



How well do newcomers understand consumer credit?

RESEARCH REPORT

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Option consommateurs

MISSION

Option consommateurs is a not-for-profit association whose mission is to defend the rights and interests of consumers and to ensure that they are respected.

HISTORY

Option consommateurs has been in existence since 1983, when it arose from the Associations coopératives d'économie familial movement, more specifically, the Montreal ACEF. In 1999 it joined forces with the Association des consommateurs du Québec (ACQ), which had already pursued a similar mission for over 50 years.

PRINCIPAL ACTIVITIES

Option consommateurs has a team of some 30 employees working in five departments: Budgeting, Energy Efficiency, Legal Affairs, Press Room, and Research and Representation. Over the years, Option consommateurs has developed special expertise in the areas of financial services, health, agrifood, energy, travel, access to justice, trade practices, indebtedness, and the protection of privacy. Every year, we reach 7,000–10,000 consumers directly, conduct numerous interviews in the media, participate in working groups, sit on boards of directors, carry out large-scale projects with key partners, and produce research reports, policy papers and buyers' guides, including the annual toy guide in Protégez-vous magazine.

MEMBERSHIP

In its quest to bring about change, Option consommateurs is active on many fronts: conducting research, organizing class action suits, and applying pressure on companies and government authorities. You can help us do more for you by becoming a member of Option consommateurs at www.option-consumers.org.

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¹ The list of these people appears in the methodology section.

Summary

According to data from the *National Household Survey* of 2011², Canada has welcomed 819,885 new immigrants in the past three years. These people often come from countries where the concept of credit is different from ours, or where credit is nonexistent.

Within days or weeks of their arrival, they are made aware of credit offers and advertisements specifically designed for them. These offers give information on the Canadian banking system, propose opening an account in a financial institution and suggest a credit product (usually a credit card), which, they say, will permit them to obtain a good credit rating.

This clientele is offered easy access to credit (it is not uncommon for a newcomer to get a credit card without having to provide any information related to his or her credit history).

Our study shows that while the ads and offers are tempting, they contain little (or no) objective information and are difficult (if not downright impossible) for newcomers to understand.

They could turn to an aid agency, but since they usually acquire these credit products within weeks of their arrival, they do not have the time. They have only their relatives and financial institutions to rely on for information, with the result that they often acquire credit products understanding very little about what is involved.

It seems important that newcomers be reached by organizations that are not mandated to sell financial products before they acquire credit products. This would allow them the time to understand not only the advantages, but also the disadvantages and risks related to these products.

² Citizenship and Immigration Canada
<http://www.cic.gc.ca/english/resources/statistics/data-release/2013-Q2/index.asp>

Introduction

When they first arrive, newcomers³ find themselves in a vulnerable situation: they have no credit history in Canada and their credit record in their country of origin is not recognized by most Canadian financial institutions⁴. This is a barrier for anyone who is looking for a place to live, or who intends to start a business or buy a car.

Newcomers face many challenges, not the least of which is familiarizing themselves with our banking system and deciding which financial services to choose⁵. This is especially the case for those who come from countries where financial services are very different from ours (such as France, where credit/debit card functions are combined, or Haiti, where only the rich have credit cards).

This does not prevent financial institutions from seeing newcomers as a tempting way to enlarge their customer base⁶. In fact, many have developed products that cater specifically to them. In pamphlets or on their websites, several of these institutions present credit cards as acceptable tools for building a good credit history and offer advice to these potential customers.

Is it dangerous to offer credit products to people who lack a solid understanding of how credit works in Canada? Many who work with newcomers believe that it is. Before we undertook this research, we made the discovery⁷ that several newcomers have obtained credit cards at high rates from companies without understanding how they operate or have conceded to purchasing options such as “buy now, pay later” and are struggling to pay off their debts. We were also told of one immigrant woman who thought her credit card was a gift from Canada; she did not know that she would have to pay for the purchases she made with it⁸. Later, we learnt of a SEDI report that said:

Financial products in some developing countries are seen as status symbols, where a person might point to their 3 credit cards to demonstrate that they are a person of high economic value. Once in Canada, a person might perceive offers from credit cards erroneously, as indicators that their socio-economic status has followed them to their country of settlement. (...) In this situation, credit may be more of a hazard than a status symbol, yet the cultural re-orientation towards these concepts often leads people into difficult financial situations.⁹

³ In this study, we use the term “newcomers” to refer to immigrants who arrived in Canada three years ago or less. On the other hand, the people we interviewed also sometimes use the term “immigrant” to refer to themselves.

⁴ Metropolitan Immigrant Settlement Association (MISA), “Recognition of Credit History for New Immigrants,” Halifax, Nova Scotia, January 2006, p 31.

⁵ SEDI identified their financial literacy needs. See: Social and Enterprise Development Innovation (SEDI), “Financial Literacy: Resources for Newcomers to Canada,” Toronto, Ontario, Spring 2008, 26 pp.

⁶ Ora Morison, “Banks Look to Immigrant Market for Growth,” *The Globe and Mail*, September 4, 2012.

⁷ This data was collected during an informal discussion with a counsellor from the *Service d'orientation et de recherche d'emploi pour l'intégration des femmes au travail* (SORIF), which works with immigrant clientele.

⁸ *Id.*

⁹ Social and Enterprise Development Innovation (SEDI), “Financial Literacy: Resources for Newcomers to Canada,” Toronto, Ontario, Spring 2008, p. 23. SEDI identified the financial literacy needs of newcomers.

While the level of personal debt continues to rise in Canada¹⁰, the situation of newcomers is particularly worrisome. Consequently, we thought it appropriate, even urgent, to conduct research on how well newcomers understand credit, the offers made to them and their perceptions of the information they are given (or not given) about credit. These are the major points that will be covered in this report.

¹⁰ In the third quarter of 2011, the debt-to-disposable-personal-income ratio in Canadian households stood at 152.98%. See: <http://www.statcan.gc.ca/daily-quotidien/111213/t111213a2-eng.htm>

Methodology

In producing this report, we:

- performed a literature search;
- conducted interviews with people working with newcomers to Canada;
- compiled a sample of credit offers aimed at newcomers;
- analyzed these credit offers in terms of their marketing and communication strategy;
- organized focus groups with newcomers of varying origins to find out what they understand about these credit offers and determine their needs in terms of information and training;
- examined the tools provided to newcomers by financial institutions, businesses, governments and non-profit organizations (NPOs).

At the end of this study, we made recommendations aimed at ensuring that newcomers are better protected in relation to credit.

Documentary research

Here we were particularly interested in Canadian immigration, the socio-economic situation of newcomers and the causes of their indebtedness.

Interviews

This is the list of people and organizations who agreed to answer our questions¹¹.

- Maryse Bouchard Director, and Emily Bernet-Pelletier, Budget Advisor at the *Association coopérative d'économie familiale* (ACEF) of East Montreal.
- Brigitte Brieu, secretary and person in charge of information sessions at the *ALPA* immigrant settlement agency in Montreal.
- Paulina Robles, organizer of the food action service program at the *PROMIS* immigrant settlement agency in Montreal.
- The *Centre social d'aide aux immigrants* (CSAI) immigrant settlement agency in Montreal.
- The S.U.C.C.E.S.S. immigrant settlement service in Vancouver BC¹².
- The YMCA Greater Toronto¹³ immigrant settlement service.

¹¹ The large number of interviewees from Montreal compared with other Canadian cities is explained by the fact that even before beginning this research, Option consommateurs was already in contact with several immigrant support groups operating in the city, even dispensing information sessions to them. It should also be noted that the vast majority of immigrants in Quebec settle in the greater Montreal area.

¹² We contacted the organizations in Vancouver that we felt could help us and whose names appeared on the Citizenship and Immigration Canada (CIC) website at:

<http://www.cic.gc.ca/english/newcomers/map/services.asp>. Only one of these granted us an interview.

¹³ We contacted the organizations in Toronto that we felt could help us and whose names appeared on the CIC website at: <http://www.cic.gc.ca/english/newcomers/map/services.asp>. Only one of these granted us an interview.

- Lianne Blanchette and Clarisse N'Kaa, Budget Advisors, and Harry Penso, Community Development Advisor, at Option consommateurs in Montreal.

In this study, we thought it best to talk with other stakeholders in order to learn more¹⁴. Here is the list of these people.

- Pierre-Franck Honorin, Director - *Nouveaux arrivants et communautés culturelles*, Carrefour Desjardins¹⁵.
- Julie Pombert, Director, Market Development, *Unité des alliances et affinités* - National Bank.
- David Sobel, Outreach Coordinator and Liaison - Strategic Operations, Department of Consumer Services of Ontario.
- Réal Coallier, West of Quebec Territorial Directorate, *Office de la protection du consommateur du Québec*.
- Sylvain Théberge, communications manager at the *Autorité des marchés financiers* (AMF).

Sample

Given the large number of credit offers available on the Canadian market we have concentrated, for the purposes of this study, only on consumer credit offers aimed at newcomers.

We have listed all the offers we found that targeted newcomers. We also saw several such offers in airports and information guides for newcomers. However, we found that these were the same as those we found on the websites of financial institutions, but in highly abbreviated form. To avoid repetition, these were not analyzed.

We selected offers from chartered banks and financial service cooperatives (this sector is the one that offers the most products to newcomers) as well as offers from private companies, primarily those offering credit products¹⁶. Of these, we singled out two offers, a Capital One credit card and a loan for newly arrived entrepreneurs from the Canadian Youth Business Foundation (a collaboration between the Bank of Montreal and the Business Development Bank of Canada).

Analysis

¹⁴ We contacted representatives of all the financial institutions offering credit to newcomers that were included in the sample in our study (for more information about this sample, see Methodology). We wanted to know the reasons that led them to develop an offer especially for newcomers. We also contacted Messrs. Sobel, Coallier and Théberge to find out whether they had developed programs to help newcomers improve financial literacy (the first two had done so).

¹⁵ Carrefour Desjardins is a partner of the Desjardins caisses network that offers a range of financial services to members and non-members. They are also dedicated to securing recent immigrants as clients. At Carrefour Desjardins, newcomers can open an account and take advantage of the Desjardins credit offer for newcomers, which includes a credit card.

¹⁶ See list of offers in Appendix 1. N.B. We looked at the offers from private companies offering credit products (such as “Buy now, pay later”), alternative credit offers and offers from loan brokers, but did not find any offers developed specifically for newcomers.

In order to familiarize ourselves with the marketing strategies used by the lending institutions and to assess the readability of their offers, we hired two specialists. These were Dr. Eric Kavanagh, a professor at Laval University and an expert in readability and Marie-Philippe Corriveau, a graduate student in marketing at the University of Québec at Montreal (UQAM). Ms. Corriveau was recommended to us by Dr. Roy Toffoli, a marketing professor at UQAM.

Focus groups

In order to determine how much newcomers understand about credit offers, we conducted nine focus groups in Montreal, Toronto and Vancouver¹⁷. The participants had all arrived in the country within the past three years, were less than 55 years old¹⁸ and formed a representative sample in terms of their country of origin¹⁹.

We first asked the participants to relate their experiences with both consumer credit offers and the Canadian financial system. We then asked them to comment on a credit offer aimed specifically at them and a credit offer aimed at Canadians in general. We did this because they receive both types of offers. Finally, we asked them what information they would have needed in order to understand the credit offers they have come across since their arrival. N.B.: During these sessions, the newcomers had to participate verbally in the discussion and respond to certain questions in writing.

Tools

In order to discover what financial literacy tools could help newcomers understand the Canadian financial system and credit offers, we searched through the websites of financial institutions, credit companies, government departments (federal and provincial) and aid agencies. We also contacted several of these. This is the information we collected:

¹⁷ Twenty-eight newcomers participated in the focus groups held in Montreal, 24 in the focus groups in Toronto and 24 in the focus groups in Vancouver.

