

Introduction

There have been many changes to government benefits and banking practices announced since the Covid-19 pandemic shutdown began in March. We were curious to see what changes, if any, have been made to regulations regarding access to basic banking services and alternative financial products. The maximum amount of a federal government cheque that must be cashed by a bank has increased. Although some alternative financial institutions (AFIs) have offered voluntary relief, there has been no change to the regulation of these products. This blog post outlines the changes to the rules for cashing government cheques at a bank and voluntary relief programs of the banks and AFIs.

Government Response

A. Cheque Cashing

To help counter the negative economic effects of COVID-19, the federal government introduced the Canada Emergency Response Benefit (CERB) and the Canada Emergency Student Benefit (CESB). The CERB provides up to \$2,000 per 4-week period for Canadians facing financial challenges. Similarly, the CESB provides up to \$2,000 per 4-week period to certain graduating secondary students, post-secondary students and recent post-secondary graduates.

In response to the introduction of these benefits, banks must cash federal government cheques up to a maximum of \$2,000 for any person, including non-customers, provided they meet identification guidelines.¹ Banks may refuse to cash federal government cheques if:

- the bank suspects the cheque is counterfeit or altered
- the cheque has been endorsed or signed by a third party
- the bank has reasonable grounds to believe there has been fraudulent or illegal activity in relation to the cheque

This relief measure only applies to cheques cashed in-person. If a cheque is deposited through a mobile app or ATM, the bank may apply a hold on the funds for up to 5 business days if the cheque is \$1,500 or less, or up to 8 business days if the cheque exceeds \$1,500. Although this

¹ “Cashing a Government of Canada cheque”, online: *Financial Consumer Agency of Canada* <www.canada.ca/en/financial-consumer-agency/services/banking/cashing-government-cheque.html>.

increase to the federal government cheque cashing limits is a temporary measure, the federal government has not indicated an end date.²

This relief measure does not affect other institutions that provide cheque cashing services. These institutions may continue to charge customers a fee to cash federal government cheques. These fees typically include a percentage of the cheque amount and/or a flat-fee per cheque cashed.

B. Provincial Payday Loans & Instalment Loans

No province has amended its payday loans legislation or other legislation regulating high-cost credit products in response to COVID-19. Many provinces recommend contacting creditors to discuss any relief programs available to borrowers.

Voluntary Credit Relief Programs

A. Banks

The six large banks introduced financial relief programs in response to the COVID-19 pandemic. The exact details of each relief program vary between the banks. Some financial relief programs are only available to customers adversely affected by COVID-19. Customers may satisfy this requirement if they are receiving the Canada Emergency Response Benefit or Employment Insurance or can show financial hardship in another manner.

Most of the banks permit customers to defer the minimum payments on their credit cards for 3 months. In addition, some banks will refund customers 50% of the interest charged during the last three months or charge a lower interest rate during the deferral period. Interest continues to accrue during the deferral period and will be charged when the deferral period ends. Similar relief is available for customers of the banks with lines of credit or instalment loans.

B. Payday Lenders & Instalment Loan Lenders

Some payday and instalment loan lenders introduced financial relief programs similar to the banks. The websites of these lenders contain few details about the financial relief programs and often require borrowers to contact the lenders directly for more information. Payday and instalment loan lenders also urge customers that have loan protection insurance to file a claim if they have lost their job as a result of the COVID-19 crisis.

Money Mart

Money Mart states that it “working to support our customers with their financial needs” in response to COVID-19.³ No further information about its relief programs is available and customers are asked to contact Money Mart directly to discuss their options.

² See Henderson, Akrong and Wu, Financial Rules and Regulations Relevant to Low Income Households (Working Draft June 2019), Canadian Financial Diaries Website, pp 9-10.

³ “How Money Mart is Responding to Coronavirus (COVID-19)”, online: *Money Mart* <www.moneymart.ca/covid19>.

Cash Money

Cash Money offers due date extensions for payday loans (4 days), lines of credit (5 days) and instalment loans (7 days).⁴ Customers may contact Cash Money directly to discuss the availability of a longer extension. Cash Money also offers relief for customers who are past-due or may miss upcoming payments as a result of COVID-19. Customers will need to contact Cash Money for further details.

Easyfinancial

In response to COVID-19, easyfinancial customers may take advantage of payment deferrals or extend the term of their instalment loan to reduce their monthly payments.⁵

⁴ “Coronavirus Questions”, online: *Cash Money* <www.cashmoney.ca/faqs/general-questions/>.

⁵ “Customer Assistance Program”, online: *easyfinancial* <www.easyfinancial.com/goeasy-updates/our-customers>.