



November 30, 2023

Subject: Consultation on Cracking Down on Predatory Lending Faster by Further Lowering the Criminal Rate of Interest and Increasing Access to Low-Cost Credit

PREDATORY LENDING AND ECONOMIC ABUSE

WHAT IS ECONOMIC ABUSE

Economic Abuse is a very prevalent but notoriously underestimated form of domestic violence that often has lasting adverse consequences for victim-survivors. In Canada, Economic Abuse is noted as one form of gender-based violence in the National Action Plan (NAP) to end gender-based violence while Financial Abuse is included in the “family violence” definition of Canada’s Divorce Act.

Economic Abuse incorporates a range of behaviours that allow a perpetrator to control someone else’s economic resources or freedoms. It refers to various tactics that limit an individual’s financial autonomy, including but not limited to denying them access to their money, exerting control over their resources, or leveraging intimidation to constrain their economic freedom.

WHY CARE ABOUT ECONOMIC ABUSE WHEN ADDRESSING PREDATORY LENDING

As a direct consequence of Economic Abuse and coerced debt, survivors are often highly indebted, without a regular income and a low credit score. CCFWE's research revealed that **93% of survivor participants in the study had no access to their own money and that their abusers had previously taken their paychecks, financial aid, and other assistance. 84% mentioned that their abuser built debt up under their name.**¹

Built-up coerced debt can hinder survivors from moving past abusive situations. Landlords use credit reports for prescreening, as well as creditors to approve new loans and some employees to apply for jobs.

More and more legislation recognizes the problem of coerced debt. It prohibits creditors from going after debt from abusive relationships or showing coerced debt from survivors on credit reports.² Survivors are able to free themselves from debt accrued by their perpetrators through

¹ Chandrarajan, N, Bedard, T, Thomas, M, Haileyesus, P, Lucente, “Access to economic resources of Economic Abuse victims during COVID-19 in the National Capital Region, Canada”. Canadian Center for Women’s Empowerment. (2021).

² Legislative Assembly of Ontario. "An Act to amend the Consumer Reporting Act and the Prevention of and Remedies for Human Trafficking Act, 2017 with respect to certain debts incurred in relation to human trafficking." Online: <https://www.ola.org/en/legislative-business/bills/parliament-43/session-1/bill-41>; Text - H.R.2332 - 117th Congress (2021-2022): Debt Bondage Repair Act. (2021, June 16). <https://www.congress.gov/bill/117th-congress/house-bill/2332/text>

these measures, but the processes can take a long time to be implemented. Until then, victim-survivors often face challenges accessing traditional financial institutions. **Predatory lending exacerbates victim-survivors vulnerability by offering seemingly accessible but high-cost credit options, trapping them in a cycle of debt and financial dependence.** Furthermore, Economic Abuse survivors from marginalized communities face higher risks. Including Economic Abuse in discussions around predatory lending allows for a more holistic approach to victim support.

CALLS TO ACTION

Tailoring financial solutions to the specific needs of domestic violence survivors requires a collaborative effort from financial institutions, regulatory bodies, and support organizations like the Canadian Center for Women's Empowerment.

Here are some ways that the government can address both predatory lending and Economic Abuse while empowering survivors on their journey to financial independence and security:

- Provide protection from coerced debt in relation to domestic violence, as modelled by Ontario Bill 41 (Protection from Coerced Debts Incurred in Relation to Human Trafficking Act, 2023) so victim survivors are no longer held accountable.
- Tailoring credit products for domestic violence survivors to prioritize low-interest rates, flexible repayments, and minimal fees, addressing their unique financial challenges for a more effective recovery.
- Strict regulations, including interest rate caps and transparent cost disclosure, are essential to protect domestic violence survivors from exploitative fees, ensuring their financial well-being and preventing further harm.
- Enforcing regulations that explicitly prohibit marketing tactics targeting vulnerable domestic violence survivors is critical. Clear advertising, transparent terms, and penalties for deceptive practices are vital to shield survivors from high-cost debt traps.
- Credit lenders must prioritize clear and survivor-friendly communication regarding the costs of their products. This involves easy-to-understand documentation, survivor-centred educational resources, and dedicated support channels to address inquiries and concerns.
- Survivors facing challenges like damaged credit and employment gaps can benefit from financial institutions collaborating with support organizations. Specialized products, alternative credit evaluation criteria, and financial education can address these barriers.
- Governments can support survivors by implementing policies encouraging financial institutions to provide low-cost credit. This could include tax incentives, grants, or partnerships with support organizations to create specialized financial products tailored to survivors' needs.
- Providing trauma-informed financial support, services, and education in languages that reflect the people in Canada.

ECONOMIC ABUSE PREVALENCE IN CANADA

While people from all socioeconomic statuses, backgrounds, and identities can experience Economic Abuse, those from racialized, gender-diverse, and other marginalized communities, as well as low-income and educational backgrounds, are at a higher risk of Economic Abuse.

CCFWE's research study conducted in the Greater Ottawa region with victim-survivors confirmed that more than 95% of victims-survivors of domestic abuse have experienced or are experiencing Economic Abuse:³

- 92% of women have experienced their abusive partner keeping financial information away from them.
- 93% have had their abusive partner make important financial decisions without talking to them at first.
- 94% of women have had their rent or bill money spent by their abusive partner without their permission.
- 84% of victims' abusers have built up debt under their name

ABOUT THE CANADIAN CENTER FOR WOMEN'S EMPOWERMENT

CCFWE is the only Canadian national non-profit organization dedicated to addressing Economic Abuse and injustice through advocacy, education, research, economic empowerment, and policy change. It is based in Ottawa.

CCFWE works collaboratively with organizations and individuals to develop a comprehensive approach that enables domestic violence survivors to recover from Economic Abuse. It also addresses critical policy gaps preventing survivors from recovering and becoming economically secure and independent.

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³ Idem.