¹⁸ It was difficult to find participants over the age of 55 since we needed people who speak either French or English in Montreal, Toronto and Vancouver. However, immigrants over the age of 55 are least likely to master either of the two languages.

¹⁹ To do this, we consulted the Statistics Canada website at: http://www.statcan.gc.ca/tables-tableaux/sum-som/l02/cst01/demo24a_eng.htm

Chapter 1: Portrait of newcomers

Before analyzing the offers made to newcomers and attempting to determine how well they understood them, it seemed essential to us to ask who they were and to discover for ourselves what they were experiencing.

1.1 Demographic and socio-economic

1.1.1 Their country of origin and where they settled

According to data from the NHS (National Household Survey) 2011²⁰ Canada has about 6,775,800 foreign-born citizens, 819,885 of whom have been here for three years or less.

Most of these newcomers are from Asia and the Middle East (647,225) and Europe (178,525)²¹. The largest number of newcomers is from China (155,105 at last count) followed by India (129,140) and Pakistan (57,630)²².

According to the 2006 Canadian census²³, newcomers settled mainly in Ontario (580,740), British Columbia (177,840) and Quebec (193,900), and started off by settling in the metropolitan areas of Toronto (447,930), Vancouver (151,695) and Montreal (165,345)²⁴.

1.1.2 Their Language

According to Statistics Canada, in 2012, English is the language most often mentioned (11.7%), followed by Tagalog²⁵ (11.6%) and Mandarin (8.2%). French came in seventh place (5.1%)²⁶. In 2011, while the majority (93.5%) of those born abroad could conduct a conversation in French and/or English, 6.5% of all immigrants reported that they knew neither official language²⁷.

1.1.3 Their cultural background and adaptation

²⁰ Citizenship and Immigration Canada, <http://www.cic.gc.ca/english/resources/statistics/data-release/2013-Q2/index.asp>

²¹ Statistics Canada <http://www5.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=97-557-X2006019&lang=fra>

²² Statistics Canada <http://www5.statcan.gc.ca/olc-cel/olc.action?ObjId=97-557-X2006019&ObjType=46&lang=en&limit=0>

²³ The census covers the period from 2001 to 2006: <http://www5.statcan.gc.ca/olc-cel/olc.action?ObjId=97-557-X2006019&ObjType=46&lang=en&limit=0>

²⁴ Id.

²⁵ The national language of the Philippines.

²⁶ Citizenship and Immigration Canada <http://www.cic.gc.ca/english/resources/statistics/facts2012/permanent/21.asp>

²⁷ Immigration and Ethnocultural Diversity in Canada <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-010-x/99-010-x2011001-eng.cfm>

The following interesting information was provided by *The Longitudinal Survey of Immigrants to Canada* (LSIC)²⁸.

Immigrants are highly educated (a consequence of selective immigration). They nevertheless continue “language training and education leading to a degree or diploma or job-related training.” Moreover, the vast majority of participants in our focus groups had completed at least a few years of university.

Most immigrants bring some or all of their savings with them. However, about “about one-third (34%) reported not having enough money (...) to meet their basic needs”²⁹.

Six months after their arrival, most have already tried to enter the Canadian labour market. According to the LSIC, 44% of them find employment. The skilled workers find jobs most easily, and their rate of participation is high.

The newcomers integrate quite quickly, nevertheless. Many declared that they were satisfied with their first experiences here. Despite obstacles, “most immigrants are adjusting and are committed to establishing themselves successfully in Canada”³⁰.

1.1.4 Their situation on the labour market

As revealed in a study by Statistics Canada in 2007, recent immigrants have more difficulty finding work than immigrants who have established residence for longer than 3 years. It is therefore not surprising to find a wide disparity between the unemployment rate of newcomers and that of the general Canadian population. The unemployment rate in Canada for newcomers is 11.5%, compared to 4.9% for the general population. In Quebec, the situation is more difficult, especially in Montreal, where the unemployment rate for newcomers is as high as 18%³¹. The rate is 11% in Toronto and 9.6% in Vancouver.

Within the Canadian-born population, the unemployment rate decreases as the level of education increases³². This situation is more varied for newcomers. In 2006, the unemployment rate for newcomers with a bachelor's degree was four times higher than that of Canadian-born graduates (11.4% against 2.9%)³³. This shows how very different the daily experience of new Canadians can be³⁴.

The Statistics Canada study found that many immigrants with foreign credentials are unable to get their qualifications recognized, which represents one of the major problems they face. In 2009, the overall picture remained unchanged: “the unemployment rate of immigrants holding

²⁸ LSIC, Statistics Canada, <http://www.statcan.gc.ca/pub/89-614-x/89-614-x2005001-eng.htm>

²⁹ It was impossible to know when they find themselves in this situation.

³⁰ LSIC, Statistics Canada, <http://www.statcan.gc.ca/pub/89-614-x/89-614-x2005001-eng.htm>

³¹ Radio-Canada: “Pas facile pour les nouveaux immigrants” <http://www.radio-canada.ca/nouvelles/Science-Sante/2007/09/10/003-unemployment-immigrants.shtml>

³² Id.

³³ Id.

³⁴ For example, there are a lot of vacancies in the area of research and development in Canada. Still Immigrants that have studied in this field abroad have difficulties finding work.

a university degree who have been in the country for five years was 13.9%, compared with 3.4% for Canadian-born university graduates³⁵.” The deterioration in the economic situation of immigrants is explained by lower recognition of work experience abroad³⁶.

Another fact: Among recent immigrants, the unemployment rate is higher for women than for men. According to the Statistics Canada survey conducted in 2007, “immigrant women aged 25 to 54 suffer from a higher rate of unemployment than immigrant men and women born in the country³⁷.”

For a long time, the criteria for selecting potential immigrants were limited, which had repercussions on the lives of those who eventually did settle in the country. In 2013, Citizenship and Immigration Canada changed these criteria. Today “immigrants wishing to obtain permanent residence as skilled workers³⁸ have an advantage if they know English or French, if they are young, if they already have an agreement with an employer and if their studies are recognized in Canada.”

These changes occurred several years after the adoption of the *Immigration and Refugee Protection Act* (2001); they made it easier for these individuals to adapt to the host society. The changes were brought about because “the socio-economic integration of immigrants is of great importance to Canada. Problems at this level come at a cost to the host society – due, for example, to increased reliance on income support programs and social assistance - and may give rise to social tensions³⁹.”

The employment situation therefore turns newcomers into candidates for indebtedness. When they come to the end of their savings and struggle to find work, the apparently easy way out offered by credit may certainly be enticing, even unavoidable. This is confirmed by Bianca Hornung, Bernadette Kamleitner and Erich Kirchlner in their article “Over-indebtedness and the interplay of factual and mental money management : An interview study,” when they state, “There is overwhelming evidence that vulnerability for over-indebtedness is indeed mainly

³⁵ Radio-Canada, “Le chômage nettement plus élevé chez les immigrants diplômés” <http://ici.radio-canada.ca/nouvelles/Economie/2010/10/05/002-unemployment-immigration.shtml>

³⁶ IRPP, “Détérioration des salaires des nouveaux immigrants au Québec par rapport à l'Ontario et à la Colombie-Britannique,” Brahim Bourdarbat and Maude Boulet, vol 17, November 2007, p. 4: <http://irpp.org/wp-content/uploads/assets/research/diversity-immigration-and-integration/deterioration-des-salaires-des-nouveaux-immigrants-au-quebec-par-rapport-a-lontario-et-a-la-colombie-britannique/vol13no7.pdf>

³⁷ Radio-Canada, “Pas facile pour les nouveaux immigrants” <http://www.radio-canada.ca/nouvelles/Science-Sante/2007/09/10/003-unemployment-immigrants.shtml>

³⁸ Radio-Canada, “Immigration : de nouveaux critères pour sélectionner des travailleurs qualifiés” <http://ici.radio-canada.ca/nouvelles/Economie/2012/12/19/008-immigration-travailleurs-etrangers.shtml>

³⁹ IRPP, “Détérioration des salaires des nouveaux immigrants au Québec par rapport à l'Ontario et à la Colombie-Britannique” Brahim Bourdarbat and Maude Boulet, vol 17, November 2007, p. 3: <http://irpp.org/wp-content/uploads/assets/research/diversity-immigration-and-integration/deterioration-des-salaires-des-nouveaux-immigrants-au-quebec-par-rapport-a-lontario-et-a-la-colombie-britannique/vol13no7.pdf>

determined by socio-economic factors and financially relevant life events such as job loss or divorce⁴⁰.”

1.1.5 Income

Newcomers also have lower incomes than native-born Canadians. This is because “the increase in the educational attainments of immigrants has not been followed by an improvement in their standard of living⁴¹.” Another reason is that immigrants who have been here for a year or two have lower incomes than Canadians in general⁴². “[Even when] qualified and experienced, immigrants have the most fragile economic situations compared with the national average⁴³.” The IRPP study on the deterioration of salaries among new immigrants further demonstrates that “the wages of immigrants entering the Canadian labour market have deteriorated” and that “there are significant differences, depending on gender and province⁴⁴.”

1.2 Once in Canada

The situation of immigrants upon their arrival in Canada plays a major role in their subsequent relationship with credit. In the following, we focus on the aspects of culture and financial literacy in order to arrive at a better understanding of the difficulties immigrants face in this regard.

1.2.1 Knowledge of how credit functions in Canada

The issue of financial literacy among newcomers is one that cannot be overlooked. Their knowledge of credit, their skills and their ability to manage it responsibly are conditioned by their personal history, the languages they speak, and their country of origin. The situation is especially complex if they come from a country where the financial system is markedly different from that of Canada, which is not uncommon. Here are some examples from our focus groups illustrating some of our practices that do not exist in certain countries.

- In predominantly Muslim countries, credit does not exist.
- In some African countries, such as Congo and Cameroon, people come together, pool their finances, and the group provides loans to those who request it. Moreover, microcredit is offered outside the banking system.

⁴⁰ Bianca Hornung, Bernadette Kamleitner, Erich Kirchler, “Over-indebtedness and the interplay of factual and mental money management: An interview study” (2011) 45 *New Zealand Economic Papers*, p. 140

⁴¹ Radio-Canada “Faibles revenus chez les immigrants” <http://ici.radio-canada.ca/nouvelles/National/2007/01/30/002-immigrant-revenus.shtml>

⁴² *Id.*

⁴³ *Id.*

⁴⁴ IRPP, “Détérioration des salaires des nouveaux immigrants au Québec par rapport à l'Ontario et à la Colombie-Britannique,” Brahim Bourdarbat and Maude Boulet, vol 17, November 2007, p. 16: <http://www.irpp.org/assets/research/diversity-immigration-and-integration/deterioration-des-salaires-des-nouveaux-immigrants-au-quebec-par-rapport-a-lontario-et-a-la-colombie-britannique/vol13no7.pdf>

- In France, bank cards are used for both debit and credit. Accordingly, when making a purchase from a merchant, the consumer can pay for it directly from his account or make a deferred payment (in which case, the amount in question will be charged later.)

We should also mention that the participants of Chinese origin in our focus groups told us that in their culture, no one buys on credit; everyone saves up the money to buy the things they need. Newcomers who are accustomed to paying in cash also said they did not trust the banking system, which they find difficult to understand (these newcomers came from countries in the developing world and the former USSR).

According to Marlene Morris and Vanessa Perry, both professors of Marketing (Ms. Morris taught at Georgetown and Ms. Perry at the George Washington University School of Corporate Functions) certain cultural differences influence the way finances are managed⁴⁵.

Also, some newcomers may take a long time to adjust and to understand how credit works in Canada because they are fearful. This is what the representatives of S.U.C.C.E.S.S. BC have to say:⁴⁶ “Immigrant clients can become more risk averse and are not necessarily able to take the financial product opportunity in order to maximize investment or the use of credits to their benefits.”

