the use of debit cards to issue Ontario Works benefits. At the time of this report, there remains limited information available on this mechanism as the City of Toronto responds to its request for proposals for the use of debit cards as a mechanism of payment to social assistance recipients (on a voluntary basis). It is anticipated that additional information related to Toronto's initiative will be available in fall 2011.

Throughout our consultations, general interest in the use of debit cards was expressed in support of a debit card program that benefits social assistance recipients, with the following key stipulations:

- There should be no fee or service charge
- It should not be used to track, monitor or limit where the card is used
- There should not be a cap on the amount that can be withdrawn at one time
- It should not require a person to go into a bank
- It should not cost anything to replace if lost or stolen, and replacing the card should be easy
- A person should be able to choose whether or not they want their benefits issued through a debit card, direct deposit or cheque
- A debit card program needs to be set up in such a way that it transcends the government of the day
- Need to ensure protection against identity theft
- There will need to be an education program or component so people know how and where it can be used
- The service should allow for a means of continued use of mainstream financial services for those exiting social services.

London will continue to monitor this program and will work with other municipal service delivery partners and with the Province to explore the expansion of this opportunity within the technology and program changes planned within Ontario Works.

Conclusion:

The Community Services Department recommends that the following options for increasing access to mainstream bank accounts, simplifying access to critical government identification, and cashing of Ontario government cheques be submitted to the Commission for the Review of Social Assistance in Ontario:

- Social assistance program should work with other government programs to ensure that lack of finances does not prevent people from obtaining critical government identification;
- Social assistance program should work with other government programs to simplify and integrate the application processes for critical government identification; and
- Indemnity agreements between the Province and mainstream financial service providers should be developed similar to what other provinces and the Federal government have done.

Next Steps:

The Community Services Department will work with staff and community agencies, including the United Way, in developing education and referrals related to financial stability. We will also continue to monitor Toronto's activities with regards to the use of debit cards for issuing social assistance benefits and, through existing forums, will engage the Province and other municipal delivery sites in the same.

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FINANCIAL IMPACT

There are no financial implications resulting from this report.

Acknowledgments

Prepared by Gerda Zonruiter, Community Planning and Research Associate.

SUBMITTED BY:	
Stephen Giustizia Manager Ontario Works and Homelessness Social & Community Support Services	
RECOMMENDED BY:	CONCURRED BY:
Cindy Howard Director Social & Community Support Services	Ross Fair Executive Director Department of Community Services

- C. Minister of Community and Social Services
- Commission for the Review of Social Assistance in Ontario
- London Homeless Coalition
- London OW/ODSP Community Advocates
- Anna Lisa Barbon, Manager, Financial and Business Services