

The Underbanked - Canada - February 2016

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“Disruptive start-ups have the potential to poach future generations of banking customers by offering them lower-cost alternatives to conventional services and becoming a trusted alternative. Conversely, this could also lead to alliances with mainstream financial institutions.”
– Sanjay Sharma, Senior Financial Services Analyst

This report looks at the following areas:

- Who are the unbanked?
- Use of alternative financial services providers
- Unbanked and unbanked under-index on product ownership
- Unbanked have fewer financial priorities
- Underbanked have lower amounts of investments but their debt levels are fairly similar to the well-banked

There are some Canadians who do not have a bank account (unbanked) and those who only have a limited range of financial products (underbanked). While the mainstream financial services industry typically caters to those with stronger credit histories, a section of the Canadian population are being increasingly serviced by alternative financial services providers. These consumers usually end up paying higher fees and are under-served by regular banks/credit unions.

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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The population is growing and ethnically diverse
Proportion of highly indebted households continues to rise
IMF downgrades 2017 economic forecast for Canada

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Canada's population is expected to age in the coming years
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The population is growing and ethnically diverse
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Proportion of highly indebted households continues to rise
IMF downgrades 2017 economic forecast for Canada

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Ontario proposing changes to payday loans and debt collection

New financial literacy initiatives rolling out across Canada

Nudging consumers towards better financial habits

Bank of the West partners with University of California (UC) – Berkeley for financial literacy education

Figure 8: UC Berkeley partnership with Bank of the West

Spend more wisely with a prepaid card

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Discover helps customers understand credit and take control

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EQ Bank launches mobile app and announces 3% interest rates

Tangerine announces the launch of secure chat

Mogo and Postmedia announce a strategic collaboration

New mobile bank Koho set to join Canada's FinTech crowd

Chase and Bank of America to roll out ATMs that won't require a card

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Tangerine celebrates hard-working Canadians

EQ Bank launches mobile app and announces 3% interest rates

Mogo and Postmedia announce a strategic collaboration

Tangerine announces the launch of secure chat

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Start-ups focus on alternative models of credit scoring

Credit scoring companies test the use of alternative data to determine "new" credit scores

New mobile bank Koho set to join Canada's FinTech crowd

Chase and Bank of America to roll out ATMs that won't require a card

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Who are the unbanked and reasons for not having a bank account

Use of alternative financial services providers

Unbanked and underbanked have fewer financial priorities

Underbanked have lower amounts of investments but their debt levels are fairly similar to the well-banked

Alternative financial users are less financially sophisticated but more open to new products

Unbanked

Who are the unbanked?

About a third of the unbanked prefer not to disclose reasons for not having a bank account

Figure 12: Unbanked: reasons for not having a bank account, November 2015

Potential solutions for servicing the unbanked

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Unbanked Canadians are less likely to be knowledgeable about their finances

Figure 13: Attitudes related to financial sophistication (% agree), unbanked and underbanked vs well-banked, November 2015

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Unbanked are less inclined to look for the best deals

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Unbanked over-index on ownership of prepaid cards

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Alternative financial users are less financially sophisticated but more open to new products

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Uncomfortable with their debt levels and find it harder to get loans from banks

Lack of financial sophistication tied to higher usage

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Unbanked and underbanked have fewer financial priorities

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Paying off/reducing credit card debt and building an emergency savings account are the top priorities for the underbanked

Paying off credit card balances, contributing to a retirement account and building an emergency savings account are the top priorities for the well-banked

A third of the unbanked are looking to open a new bank account

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Financial Snapshot

Underbanked have lower amounts of investments...

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Figure 22: Amount of household savings/investments, unbanked and underbanked vs well-banked, November 2015

...and their debt levels are fairly similar to the well-banked

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