In addition, one needs to remember that the newcomer’s ability to adapt to financial tools and to credit is related to language. In fact, information on the ins and outs of a credit product must be accessible and understandable to the person for whom it is intended. Jean-Luc Bilodeau, formerly of the Department of Law, University of Ottawa explains this as follows: “Given the possible language barriers, we suspect it may be difficult for immigrants to navigate the Canadian market and understand their rights as consumers if such information is not easily accessible to them⁴⁷.”

1.2.2 A slippery slope

The products offered by financial institutions, such as long-term financing, deferred payments, and lines of credit, are becoming ever more diverse and complex. Also, in a context where access to credit is easy, anyone with low financial literacy can find themselves on a slippery slope.

On this point, Elizabeth Hirschman, a professor of marketing at Rutgers Business School, argues that the various payment methods offered to consumers and their level of knowledge of the system greatly influence their propensity to spend. Consumer behaviour when buying is linked to the methods of payment available.

⁴⁵ Marlene D. Morris, and Vanessa G. Perry, “Who Is in Control?: The Role of Self-Perception, Knowledge, and Income in Explaining Consumer Financial Behaviour,” *The Journal of Consumer Affairs*, 2005, p. 310 This also confirms what we learned from our focus groups and in our interviews.

⁴⁶ S.U.C.C.E.S.S. BC informed us in writing. We received the document by e-mail on February 17, 2014.

⁴⁷ Jean-Luc Bilodeau, “L’impact de la culture sur le crédit, les institutions de financement et le droit de la faillite : quelques réflexions sur le cas canadien,” *McGill Law Journal*, Vol. 54, 2009, p. 314. All the agents we spoke to made similar comments.

With the current paucity of formal education on payment systems, it is unlikely that consumers gain enough knowledge about alternative systems to be able to effectively evaluate them prior to adoption. More likely, consumers find themselves using an unfamiliar payment system (or a familiar one in an unusual way) because of unanticipated or novel circumstances.⁴⁸

If the consumer adopts several types of payment method, he has to be aware of the various options available to him and of the consequences of his choices. However, given the large number of payment methods available, few consumers have sufficient knowledge to do so. Credit, which depends on anticipating future income, may also lead consumers to buy more, "Since most people anticipate higher incomes, this suggests that credit card purchases by an individual may exceed cash purchases⁴⁹."

Although issued at the end of the 1970s, Ms. Hirschman's warning is still relevant. Newcomers can make risky choices - especially if they arrive here with their savings hoping for a job that never materializes.

1.2.3 Other factors

People working with recent immigrants also told us that their relationship with money and credit is also a personal affair. Even when they come from the same country, individuals can differ markedly. Brigitte Brieu, head of training at ALPA in Montreal, told us of two members of her organization, both women from a Muslim country where credit does not exist. One has no problem using credit while the other refuses to use it. The team at the Greater Toronto YMCA indicated that factors such as gender and age can also influence the individual's attitudes towards money: "There is a huge difference in clients' knowledge depending on country of origin and also depending on gender and age in many cases."

According to Marlene Morris and Vanessa Perry, the propensity of consumers to spend, save, budget and control their personal expenses is also closely related to their perceptions, knowledge and income. People who have a positive self-image are more likely to make responsible financial decisions and feel less discriminated against by the financial system.

Thus, the socio-economic precariousness of newcomers and their relative feeling of not knowing anything about the financial system may lead them to make less judicious financial choices; their feeling that they are being discriminated against could also have some influence.

But it does not stop there. Marlene Morris and Vanessa Perry added: "Individuals may not take full advantage of their knowledge or financial resources unless they feel that they are in control of their own financial destiny⁵⁰." They also say, "One possible explanation for these results could be differences in beliefs or expectations of unfair or discriminatory treatment. Because of historical discrimination against disadvantaged minorities in employment and financial markets,

⁴⁸ Elizabeth C. Hirschman, "Differences in Consumer Purchase Behaviour by Credit Card Payment System," *Journal of Consumer Research*, Vol. 6, 1979, p. 65

⁴⁹ *Id.*, p. 60

⁵⁰ Marlene D. Morris, and Vanessa G. Perry, "Who Is in Control? : The Role of Self-Perception, Knowledge, and Income in Explaining Consumer Financial Behaviour," *The Journal of Consumer Affairs*, 2005, p. 310

members of these groups may be more sensitive to negative and unforeseen events⁵¹.” Pessimism can make a person timid when the time comes to take part in economic activity, including the selection of financial tools.

Authors Yi-Wen Chien and Sharon A. Devaney, professors at Taiwan National University College of Management and Professor Emeritus at Purdue University respectively, agree totally. In their opinion, personal attitudes to credit and its use are closely linked to socio-economic factors. The probability that someone will perceive credit as a useful tool and that they will use it to make their payments stems from the fact that they have an overall positive perception of credit. “The results of the present study indicate that a favorable general attitude toward using credit has a positive effect on predicting the amount of instalment loans, and a favourable specific attitude toward using credit has a positive effect on predicting the amount of the credit card balance⁵².”

It is quite obvious that any information about financial tools will be ineffective if the immigrant does not understand it. Some financial institutions have realized this and offer their services in languages other than French or English. For example, Scotiabank and CIBC target the Chinese diaspora, which as will be recalled, has the largest number of newcomers in Canada⁵³. Unfortunately such linguistic assistance is offered only by financial institutions. In our focus groups with newcomers, some said they were delighted to be greeted by someone at the bank who spoke their language. Scotiabank and Royal Bank are also recognized as offering a similar service. In an interview with Pierre-Franck Honorin of Carrefour Desjardins, we learned that their cooperative also offers service in several languages. This appears to show that there is a competitive advantage for financial institutions that offer multilingual services. It is unfortunate that most government agencies do not do the same. Newcomers might find much of the information on their websites easier to understand.

When it comes to financial literacy, it seems we now take for granted that it would be useful to have some training on the Canadian financial system and, more specifically, on credit products⁵⁴. If they are to use financial products without ending up with an uncontrollable level of debt, newcomers need to obtain information from credible sources (government departments and agencies, community organizations, etc.).

1.2.4 As a solution to help financial literacy

If new Canadians are to avoid falling into the trap of indebtedness, they have to get help with financial literacy. Canada’s Task Force on Financial Literacy⁵⁵ recommends implementing, as soon as possible, a strategy to improve the financial knowledge of Canadians in general and

⁵¹ *Id.*

⁵² Yi-Wen Chien and Sharon A. Devaney, “The Effects of Credit Attitude and Socioeconomic Factors on Credit Card and Installment Debt, *The Journal of Consumer Affairs*, 2001, p. 176

⁵³ *Finance et Investement*, “La Scotia cible la diaspora chinoise au Canada,” 2009, <http://www.finance-investissement.com/nouvelles/banques/la-scotia-cible-la-diaspora-chinoise-au-canada/a/28475%20et%20https://www.youtube.com/watch?v=RzrZ3-9m7aw>

⁵⁴ We will see later in this report what is currently provided to newcomers vs. what they are looking for.

⁵⁵ Formed in June 2009, the Task Force on Financial Literacy is composed of 13 members from the fields of business, education, community organizations and universities. It provides advice and recommendations to the Finance Department on a national strategy to improve the financial literacy of Canadians.

newcomers in particular: “Increasing the knowledge, skills and confidence of Canadians to make responsible financial decisions will help them meet their personal goals, enhance their quality of life and make Canada more competitive⁵⁶.” In fact, financial education is an essential tool for newcomers. It can allow them to prepare for a society in which “financial products are infinitely more difficult to understand, economic realities more difficult to predict, and the variables that citizens have to juggle are more numerous⁵⁷.”

The Canadian Conference on Financial Education is telling in this regard⁵⁸. In its 2008 summary report, it identified the main access points for financial literacy and made recommendations for the development of multi-sectorial partnerships on the issue. The report draws on lessons learned by financial institutions operating in Canada, New Zealand, the United Kingdom and the United States that provide information or training on financial literacy. The document proposes that “a school curriculum that covers issues related to credit rating, budgeting and planning for young people can provide financial education nationwide⁵⁹.” The conference held in Montreal in 2008 concluded that the need for financial education was present everywhere across the Canadian territory. It highlighted “the importance of coordinating efforts to promote improved financial literacy for Canadians⁶⁰.”

1.2.5 The factors that lead to over-indebtedness

The general characteristics that could put newcomers in danger of falling into excessive debt are difficult to identify. Certain factors seem more important than others, nevertheless.

Above all, it is the changing nature of consumer credit in Canada that has had the greatest impact on indebtedness⁶¹. The Bank of Canada states that credit remained relatively stable until the mid-1990s. After that date, a change was seen in the ratio of credit to disposable income. “The predominant source of this upward trend has been secured personal lines of credit (PLCs), which grew at a much faster pace than more traditional forms of consumer credit such as credit card debt (...). The widespread nature of the increases—across all age groups and in both mortgage and consumer credit— suggests that a variety of factors, such as low interest rates, higher house prices and financial innovation, have contributed to the growth in total household debt.”

⁵⁶ Press release: “Task Force Sets Out First-Ever National Strategy to Improve Canadians' Financial Literacy” <http://www.newswire.ca/en/story/732187/task-force-sets-out-first-ever-national-strategy-to-improve-canadians-financial-literacy>

⁵⁷ Alain Dubuc, “La littératie financière,” *La Presse*, February 14, 2011, <http://www.lapresse.ca/debats/chroniques/alain-dubuc/201102/11/01-4369428-la-litteratie-financiere.php>

⁵⁸ Financial Consumer Agency of Canada, “Moving Forward with Financial Literacy” Synthesis Report on Reaching Higher: Canadian Conference on Financial Literacy, Montreal, 2008, p. 7

⁵⁹ Alain Dubuc, “La littératie financière,” *La Presse*, February 14, 2011, <http://www.lapresse.ca/debats/chroniques/alain-dubuc/201102/11/01-4369428-la-litteratie-financiere.php>

⁶⁰ Financial Consumer Agency of Canada, “Moving Forward with Financial Literacy” Synthesis Report on Reaching Higher: Canadian Conference on Financial Literacy, Montreal, 2008, p. 23

⁶¹ Bank of Canada http://www.bankofcanada.ca/wp-content/uploads/2012/02/review_winter11-12.pdf

According to Jean-Luc Bilodeau, there are several factors that contribute to indebtedness and, subsequently, to bankruptcy. Among these is the increasingly generalized access to credit products. “There is also a correlation between increased ease of access to credit, to borrowing ever greater amounts, and consumer bankruptcies⁶².” The wide variety of loan products available to newcomers may also lead them to borrow too much. Sometimes the sole fact of being offered a credit product is enough to subscribe to it – which often happens, as we shall see later.

It is also important to mention the changes in the credit offered to newcomers. In fact, in the packages intended for them, credit cards are offered without surety or any credit checks. While the credit limit itself still depends on the applicant's financial status, access to credit is far easier than ever before⁶³. Even the most exacting credit card issuers will be satisfied with proof of permanent residency status or proof of employment. Although some of the participants in our focus groups had been denied a credit card, this only applied to those who arrived in Canada before the paradigm shift in availability of credit from financial institutions occurred. Previously, newcomers who did not have a credit history in Canada could not obtain access to credit. And if they were issued a credit card, they were asked to provide surety of an amount equal to the credit limit of the card.

Chapter 2: A look at credit offers presented to newcomers

Newcomers are often told that they need to establish a credit history in Canada. Citizenship and Immigration Canada, in fact, suggests that they obtain a credit product soon after they arrive⁶⁴. This has not fallen on deaf ears with financial institutions. Therefore, the vast majority of banks and credit unions offer a credit product in their package for newcomers – this is often a credit card, but may also take the form of a personal loan, a car loan or a line of credit.

Noting the rising incidence of such offers on the websites of financial institutions⁶⁵, at airports⁶⁶ and in information guides for newcomers⁶⁷, we decided, in an attempt to better understand them, to take a look at the marketing strategies underlying the offers and analyze them in terms of their readability.

⁶² Jean-Luc Bilodeau, “L’impact de la culture sur le crédit, les institutions de financement et le droit de la faillite : quelques réflexions sur le cas canadien,” McGill Law Journal, Vol. 54, 2009, p. 315

⁶³ The representatives of Carrefour Desjardins and the National Bank confirmed in an interview that this practice is fairly widespread.

⁶⁴ See the settlement assistance tool provided by Citizenship and Immigration Canada that helps immigrants go about obtaining a credit card in the first week of arrival:

<http://www.cic.gc.ca/lctvac/english/index>

⁶⁵ See the list of offers studied, in Appendix 1.

⁶⁶ See example of advertisement at Pierre Elliott Trudeau Airport in Appendix 2.

⁶⁷ See, for example, pages 2 and 211 of the guide *Immigrer au Québec: le guide pour les immigrants*, Immigrant Québec, 2013 http://www.immigrantquebec.com/wp-content/uploads/guide_immigrer_au_quebec_2013.pdf

2.1 General comments

The vast majority of credit offers made to newcomers comes from chartered banks and credit unions. These offers are relatively uniform. They provide a bank account at little or no charge for 6 or 12 months, a small security box for a year at reduced price, and above all, a credit card (the applicant can usually get this with no credit history and no surety). Others offer various forms of credit, such as car loans, personal loans, lines of credit or overdraft protection. However, it needs to be stressed that the most common form of credit offered is the credit card.

These credit offers are accompanied by a variety of other products offering discounts and benefits (such as easy access to a credit card). In some cases, moreover, some financial literacy tools are provided, such as explaining the Canadian system and giving useful advice to anyone who wants to settle in the country. In addition, various institutions announce that they are able to serve newcomers in several languages.

What is also remarkable is how little explanation is given of each of the products offered; all the emphasis is placed on a promotion, a free service or a benefit. To obtain details on the offer, the applicant is obliged to contact the institution or make an appointment there. In some cases, the reader is referred to a hyperlink or a footnote that usually contains mostly legal jargon and empty phrases such as “some conditions apply⁶⁸.”

Some of the offers selected for our sample differed from the others. These were from Capital One, the company that issues the credit card of the same name, the Canadian Youth Business Foundation (in collaboration with the Bank of Montreal and the Business Development Bank of Canada) that provides corporate loans, Vancity, a credit union that offers microcredit, and Envision Financial, a financial cooperative specializing in auto loans.

The Capital One⁶⁹ promotional offer was one of the simplest we found. It proposes a credit card at 19.8% interest for purchases and cash advances plus an annual fee of \$59 for the first year of use. It emphasizes the opportunity of establishing a credit history in Canada. Acceptance seems to be automatic and there is no mention of providing surety, except in cases when the company contacts the applicant. Although the promotion contains only a few sentences, it is relatively transparent about the costs and the application process (something we have not often seen). In fact, the overall appearance and content of the offer is similar to those intended for the Canadian consumer in general. The only difference is that it uses guaranteed acceptance and the opportunity of establishing a credit history as promotional arguments.

The Canadian Youth Business Foundation promotional offer⁷⁰ stands out from the others because it targets entrepreneurs and because it is so clear and transparent. It gives examples of possible loan amounts, the rate of interest, repayment terms and fees. It also outlines the terms and conditions of the loan.

⁶⁸ This information deficit was identified by our readability expert, Eric Kavanagh.

⁶⁹ <http://creditcards.redflagdeals.com/details/Capital-One-Guaranteed-MasterCard-for-Newcomers/>

⁷⁰ http://www.fcje.ca/cybf_programs/newcomer/financing/

Vancity's offer is different from the others because it offers microcredit. There are two types of loan offered: *With These Hands*, for buying tools, and *Back to Work*, for upgrading qualifications or obtaining certification in a domain that the newcomer has already worked in. This promotion offers loans up to \$7,500.

Envision Financial offers car loans to people who have no credit history. It also sets out the conditions for access: being a permanent resident and having a valid driver's license in British Columbia.

2.2 Observations on marketing strategy

According to Marie-Philippe Corriveau, a graduate student in marketing at the Faculty of Communications at UQAM, the four strategic orientations of financial institutions are:

- the relationship with the client;
- compassion, trust and loyalty;
- adapting the service offering;
- education.

We shall see how these orientations are manifested in the various marketing strategies employed by the financial institutions in our study.

2.2.1 Relational marketing

The client relationship strategy is also called relational marketing. Banking institutions make newcomers a consumer credit offer that is suited to their needs. These offers include several products, including consumer credit products⁷¹. The strategy attempts to give newcomers the impression that the financial institution is taking care of them, is helping them to settle in the country. According to Ms. Corriveau, this approach makes it possible to “optimize the quality of the relationship with the customer while optimizing customer loyalty and maximizing revenue.”

“Relationship marketing, the key element to consumer confidence and loyalty, is used by the majority of banking institutions⁷².” Essentially, it aims at developing a closer relationship with customers by offering a service in their own image, thereby gaining their loyalty.

Ms. Corriveau adds that “relationship marketing can take the form of individual meetings with newcomers to educate them on the Canadian banking system and reassure them about their choices. Establishing a relationship of trust between the financial institution and its new customers can optimize loyalty and maximize profits over the long term⁷³.”

Mrs. Corriveau also points out that some institutions even adapt their offer to suit the newcomer's status, i.e. permanent resident, entrepreneur, temporary worker, student, etc. She says:

⁷¹ See marketing analysis report in Appendix 3.

⁷² *Id.*

⁷³ *Id.*

The goal of this strategy is to determine the criteria that newcomers identify with. For optimal results, institutions have to put themselves in the place of their customers and identify their needs. The fact that all institutions have adopted this strategy explains the uniformity of the offer on the market.⁷⁴

In other words, with such a strategy, one does not merely sell a product; one also sells a relationship of help and collaboration. This perhaps explains why the promotions make so little mention of the characteristics of the products sold.

2.2.2 Sales promotion and Web strategy

Ms. Corriveau emphasizes that promotions are an integral part of the overall strategy of financial institutions. They feature “contests, discounts on purchases, special limited-time offers, trial periods or promotional items⁷⁵.” In such promotions, more importance is given to the bargain than to the product itself.

2.2.3 Differentiation strategies

Although the offers are relatively uniform, some institutions attempt to set themselves apart by employing other strategies. One example that Ms. Corriveau highlights in her report is Scotiabank’s association with foreign financial institutions. She says, “Thanks to the partnership between Scotiabank and BNP Paribas, French newcomers who have an account with BNP Paribas are able to open an account in minutes, make money transfers easily, and carry out interbank transfers and withdrawals without charges⁷⁶.”

The same bank included testimonials in its promotion, which, according to Ms. Corriveau, made it stand out from other financial institutions⁷⁷. We would add to this that the use of testimonials not only helps sell the credit product, but also the relationship between the immigrant consumer and the financial institution.

Ms. Corriveau did not fail to note that mass communication also plays an important role, and stresses the effectiveness of advertisements in airports. She particularly mentions the ingenuity of CIBC and Desjardins, who place instructional videos on the YouTube website.⁷⁸

2.2.4 Tools for understanding

Mrs. Corriveau notes that several institutions provide information about Canada and its financial system. She believes that such a strategy can actually work in favour of the bank putting, once

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ <https://www.youtube.com/watch?v=CU7023vNMXw> and <https://www.youtube.com/watch?v=RhgxbZ4gd8>

again, the consumer's needs to the forefront. She also cites an expert in content marketing, Joe Pulizzi, on this subject:

I (also) believe that the brands that place a priority on educating their prospects and customers through the creation of remarkable content are wisely choosing the road less traveled. Think about this truth: Our customers don't care about our products or services; they care about themselves. If we buy into this, then we must also accept that the majority of the information we produce for marketing purposes cannot be about ourselves. Our content must be based on fulfilling our customers' needs and interests, so that they come to build a trusted and emotional connection with our brands.⁷⁹

Both experts believe that this informational strategy has marked similarities with relationship marketing in that it establishes a relationship of trust with the consumer, giving the impression that their needs are understood.

2.2.5 Axis of communication

Finally, Ms. Corriveau stresses that all communication with the prospective immigrant consumer should be conducted in a reassuring tone, suggesting that everything is being taken care of, so as to build trust. Financial institutions also assure consumers that their customer assistance system is easily accessible. Several institutions even emphasize that they can communicate with customers in multiple languages.

2.2.6. What we learnt from marketing strategies used

This analysis convinced us that financial institutions are more interested in selling a relationship of trust than the product itself. For instance, newcomers are led to understand that their needs are understood and that they will receive help in establishing themselves. This could explain the lack of informational content in the offers. It is not the product itself that is being sold, but the newcomer-institution relationship. The fact that many institutions provide consumers with practical information and financial literacy tools is also linked to this relational strategy⁸⁰. One can also wonder whether these marketing strategies really benefit newcomers at all.

2.3 Observations of communication strategies

To determine whether the consumer is actually able to understand what is being offered, we asked readability expert Eric Kavanagh of Laval University to analyze the same corpus of offers. Our aim here was to find out whether the offers were presented and written in a way that newcomers could understand.

⁷⁹ Joe Pulizzi, "Why Education is a Powerful Content Marketing Strategy: 17 Examples" *Content Marketing Institute*, 2013 <http://contentmarketinginstitute.com/2013/05/education-powerful-content-marketing-strategy-examples/>

⁸⁰ This relational strategy can also be used to build customer loyalty, and the packages can consolidate all the financial products for every customer with the same company. However, these marketing aspects were not formally observed.

From Dr. Kavanagh's report, we identified three major issues:

- Accessibility and navigation
- Comprehension and reading
- Confusing messages

Here's what it's all about.

2.3.1 Accessibility and navigation

Sometimes, the newcomer package is available from the main menu of a website. At other times, it can be more difficult to find. Dr. Kavanagh also deplores how difficult it is to access information from certain sites. He estimates that the average consumer should not have to use the search tool or click more than twice to access the information sought. In his opinion, consumers will not find the specialized content unless they make an effort⁸¹.

Dr. Kavanagh also observed that the way the sections containing specific information are structured does not leave the user with the impression that the information supplied on the topic is complete. "In general, the sites are constructed to answer a specific question or need," he says. "As soon we begin to explore a little more deeply to ensure that we have 'done the rounds' on a question, the maze of Web pages becomes more complex and we find ourselves struck by a sense of repetition and redundancy that amplifies the perception of complexity⁸²."

According to Dr. Kavanagh, the reader gets the impression that his question has never been fully answered and reading the repetitive content adds to this confusion. So even though the message inside each page is clear, the structure itself is confusing for the reader.

2.3.2 Comprehension and reading

Dr. Kavanagh also raises several problems related to reading and comprehension. For example, he complained of how dense the information provided to newcomers can be, despite "sometimes overt attempts to simplify and adapt⁸³." To illustrate his point, he used the example of a PDF brochure found on a site (see Figure 1)⁸⁴. He said the information about a program is sometimes presented and condensed in a brochure in PDF format. Once the document is laid flat, we see how densely the information it contains is presented⁸⁵.

⁸¹ See the report by Eric Kavanagh in Appendix 4.

⁸² *Id.*

⁸³ *Id.*

⁸⁴ Link to promotional brochure: <http://www.scotiabank.com/startright/common/pdf/startright-english-pamphlet-02-2014.pdf>

Note: We refer here to the brochure explaining the offer, not the informative guide for newcomers offered by the same bank (<http://www.scotiabank.com/startright/common/pdf/startright-english-handbook.pdf>) This also contains a brief glossary.

⁸⁵ See the report by Eric Kavanagh in Appendix 4.

Figure 1⁸⁶

According to Dr. Kavanagh, this type of textual layout is an obstacle to understanding and reading. “Whether or not one perceives it as necessary, the use of notes or references that often accompany texts of a technical nature was omnipresent in the promotional material we analyzed,” he said. While at first glance, this system seems to present the main ideas in the message in a clear, unobstructed manner (i.e. the benefits of credit cards for newcomers), it nonetheless remains very complex to deal with. The practice is widespread: the main text is attractively presented and relatively short, while all the complex, yet essential information is relegated to a footnote⁸⁷”

Dr. Kavanagh confirmed our own suspicion, namely, that benefits and promotions are brought to the fore, while all the important points are “slid under the rug.” He says:

The nature of the notes varies enormously: limitations on the offer, detailed conditions, fees, documents required when one goes to the bank, procedures, trademarks, etc. These notes are a real grab-bag that do not encourage reading. Most people react to this fine print as containing complicated details whose message even conflicts with the offer featured in the main part of the text.⁸⁸

In addition, he deplors the language used in the fine print, saying that it calls for a reading level well above that of the average person - especially when one considers that, among newcomers, English and French are often a second language.

⁸⁶ <http://www.sctiabank.com/startright/common/pdf/startright-english-pamphlet-02-2014.pdf>

⁸⁷ See the report by Eric Kavanagh in Appendix 4.

⁸⁸ *Id.*

Dr. Kavanagh also thinks that there is a problem with the vocabulary. As examples, he lists terms⁸⁹ that “average or low” literacy readers (as is often the case for immigrants) will experience some difficulty understanding⁹⁰.” Here are some of the examples he gave:

- *via*
- *electronic record keeping*
- *fee exemption*
- *applied on a pro rata basis*
- *loan-to-value ratio*
- *interest subsidy*⁹¹⁹²

Finally, although the way the “highlights” of the offer were presented may be simple, airy and bright, newcomers are unable to grasp the full extent of the offer. All they can easily understand is the promotional “pitch.” Exceptions, eligibility requirements and all other relevant information, are relegated to notes and references.⁹³

2.3.3 Quality of the message

We have already seen the marketing strategy of providing newcomers with information that is designed to appeal to them. According to Dr. Kavanagh, the primary result of this strategy is to blur the message. He even says that it is potentially harmful. “While basically, these strategies might be commendable, they nonetheless make access to information more difficult, not to mention increase the likelihood of confusion⁹⁴.” He even suggests that when financial institutions relay government information, this could confuse consumers about their actual goals and mission. Do they want to inform or sell?

2.3.4 What we learnt from communicative strategies used

While the marketing strategies used by financial institutions are effective, the same is not true of their communicative strategies. There are serious problems in terms of the accessibility of the information and the intelligibility of their texts. Although newly-arrived consumers may understand the promotional messages, they do not understand the ins and outs of the offer. In such a context, can we really say that consumers are able to make an informed decision?

As communications analysts say, the noise ends up burying the signal⁹⁵. Information that could be useful to the consumer in making an informed choice is buried under advertisements and

⁸⁹ We checked with lawyers; these terms are not legally binding. It would have been possible to use simpler words and phrases.

⁹⁰ See report by Eric Kavanagh in Appendix 4.

⁹¹ *Id.*

⁹² The words cited in French were : « par le truchement », « tenue de dossiers électroniques », « exonération de frais », « s’appliquent au prorata », « la quotité de prêt », « bonification ».

⁹³ This analysis was confirmed in our focus groups. See Chapter 3.

⁹⁴ See report by Eric Kavanagh in Appendix 4.

⁹⁵ For a brief definition of the concept: Princeton University, Signal-to-Noise Ratio https://www.princeton.edu/~achaney/tmve/wiki100k/docs/Signal-to-noise_ratio.html

irrelevant additional information. Moreover, much relevant information is relegated to the background and written in hard-to-understand language.

Chapter 3: Understanding and assessing credit offers for newcomers

Beyond our research and analysis, we wanted to know the opinion of the newcomers themselves, which is why we organized the focus groups for them. The discussions took place in four stages⁹⁶. In the first, we gathered information on their relationship with money and their knowledge of the Canadian credit system. In the second, we presented a credit offer aimed at newcomers⁹⁷, and then asked them how much they understood and what they thought about it. In the third, we looked at a credit offer aimed at the general Canadian public⁹⁸. In the final step, we asked them what type of information they would like to see included in a financial literacy tool designed for them.

3.1 General comments

Overall, the newcomers' understanding of the Canadian credit system was poor to average. When we asked them what they knew about consumer credit, credit reports, credit scores and the credit system in Canada in general, their responses were disparate at best⁹⁹. Without a doubt, the concept least understood was consumer credit. This did not surprise us since this little-discussed concept requires some familiarity with insider jargon. The other concepts were a little better understood, but rarely in their entirety. Some newcomers understood certain concepts, while others confused them with other related concepts, such as the credit limit of a loan or an individual's total assets and liabilities.

In general, the newcomers all received financial information and credit card offers when they arrived in Canada (few received any prior to arrival). In most cases this information came to them via their peers or their families. They were advised to choose a financial institution and put their money into a bank account. They relied on the information they received and claimed to find it useful.

The information they received from institutions complemented what they were told by family and peers; it was even the next logical step in obtaining a credit product or further information. Some said they had looked at government information sites, but had little to say about them.

Overall, the participants found the information provided by the financial institutions relevant and valid, but were nonetheless concerned. They were told to build a credit history and to make sure they had a good credit score, but most had only a vague idea of what this involved. Some

⁹⁶ View focus groups facilitation guide in Appendix 5.

⁹⁷ We chose to present credit offers from the Royal Bank of Canada. This choice made sense since RBC is the largest bank in Canada (according to *The Banker*, July 2013, http://www.cba.ca/contents/files/statistics/stat_bankranking_fr.pdf). Available in Appendix 6. Obviously, the two French offers were presented to the participants in Montreal and the two English offers were presented to the participants in Toronto and Vancouver.

⁹⁸ Interestingly, in both offers, two very similar credit cards were offered (they came from the same financial institution, had the same visual presentation, and offered the same benefits).

⁹⁹ View participant's handbook in Appendix 7.

admitted that they did not understand how interest rates work, for example. They also said they were not aware of all the risks and consequences associated with opening an account and obtaining a credit card. Finally, they lamented the lack of information on credit products such as credit cards, lines of credit, etc.

They were bothered by the long, complicated contracts and by the fine print often used to convey information. In Vancouver, one participant said, “The banks did not provide any information about credit scores or interest rates; this is important information that should be offered (in-person, not by reading small legal information)¹⁰⁰.” They turned to financial institutions to supplement their knowledge, but many remain skeptical about the reliability of the information they were given. The fact that the financial advisor they talked to wanted to sell products more than give information led them to be suspicious about the value of the information they received.

At the end of the discussion, the participants in Vancouver had the opportunity to ask questions and make comments about the Canadian banking system and offers of credit. This showed that they do not always understand how the credit score functioned, nor how it can be affected, for better or worse, by the way they managed their credit.

As for credit cards, the respondents mainly wanted to know how many it was best to have and what was the best interest rate. They asked, “They say I should have several cards. Is that necessary?” and “Is it better to have a bigger credit margin for comparable purchases?” These questions and comments definitely led us to suspect that their sources were not always reliable.

However, some polls appear to indicate otherwise. In a statement issued by Angus Reid Public Opinion in collaboration with Credit Education Week Canada (WCEC), Capital One and Credit Canada, we read: “While the general population has a financial literacy edge, interestingly the results show that newcomers are more familiar with credit scores than the general population¹⁰¹.” The poll indicates that 65% of newcomers who have lived in the country for five years or less, and 74% of those who have lived here for six to ten years, consider themselves sufficiently aware of the credit world to make equally good decisions about their credit history as Canadian-born citizens. The survey also shows that newcomers who have lived in Canada for 6-10 years describe their finances as good or really good, compared to the general population, only 69% of whom gave this response¹⁰².

On the other hand, according to a poll conducted by the Royal Bank of Canada on the attitudes of newcomers towards finances, 60% of those “who arrived in Canada in the past year say that they lack financial knowledge, including how to establish and build credit during their first year of living in Canada” However, even though their knowledge upon arrival in the country was limited or insufficient, 92% of those who immigrated here two to five years ago believe that their knowledge of the financial environment has improved significantly since¹⁰³.

¹⁰⁰ One of the participants in Toronto made more or less the same point.

¹⁰¹ Credit Education Week, *New Canadians Know more about Establishing Credit*, 2010

<http://www.cewc.ca/Press-Releases/survey-Finds-new-canadians-know-more-about-credit-Establishing>

¹⁰² *Id.*

¹⁰³ Royal Bank of Canada (RBC). Majority of newcomers to Canada not confident in their financial knowledge: RBC poll, 2013 <http://www.rbc.com/newsroom/news/2013/20130703-newcomers.html>

We feel it is necessary to state here that when these polls were conducted, the participants' knowledge was not verified. The organizers relied on what they were told.

In our focus groups with newcomers, we carried out the same exercise. All the participants had to rate their knowledge of Canadian credit on a scale of one to ten. What struck us was that the scores the participants gave themselves did not really correspond to their level of knowledge. For example, some who gave themselves a high score had only a rough understanding of credit reports and credit scores, while some who gave themselves a low score understood the principles of credit history quite well. We suspect that the scores that some of the respondents gave themselves might depend more on their level of self-esteem than on their actual knowledge.

A solicited clientele

We have seen that financial institutions are quite proactive in attracting newcomers as customers. They have developed packages for contacting newcomers and embellished them with a customized marketing strategy. The solicitation does not stop there, however. In interviews with representatives of organizations working with newcomers, we were told that they had been approached by financial institutions who requested permission to come to their premises to showcase their services to newcomers (including credit cards).

One of these was Brigitte Brieu, secretary and coordinator of information sessions at the *ALPA* newcomers' support agency in Montreal, who said that financial institutions regularly approach the organization to promote their services. "We agreed to accept one bank (RBC) because it also talked about jobs. In that instance, it was a case of give and take. They spoke about job openings at their bank and we let them talk about their offers for newcomers." Ms. Brieu said that the participants in the information session were very interested in acquiring credit products.

The S.U.C.E.S.S. organization in BC has also been approached by financial institutions. Its response to the request was quite different, however¹⁰⁴:

We are approached from time to time because of the access to immigrants through our services to them. However, a service agency for both government-funded and non-government funded programs faces a conflict of interest and a breach of client confidentiality and privacy if they cross the line by directly "bridging" or "matching" the immigrant clients to any financial institutions. The same applies to any commercial interest in immigrants.

Newcomers are approached by financial institutions in airports, through guides, on the Internet and even through aid agencies. In addition, like all Canadians, they are solicited daily by businesses that provide credit to everyone in general.

Paulina Robles of the *PROMIS* aid agency in Montreal said that in her particularly cosmopolitan neighbourhood of Côte-des-Neiges, there is a lot of solicitation for credit cards, particularly at Maxi and Canadian Tire. Some participants in the focus groups said they were accosted in these

¹⁰⁴ We received a written response from this organization on February 17, 2014.

stores. They also told us that the solicitations were varied and insistent: by mail, by phone, in person in the financial institutions themselves, and in shopping centers.

Respondents perceived this solicitation as aggressive and persistent. Over the phone, the representatives talked quickly and it was all about the advantages of the offers.

Newcomers who participated in the focus groups in Montreal did not subscribe automatically to the initial offers made to them. They were puzzled, and sought information from others. “When you don’t really know what it’s about, you don’t make any decisions,” one participant from Montreal said.

In Vancouver, some finally accepted offers from representatives in stores and malls, because “there’s no credit check,” “they were right there” and there were “payment holidays.” “I thought it was a good offer so I took it; it was easy and I wanted to start my credit history right away,” one participant in Vancouver said.

In Toronto, some were attracted by these unsolicited offers, while others preferred to make an application in person at a financial institution. Those who did subscribe right away wanted to take advantage of benefits such as payment holidays, the points programs and discounts on purchases.

After hearing this evidence, it seems more pressing to pose the question: How much do newcomers understand about the credit offers that are presented to them?

3.2 Evaluating credit offers

Here's what we learned about the offers we presented to recent immigrants in our focus groups.

3.2.1 Credit offers targeting newcomers

We first presented the participants with a package for newcomers produced by the Royal Bank, which focussed on obtaining a credit card¹⁰⁵. These are the items offered in this package:

1. Credit card: 2% cash back for grocery purchases, no annual fee, no credit history required.
2. An operational account: unlimited debit transactions for six months free of charge.
3. Preferred rate on foreign exchange transactions for 12 months.
4. Preferred interest rates on Guaranteed Investment Certificates (GICs).
5. A small safety deposit box: fees waived for one year.

Participants found this offer attractive. It included benefits that recent immigrants appreciated.

The participants also appreciated the fact that there were no credit checks. As newcomers have no credit history in this country, they are denied access to certain credit products. Participants saw this as offering a chance to “build their credit history.” One participant from Toronto said: “They say they won’t check credit history. Initially, I was told I have to have credit history but they say don’t worry about credit history and we will give you a card. That is nice.”

Participants also liked the fact that there was no annual fee to pay for the card, and that cash rebates were offered. These were the broad outlines of the promotional pitch. Several participants appreciated the fact that a complete package had been designed to meet the most immediate needs of newcomers. Another participant from Toronto said, “It seems easy. It’s everything I needed when I first arrived.”

At the same time, the newcomers admitted they did not understand all the ins and outs of the offer. Certain items, such as the “preferred” interest rates on exchange transactions and GICs, the interest rate on credit cards and the amount of the annual bank charge and the fee for the safety deposit box after the payment holiday were not specified. Several participants also felt frustrated by the large number of notes and references. Some thought that these methods were used to hide information. While the positive aspects of the offer were highlighted, the risks and less interesting aspects were not mentioned. Finally, they criticized the lack of clarity and lack of information with comments such as: “I don’t know what it means” and “You don’t really know what you're getting into.”

The comments from the participants therefore echo those of our marketing and readability experts: the credit offer gives the impression that the company is responding to the needs of consumers and supporting them. In this respect, the relational marketing strategy is effective. However, the content of the offer is essentially promotional. In order to find out everything that

¹⁰⁵ See the offers in Appendix 6.

the offer contains, the consumer has to undertake a process of research and hard reading, which many in the target audience are unable to do.

3.2.2 Credit offers to the general Canadian public

To compare the perceptions of newcomers about the offers aimed specifically at them with offers aimed at Canadians in general, we thought it useful to show participants a similar offer targeting a wider clientele (an offer they were also likely to receive).

What did they think? Again, they mostly remembered the main elements of the promotional pitch: no annual fee, a free additional card and the cashback system. While some enjoyed the fact that interest rates were displayed, on the whole, they said they were still annoyed by the notes and references. Many also felt that some of the concepts were vague: the interest rate on purchases and cash advances and how “cashback” worked, for example.

Finally, most participants preferred the offer for newcomers despite the fact that the two credit cards were similar. They seem to have been charmed by the offer of a complete package to meet their immediate needs, and felt reassured by the prospect of getting a credit card without a credit history.

After studying the offers made to these customers, we can say that the credit card offers are rarely very descriptive and focus almost exclusively on the promotional pitch; the most complex elements are relegated to notes or explained elsewhere.

Also, we can say that the credit offers to newcomers made by financial institutions are especially effective in the way they address newcomers and in the means used to get through to them.

Moreover, like the population in general, newcomers are interested in subscribing to credit products. In our focus groups, 80% of participants had obtained at least one consumer credit product in Canada (a credit card). In another study carried out in Nova Scotia in 2006, which focused on the recognition of the credit history of new immigrants to Canada, it was found that 79% of respondents had made at least one credit card application¹⁰⁶.

It is not surprising that the financial institutions attempt to solicit potential customers the minute they arrive in the country. That said, we note that advertisements for credit offers are far from clear or complete. Newcomers only remember the promotional pitch, since that is all the offer really contains. However, as we have seen, the clarity is poor. At the end of the review, we doubt that consumers who have only recently arrived can easily understand the offers.

¹⁰⁶ Nabiha Atallah, and Sarita Rebelo, *Recognition of Credit History for New Immigrants* (Halifax: Atlantic Metropolis Centre, 2006), p. 2

<http://community.smu.ca/atlantic/documents/RecognitionofCreditHistoryforNewImmigrants.pdf>

Chapter 4: Information and training: what newcomers need vs. what they are offered

When newcomers set foot in Canada with a view to settling here, they are bombarded with information from every angle: federal and provincial immigration departments, community organizations and even financial institutions. We therefore deemed it important to take a look at the kind of information they receive¹⁰⁷.

4.1 Needs

Social and Enterprise Development Innovations (SEDI) published a report in 2008¹⁰⁸ on financial literacy resources available to newcomers in which it reaches several conclusions that concur with our own. It cites a report by Lutheran Immigration and Refugee Service (LIRS)¹⁰⁹ in the United States, that cites credit as one of the topics of interest to newcomers. While there is evidence of a similar level of interest among newcomers to Canada,¹¹⁰ SEDI says, newcomers here rarely receive information on the proper use of a credit card and the importance of establishing a good credit rating.

In addition, SEDI emphasizes that newcomers are not a uniform public:

Everyone who has worked with recent immigrants has observed that they do not have one single attitude to financial management. Newcomers are not thrifty by nature (this is made necessary by the immigration process), they may already know something about the Canadian financial system (several have extensive knowledge of financial services), they may not be against the idea of indebtedness and because of the high levels of education within this group, they are not necessarily good savers.¹¹¹

Regardless of their experience and knowledge, all newcomers need to receive relevant and accurate information about the Canadian financial system in general and credit in particular, that is presented in a form they can understand.

In its 2008 report, SEDI noted that informational content was given to newcomers by service providers such as financial institutions who are interested in selling their products¹¹². In our analysis of credit offers to newcomers, we also noted that several financial institutions provide such information. Governments, government agencies and non-profit organizations do the same. Here's what we found on the various sites we consulted:

¹⁰⁷ It should be noted that these are general observations. We wanted to give a picture of what is offered. The experts analyzed only offers from financial institutions.

¹⁰⁸ SEDI, *Financial Literacy: Resources for Newcomers to Canada*, 2008, http://www.sedi.org/DataRegV2-unified/sedi-Reports/FINAL_newcomers_English.pdf

¹⁰⁹ LIRS, *Financial Literacy for Newcomers*, p. 10.

¹¹⁰ SEDI, *Financial Literacy: Resources for Newcomers to Canada*, 2008 <http://www.sedi.org/DataRegV2-unified/sedi-Reports/FINAL%20newcomers%20English.pdf>

¹¹¹ *Id.*, p. 25

¹¹² *Id.*

4.2 Information on the sites of financial institutions

In most cases, the information provided on the websites of financial institutions is very similar to that given by Citizenship and Immigration Canada (see below). Newcomers are given general information about the country as a whole; they are advised to apply for identification documents; they are encouraged to enrol in language courses if needed, etc. Obviously, they are also recommended to open a bank account (with the financial institution providing the information) and start building a credit history (by obtaining the credit cards offered by that institution)¹¹³.

We wanted to know why financial institutions were so keen to offer financial literacy information to newcomers. After all, as we have seen, these customers already like the services they offer.

Julie Pombert, of the National Bank, says that these information products are part of the personalized service offered to newcomers. With these products, she says, the financial institution wants to provide them with an information tool without selling a product. In developing this financial literacy tool, the bank consulted Web sites whose content is neutral (governments, embassies).

Pierre-Franck Honorin, of Carrefour Desjardins says that the idea of providing this information to newcomers was a response to becoming aware of their situation:

In our work, we realized that in their home country, newcomers do not have the same concepts of financial education, since the North American banking system is quite specific. We therefore had to develop instruction and support for newcomers.

Carrefour Desjardins offers informational talks and guidance to newcomers who come to open an account; these products are also offered by correspondence to those who contact the institution before emigrating.

Mr. Honorin says that for Carrefour Desjardins, the aim of providing training is to encourage responsible borrowing. They want their customers (both newcomers and others) to know what to expect and to learn how to manage their financial products. He did make the point, however, that the cooperative offers more information services to newcomers than to its other customers.

The financial institutions provide quality information. The problem, however, lies in the fact that it comes from a company that wants to sell a product. Eric Kavanagh, in his readability analysis, says that this mixing of genres may create confusion. There is an apparent conflict between the role of a company that wants to sell products and that of a government agency that wants to educate citizens¹¹⁴.

¹¹³ For good examples, see

Scotiabank: <http://www.scotiabank.com/startright/common/pdf/startright-English-Handbook.pdf>

Royal Bank: <http://www.rbc.com/canada/index.html>

National Bank <http://www.nbc.ca/en/personal/programs/newcomers/immigrating-to-canada.html>

¹¹⁴ See report by Eric Kavanagh in Appendix 4.

4.3 Information on the sites of government agencies

We have listed a few government sources of information on financial literacy for newcomers to Canada.

The Citizenship and Immigration Canada (CIC) website offers a tool for finding information, the Settlement Plan¹¹⁵. Newcomers record their personal information in the plan in order to receive advice related to their situation and needs. In the first few weeks of arriving in Canada, they are advised to rent or buy a home, apply for a health insurance card, apply for a Social Insurance Number and finally, to open a bank account. They can then apply for a credit card in order to establish their credit history, which will allow them to obtain a loan or mortgage in Canada at a later date.

CIC suggests that newcomers seek information from other immigrant assistance organizations for help in improving financial literacy¹¹⁶. It also provides a link to the Financial Consumer Agency of Canada (FCAC) website, where they can find information to help them understand how to open a bank account and obtain a credit card. That said, at the time of writing¹¹⁷ the FCAC link was not working¹¹⁸.

The CIC *Welcome to Canada* guide includes a substantial section on the Canadian financial system that was developed by the FCAC¹¹⁹. The “Money and Finances” section contains a wealth of information on banks, accounts, debit cards and various forms of credit (credit margins, personal loans, mortgages and credit cards of all kinds). There is even a reference in this section to the FCAC’s **sinformercestpayant.gc.ca** site, which includes tips on choosing a credit card wisely and determining the interest on credit card purchases. Finally, the *Welcome to Canada* guide cautions readers about the very high cost of payday loans and provides information on credit records and credit scores.

This is the most comprehensive government financial literacy resource we were able to find. We were also delighted to discover that every immigrant automatically receives this guide upon arrival in the country. However, it is sad to see that it is only offered in the two official languages. Although it is written in plain language, reading such a long document (nearly 150 pages) could be quite a challenge for someone who has barely mastered either language.

The FCAC offers an entire section on sound debt management¹²⁰. However, since this organization does not primarily address itself to newcomers, and since access to the site is only by way of the *Welcome to Canada* guide, many newcomers may never get to see this site. In

¹¹⁵ See the settlement assistance tool provided by Citizenship and Immigration Canada that helps immigrants go about obtaining a credit card in the first week of arrival:

<http://www.cic.gc.ca/lctvac/english/index>

¹¹⁶ CIC <http://www.cic.gc.ca/lctvac/english/index>

¹¹⁷ I.e. during the first months of 2014.

¹¹⁸ FCAC http://www.fcac-acfc.gc.ca/fra/ressources/publications/operbanc/fcouvcompteb_eng.asp

¹¹⁹ CIC *Welcome to Canada*, p. 105-115 <http://www.cic.gc.ca/ENGLISH/pdf/pub/welcome.pdf>

¹²⁰ FCAC <http://www.fcac-acfc.gc.ca/Eng/resources/educationalPrograms/ft-of/Pages/credit.aspx>

addition, the words and expressions used are often complex¹²¹, adding to the impression that the site is not intended for those whose first language is not English or French.

As for the provincial governments, we looked at what was available in Ontario, British Columbia and Quebec, the three provinces that receive the highest number of immigrants¹²².

On the Ontario Immigration website, we found some information on credit in the guide *First Days – A Newcomers' Guide to Their First Two Weeks in Ontario*¹²³. This guide stresses that a credit history acquired abroad is not valid in Canada. It recommends keeping the credit card from the country of origin for some time and applying for a credit card in Canada; it also gives some information on secured credit cards. Finally, it draws attention to the high interest rates associated with department store credit cards.

We were pleased to see the warnings about the high interest rates on department store cards and the explanation about secured cards. However, we regret the brevity of the section on credit and the many mistakes in the French version of the document¹²⁴. That said, this very short guide is a useful introductory guide that includes an index of available resources.

In British Columbia, the *British Columbia Newcomers' Guide to Resources and Services*, British Columbia - BC Welcome¹²⁵, the same kind of information is given about credit cards. It also includes a resource for individuals in serious debt — a welcome addition.

Immigration Quebec publishes the guide *Learning about Québec – Your Guide to Successful Integration*¹²⁶. This guide gives consumers advice about credit and invites them to be cautious. Finally, they direct consumers to the Office de la protection du consommateur (OPC) and to other consumer groups (such as Option consommateurs)¹²⁷ that can inform them of their rights with regard to opening an account at a financial institution. They can also help them balance their budgets¹²⁸.

¹²¹ This was observed in words such as: avail, contract (v.), carry forward a balance, etc.

¹²² Statistics Canada, *Facts and Figures 2012 - Immigration Overview: Permanent and Temporary Residents* <http://www.cic.gc.ca/english/resources/statistics/facts2012/permanent/11.asp>

¹²³ Ontario Immigration, *First Days – A Newcomers' Guide to Their First Two Weeks in Ontario*, pp. 32-33 http://www.ontarioimmigration.ca/prodconsum/groups/csc/@oipp/documents/document/oi_first_days_guide.pdf

¹²⁴ In the same paragraph of the English guide, there is a word missing. It should read: "You may not be able to [use] these credit cards in Canada." http://www.ontarioimmigration.ca/prodconsum/groups/csc/@oipp/documents/document/oi_first_days_guide.pdf

¹²⁵ British Columbia – Welcome BC, *British Columbia Newcomers' Guide to Resources and Services*, pp. 35-36 http://www.welcomebc.ca/welcome_bc/media/Media-Gallery/newcomers_guide_en.pdf

¹²⁶ Ministère de l'Immigration et des Communautés culturelles, *Learning about Québec – Your Guide to Successful Integration*, 3rd edition, 2012 <http://www.immigration-quebec.gouv.qc.ca/publications/en/divers/learningaboutquebec-accessible.pdf>

¹²⁷ It should also be emphasized that similar information is also available on the Immigration Quebec website at: <http://www.immigration-quebec.gouv.qc.ca/en/choose-quebec/daily-life/finances/index.html> and <http://www.immigration-quebec.gouv.qc.ca/en/choose-quebec/daily-life/finances/credit-card.html>

¹²⁸ Immigrant Québec, *Immigrer au Québec; le guide pour immigrants*, 2013 http://www.immigrantquebec.com/wp-content/uploads/guide_immigrer_au_quebec_2013.pdf

4.4 Not-for-profit organizations (NPOs)

We found several agencies that provide support services to newcomers.

Many of these offer guides. For example, the Quebec organization Immigrant Québec produces *Immigrer au Québec; Le guide pour les immigrants*¹²⁹. This guide briefly presents information similar to that contained in the immigration ministry guides: the difference between credit cards and debit cards, information on credit scores, and tips for staying out of debt¹³⁰. The well-produced guide is available on the Web and distributed to organizations providing services to newcomers. Nevertheless, it seemed strange to find advertising by financial institutions and for credit cards within its pages¹³¹.

Every year, Immigrant Quebec also holds the “*Salon de l’immigration et de l’intégration au Québec*”¹³². The salon is a forum for talks, workshops and meetings to inform immigrants about recognition of prior learning, on writing a CV, starting a business and a host of other topics that can facilitate the integration process. Here again, some of the information is provided by financial institutions, which is perplexing.

L’*Association coopérative d’économie familiale* (ACEF) in East Montreal has also developed a financial literacy and consumer rights information tool specifically for newcomers that can be accessed at the **neoconso.ca** site. The site offers newcomers information on how financial institutions operate as well as on credit and indebtedness. This is a very complete information document, although the texts sometimes seemed overly long and complicated.

In Ontario, the **settlement.org** site, developed by the Ontario Council of Agencies Serving Immigrants (OCASI), issues printed guides and a website devoted to helping new immigrants settle in the country. This is the most comprehensive site we found. The site is easy to navigate and contains useful, yet simple tips. In the “Daily Life” section, there is a report on credit with an entire sub-section on personal finances¹³³. This provides advice in plain language on how to obtain a credit card in Canada without a credit history, on the content and usefulness of a credit file, and what to do if you get bogged down in debt. It even devotes a page to sound credit management. The site is in English, but includes a link to **inmylanguage.org** that can translate the content into 10 languages. From what we saw, the translations are quite respectable, if not always perfect¹³⁴.

Several branches of the *Association coopérative d’économie familiale* (ACEF) offer information sessions on financial literacy. One of these is the ACEF of East Montreal that we mentioned earlier and another, our own organization, Option consommateurs. At Option consommateurs, we offer information sessions to several support groups for newcomers to Montreal such as

¹²⁹ Immigrant Québec, *Immigrer au Québec; le guide pour immigrants*, 2013

http://www.immigrantquebec.com/wp-content/uploads/guide_immigrer_au_quebec_2013.pdf

¹³⁰ *Id.*, p. 244-247

¹³¹ *Id.*, p. 2 (Desjardins) and 211 (Royal Bank of Canada).

¹³² <http://www.salonimmigration.com/>

¹³³ Ontario Council of Agencies Serving Immigrants (OCASI), Settlement.org (Section Daily Life, Personal Finance subsection) <http://settlement.org/site/FIRSTDAYS/home.asp>

¹³⁴ We verified the translation into French and it was very clear.

PROMIS, *Hirondelle* and *ALPA*. The most popular of these sessions is *Healthy Personal Finances*, which addresses topics such as budgeting, credit and debt. We also offer an introductory course entitled *Financial Institutions*, that deals with the banking system in Canada, how debit and credit operate, and solutions in the event of problems with financial institutions.

Unfortunately, although such introductory training is useful, it is often given too late, as testified by Harry Penso, Community Development Advisor at Option consommateurs. “When people start attending community organizations, they have already opened a bank account and most already have a credit card. They learned by themselves by asking their relatives or a representative of a bank. The information they obtained was not always reliable.” This was also the answer given to us by the vast majority of participants in our focus groups. It would be nice to be able to help them even sooner and provide them with simple, objective information.

CIBC and YMCA Ontario partnered with the FCAC to develop a financial literacy course for newcomers. According to the information we obtained, the information sessions, entitled “Financial Rights and Products¹³⁵” are similar to those given by Option consommateurs.

4.5 Observations in the focus groups

In our focus groups, we asked the newcomers what their needs were in terms of financial literacy, what information would have been useful to them upon arriving in the country and, finally, what they learned from their experience.

4.5.1 What they would like to know and learn

The vast majority of participants told us that the only financial information they were given upon arrival was limited to statements such as “Open a bank account,” “Start building your credit history” or “Get a credit card.” In general, the participants found that they did not have enough information about financial institutions, or about credit in particular.

We responded to this by asking these three questions:

1. What would you like to know about credit that nobody told you?
2. What information ought to be contained in a credit information tool?
3. What advice would you give to a friend who wants to come to Canada?

The aim of these questions was to determine the newcomers’ needs with regard to information on Canadian credit.

The participants’ informational needs were relatively consistent and centered around five themes:

- The range of products and how they work
- Information on the credit report and credit score
- Sound credit management to avoid getting into debt

¹³⁵ http://www.ymcagta.org/en/files/PDF/Newcomer-Events/NIC_Apr_24_2014_FRP_CY.pdf

- Vocabulary difficulties
- Available resources

Here's what they said:

The range of products and how they work

Participants wanted to know what products were offered and the usefulness of each. For example, when do you apply for a personal loan, a line of credit or a credit card? Under what circumstances should you choose one product over another? They wanted to know the pros and cons of each product. They also wanted to know how they work: what are the repayment terms? What is the usual rate?

Information on the credit report and credit score

Participants wanted to have information on credit reports and credit scores. They wanted to know what the report contains and what the information in the report and the score tells those who consult them. They wanted to know how they could build a positive credit history. Several said that it was important to know what impact these tools could have on the economic lives of consumers. They said people need to know that they need a good credit report to get good interest rates, that the credit report and the credit score can be useful in obtaining certain services such as electricity, telephone or insurance. Some participants were surprised to learn that credit has an impact on so many aspects of life. Others were surprised to learn that the credit they had abroad was not valid in Canada and that they had to “start from scratch.”

Sound credit management to avoid indebtedness

Participants were quick to stress the importance of using credit products wisely. They also stressed the importance of understanding what they are getting into, of ensuring they make payments on time and that they pay off as much of their credit card balance as possible to avoid high interest rates and fees.

Several commented that they would like the pitfalls and dangers of excessive debt to be highlighted. They wanted to know how to avoid falling into these traps. They also wanted to know the best way to get out of debt.

They wished they had been told that certain credit products had higher interest rates and that they had to pay attention to the fees associated with credit cards, for example.

Vocabulary issues

Many said they would need a document that explained the rudiments of credit to be able to make sense of promotional or contractual language. They wanted to know the meaning of words such as interest rate, minimum payment, grace period, payment default, fees, penalties, etc. They wanted to have easy-to-understand definitions and clear illustrations with numbers.

Available resources

Several participants said they needed to know how to access relevant sources of information on the Internet or elsewhere. After being informed on credit basics, newcomers could use these to deepen their own knowledge on the subject. It would be useful to show them which organizations could help them.

Advice for others thinking of immigrating

If they could, the participants would like to be able to give advice to aspiring immigrants. For instance, they could advise them to inform themselves adequately and ask lots of questions in order to choose the loan product that best suits their needs. They would tell them to take the time to find out about the financial institutions and the products offered, both in person and online. Finally, they would suggest they take advantage of the promotions intended for them, which make it easier for them to get a first credit card and often, payment holidays, which are certainly always welcome.

4.5.2 When to transmit the information?

We asked newcomers when would be the best time to receive information about the banking system and credit.

The participants in Montreal and Vancouver were unanimous: newcomers are most receptive in the weeks following their arrival. “We couldn’t wait to see what was happening in Canada,” one participant said. In Vancouver, some noted that this was the period when they apply for a social insurance number and a health insurance card, find a home and a job, and of course, open a bank account and begin to establish their credit history.

In Toronto, participants also proposed that prospective immigrants be given credit information when they get their visas, or even before they arrive in Canada. They suggested that embassies could provide the suitable resources.

In Montreal, one participant proposed that information on Canadian credit be included in the briefings offered to newcomers before they immigrate to Quebec¹³⁶ or in the first week after arrival¹³⁷. Other participants thought that was a great idea.

The general feeling was that everything should be done “the sooner the better.” That is what we believe, too. When we give training to newcomers, it is sometimes too late. This is also the experience of our colleagues in ACEF East Montreal, who do similar work to ours in a neighbourhood that has a higher concentration of newcomers.

Who should transmit the information?

¹³⁶ <http://www.immigration-quebec.gouv.qc.ca/FR/biq/paris/seances/index.php> or <http://www.immigration-quebec.gouv.qc.ca/en/biq/vienna/sessions/index.php>

¹³⁷ <http://www.immigration-quebec.gouv.qc.ca/fr/region/sessions-information/premieres-demarches.html> or <http://www.immigration-quebec.gouv.qc.ca/en/settle/information-sessions/objectif-integration.html>

When participants were asked who would be best to provide such training, they were unanimous: an impartial instructor. The participants said they could rely on an honest, professional advisor (they often referred to a relationship of trust). Such a person would not only present the advantages of the offer but would also explain everything that it entails. Most financial institutions omit to explain all the consequences of an offer, the possible penalties (in case of late payment, for example) and the effect that these sanctions could have on the consumers' credit rating and their financial future.

The participants said they could trust a government source or a non-profit organization. Most participants believed that, despite the quality of information that an advisor from a financial institution is able to provide, the fact that he has a product to sell affects the relationship of trust. The remark was sometimes made that anyone interested in selling a service would probably emphasize its benefits and fail to mention its disadvantages.

Some participants in Vancouver mentioned that the government should concentrate all the information that could be helpful to newcomers moving to Canada in one centre: "They need a particular headquarters for newcomers to get everything that you need in one place – like to get your credit card, health card, etc. – or a website about a list of things you need in Canada."

Citizenship and Immigration Canada gives the *Welcome to Canada* guide to all newcomers, and this guide contains a section on money and credit. Does this mean that a percentage of newcomers do not read it? Admittedly our sample was small, but not one participant told us about the guide. This leads us to wonder whether a printed guide is the most effective medium for educating newcomers about credit.

The newcomers we met had relied on their relatives or financial institutions to obtain information about credit. But the facts need to be faced: the people around us are not experts, and banks are not neutral or independent.

What is the best information tool?

It seemed important to know which tool newcomers found most efficient and attractive.

The majority of respondents said they like having printed documents. For those who prefer to analyze the information themselves, an electronic online format is also acceptable.

Furthermore, there was marked enthusiasm for information sessions from councillors and coaches. Meeting in person with someone you trust is beneficial because this allows newcomers to get answers to their questions quickly. Group meetings provide newcomers with an opportunity to witness the progress made by others in their situation.

One participant suggested promoting informational sessions and materials. We think this is a great idea. This could make newcomers more aware of the resources available to them.

Two people mentioned that the information could be given out in French and English as a second language classes (ESL). That was another good idea. Incidentally, that is a project

currently being developed in Ontario, on the initiative of David Sobel, Education, Outreach and Partnership Coordinator - Strategic Operations, at the Ministry of Government and Consumer Services.

The Ministry of Government and Consumer Services of Ontario has developed a new guide for recent immigrants, which it will disseminate via newcomers' aid agencies and English as a Second Language (ESL) teaching centres. This association with ESL groups seemed logical, because the people who benefit from the services there are demonstrably receptive to learning and teachers always need interesting reading material and educational tools for their adult learners, a role that the guide fulfils perfectly.

In order to contact these newcomers' support groups, the Ministry has partnered with the Ontario Council of Agencies Serving Immigrants (OCASI), which serves as a conduit for a large number of such agencies. The Ministry then met with interested aid agencies, even providing some training so as to exploit the educational aspects of the guide to the fullest. The project is currently awaiting official implementation in Ontario.

This is an adventure that Réal Coallier (Territorial Directorate, Western Quebec, of the Office de la protection du consommateur) has already begun. Mr. Coallier gives talks to newcomers in various support groups such as *Au trait d'union* and *PROMIS*. Information sessions are also held at the Cégep du Vieux-Montreal and Cégep Marie-Victorin.

The training session presents the broad outlines of the *CPA* and provides credit information but does not focus specifically on this. Mr. Coallier plans to add a section on variable credit and personal loans.

According to Mr. Coallier, consumer associations, immigration departments and francization and integration support organizations are the entities most suited to developing this type of information tool. He emphasized that, in developing such tools, special attention should be paid to the language barrier. He said the guide and the information sessions should be presented in the newcomers' native language. In addition, the information sessions could be given by people from different cultural communities, which would help communities that are rather closed in on themselves to be more receptive.

In short...

The means for improving the situation are already available. All that might be required is to adjust the government's offer and that of the NPOs: what needs rethinking is the *when*, the *what* and the *how*.

Accordingly, we believe that a rapid, interpersonal approach is ideal. We must reach out to newcomers when they are willing to learn and have not yet made any financial decisions - in their first weeks in the country. We recognize the French and English courses as a definitely interesting option.

Moreover, this approach addresses the problem of the language barrier in an ingenious way and provides access to newcomers who master neither English nor French. The integration seminars

are also an avenue to be considered. Such seminars could be adapted to a more general population of newcomers, whether or not they speak French and English.

As for the content, we reiterate the topics that the newcomers considered most essential:

- The range of products and how they work
- Information on the credit report and credit score
- Sound credit management to avoid getting into debt
- Vocabulary difficulties
- Available resources

These topics should suggest the general outlines of an ideal training plan for newcomers.

Chapter 5: Conclusion

At the end of this study, what do we retain? Let us review our findings.

Factors that factor into the newcomers' understanding the credit system

Knowledge of the financial and credit system, age, sex, marital status, type of family, region of origin, household income, employment status, education, economic and financial information, reduced earnings, size of income, first language, cultural differences, quality of education and various forms of discrimination are all factors that can affect how the newcomer will rely on credit, and to what degree.

The risk factors are many and varied. It is therefore of the utmost importance to provide tools to newcomers to ensure that they are able to deal with the credit offers that will be made to them in Canada.

Financial institutions' marketing and communication strategies targeting newcomers

The marketing strategies implemented by the lending institutions are ingenious and effective. What they are selling is a special relationship, a relationship of trust. They let newcomers know that they understand their needs. They place their ads in strategic spots: in airports and newcomers' guides. They contact possible customers through immigrant support agencies. Newcomers are solicited from every side, and at the same time are exposed to the advertising aimed at Canadians in general.

While the marketing strategies used by financial institutions obviously seem to work, there are serious problems with access to information and the intelligibility of the message. In practice, the newcomer may understand the promotional message without understanding what the offer actually entails.

Information that consumers may need to make an informed choice is buried inside the ads, obscured by irrelevant additional information. Moreover, much relevant information is relegated to footnotes and is phrased in a language that is inaccessible for the average reader.

Newcomers' understanding of credit offers

Newcomers retain only the sales "pitch," which in many instances is questionable. Several newcomers reported feeling frustrated by the lack of clear information. Many felt that something was being hidden from them. They also remarked that they were unable to understand the notes.

Possible financial literacy solutions

Newcomers told us that what they needed was impartial information. We therefore propose that responsibility for supplying credit information and training for newcomers be assigned to

governments and NPOs. The good news is that several steps have already been made in this direction. It is important that this course of action should continue.

We believe that a rapid, in-person approach is ideal. Newcomers must be contacted when they are ready to learn and have not yet made any decisions on financial matters.

We recognize that French and English language courses offer a very good setting for transmitting the financial information. Moreover, this approach will get through to newcomers who are not proficient in English or French.

Integration seminars are also an avenue to consider. They can target a wide range of newcomers, whether or not they speak French or English.

As for the content, we again stress the topics that are most of interest to newcomers:

- The range of products and how they work
- Information on the credit report and credit score
- The sound credit management to avoid debt
- Vocabulary difficulties
- Available resources

Other solutions to consider

We also thought of a slightly more formal approach, which takes advantage of existing legal provisions. In accordance with federal regulations, all credit application forms and credit card agreement forms should contain an information box. This box must communicate to consumers, in simple language, the most important information about the card they are applying for, such as the credit limit, the interest rate and how this interest will be calculated¹³⁸. Since we found that newcomers receive financial products of this type within the first weeks of their arrival, often unaccompanied by adequate information, this box would also provide an excellent means of contacting them and inviting them to access resources designed for them.

In Quebec, debate should be reopened on *Bill 24 (2011)* the draft legislation aimed at combatting debt overload¹³⁹. This bill, which died on the order paper after the change of government in Quebec, proposed a variety of ways for reducing indebtedness among Quebecers (such as prohibiting institutions from offering a higher sum than the amount requested or implying that credit can improve the financial situation of the consumer)¹⁴⁰. Chief among these means would be incorporating the principle of responsible lending within the law, requiring that

¹³⁸ *The Cost of Borrowing (Banks) Regulations, SOR / 2001-101*, s. 6. Here is an example developed by the Financial Consumer Agency of Canada: <http://www.fcac-acfc.gc.ca/Eng/forIndustry/publications/commissionerGuidance/Pages/Applicat-Formulai.aspx>

¹³⁹ *An Act mainly to combat consumer debt overload and modernize consumer credit rules, Bill No. 24 (2011)*, 39th Parliament, 2nd Session (QC) <http://www.assnat.qc.ca/en/travaux-parlementaires/projets-loi/projet-loi-24-39-2.html>

¹⁴⁰ The bill would have also changed the rules for disclosing information in certain documents (for variable credit as the credit rate), increasing the credit limit, revoking a pre-authorized payment agreement and the liability of a debit card holder in the event of loss, theft or fraud.

the lender take into account the repayment capacity of the consumer and his situation before offering credit, factors that proved to be significant in combatting debt overload, a phenomenon to which newcomers are particularly prone.

A final word

After this study, one word in particular comes to mind: noise. When they arrive, newcomers are met by a barrage of words and information of all kinds. And this is often delivered in a language they have not yet mastered!

Financial institutions try to seduce them with offers they claim are tailor-made for them. There is an enormous amount of information available from government agencies and NPOs to help them settle down.

They get advice from their families.

Who should they listen to? What should they do? They have little time to decide.

How, despite all the noise, can newcomers be helped to better understand credit and make wise choices? These are our suggestions:

Recommendations to immigration departments in Canada:

- **Option consommateurs recommends that immigration departments work in collaboration with NPOs to develop instructional materials to be integrated within French and English language courses in Canada. These materials would cover the Canadian financial system and the concepts of credit and debt (the themes of this study). Option consommateurs, incidentally, has the means to develop such a tool and could work with the Ministry of Consumer Services of Ontario to implement a national program.**
- **Option consommateurs recommends that immigration departments work in collaboration with NPOs to develop educational materials for use in integration seminars for newcomers. Here again, Option consommateurs could help immigration authorities develop this material.**

Recommendation to the Department of Finance Canada:

- **Option consommateurs recommends that the *Cost of Borrowing Regulations (Banks)* be amended so that the required information box on credit card applications contains a statement that invites newcomers to learn about consumer credit in Canada and refers them to impartial resources on the subject.**

Recommendation to the federal and provincial governments:

- **Option consommateurs recommends that all levels of government find inspiration in Quebec's *Bill 24 (2011)* and the principle of responsible lending and adopt standards to help protect consumers across Canada against overindebtedness.**
- **Option consommateurs recommends that standards be adopted requiring that all consumer credit advertising aimed at newcomers contains a statement inviting them to learn about consumer credit in Canada and refers them to impartial resources on the subject.**
- **Option consommateurs recommends that the information on credit provided to newcomers be legible and easy to understand; it should also be translated into languages other than French and English.**

Recommendation to financial institutions and merchants

- **Option consommateurs recommends that all credit-related information provided to newcomers be easy to find, easy to read and easy to understand.**