

John Croft

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Office of the Superintendent of Bankruptcy

Dear Mr. James:

I am writing in response to the latest proposed directive to come from the OSB in relation to the mandatory counselling sessions as part of a consumer proposal or bankruptcy. As a business owner with 6 registered BIA counselors, I see firsthand the commitment and dedication our counsellors have for our clients and the financial literacy portion of these programs. Our clients value the personalized, one-on-one time they have with our counsellors where they have an indepth analysis of their budget and receive individualized advice and counsel. Debtors are given meaningful and customized advice and support to help them achieve financial stability and the opportunity to live within their budget. Our goal is always to educate, support and train our clients so that they are never in this situation again.

As a company 4 Pillars has requested meetings with the OSB on two occasions however we have been repeatedly declined. The reasons, as I understand them, are that the OSB's mandate does not extend to issues of financial literacy. My concern is that the changes proposed to the counselling program will have a direct impact on the social development and financial literacy levels of debtors. If the OSB is going to make changes that directly affect the financial literacy of a debtor, I believe it can be argued that the OSB mandate does extend into this area.

We have seen firsthand the challenges that come with LITs providing counselling to debtors. The LITs statutory duties are to both the creditors and the administration of the BIA and not to the financial rehabilitation of the debtor. This has resulted in counselling that is often done in a group session, via recorded video for 20 minutes. There is little to no care given to each debtor's individual circumstances. We firmly believe that this is

not in the interests of the debtor and does not serve the interests of the creditors or the debtors well. This type of counselling is ineffective and, we would argue, is a direct reason why the reoffender rate increasing significantly.

In 2002 it was estimated the reoffending rate of debtors was 10%. In 2017 that number has risen to an estimated 24%. A failure to directly address the financial literacy and social development of debtors has a direct impact on this number.

This is where we feel that 4 Pillars can add significant value. 4 Pillars has developed its own counselling material based on 15 years of financial literacy experience. We understand how education is delivered best at key teachable moments such as insolvency.

A 2013 Industry Canada Evaluation of Mandatory Counselling Report referenced that increased financial counselling/education was not only beneficial to consumer debtors, but also to the creditors. The report states that, "Helping debtors avoid future financial difficulties can provide benefits to creditors and debtors." In the interviews, creditors stressed that rehabilitating debtors leads to higher profits for their businesses. Specifically, it allows for the provision of additional credit, and it increases the number of clients who qualify for new products (e.g. mortgages).

Creditors interviewed also indicated that lowering the repeat rate in Canada could lead to lower costs to consumers for vendor financing. The benefit for debtors; the direct, tangible benefits of debtor rehabilitation can be their improved finances. There can also be intangible benefits such as reduced stress and better health.

The objective of the 2013 Industry Canada Evaluation of Mandatory Counselling was to inform management decision making, with three specific recommendations:

- 1) The OSB should develop and collect additional performance data to further measure the effectiveness of mandatory counselling and inform whether improvements need to be made.

- 2) To assist in the delivery of mandatory counselling, the OSB should explore ways of facilitating access to products and tools for delivery of the program and for use by qualified counsellors and the debtors.

- 3) The OSB should examine the current model of mandatory counselling to see if options could be provided to better address the needs of the various debtor groups. Once completed, the OSB should consider the resources required to support the updated model.

Our concern is that based on this directive, the proposed changes are being made without the necessary data (point 1), there is no changes to the material or access to financial rehabilitation products (point 2), and it is restricting the debtor from working with third part advisors that over time can provide them access to important

products and tools that will help them rebuild their financial lives. It appears the OSB hasn't sought input or guidance from any third parties that could provide the resources required to support the updated model (point 3).

Before making such drastic and long-lasting changes, we firmly agree that further research must be done. A comprehensive research study needs to be conducted to track the repeat filing rate for those receiving additional support and ongoing financial literacy programs from a third-party advisor versus those that only use the services of a LIT, and their mandatory counselling sessions.

The current estimated repeat offender rate of 24% could be even higher if the personalized and effective counselling sessions organizations such as ours provide were removed from the process and debtors were limited to only working with a LIT. Until this study is complete, it seems premature to make changes to how the counselling is conducted, or any other changes to the BIA, regarding third party advisors.

The changes proposed will drive qualified, dedicated, independent counsellors out of the Insolvency Industry. We have seen firsthand that the financial situation of many LITs will not support the full-time employment of an independent counsellor. This means LITs, by necessity, will resort to having existing in-house staff perform the counselling without any focus, personalization or proper training. We say this because the LITs focus is on the administration of the Act and not financial rehabilitation.

Counselling being completed by a dedicated external counsellor versus a LIT will provide a much stronger counselling program which better meets the education objectives of the counselling directive, and the debtors' rehabilitation and future well-being.

We strongly request that the OSB delay any new directives until such time as a proper assessment of the outcomes of the mandatory counselling sessions can be analyzed. Furthermore, the public policy changes the OSB is recommending will have far-reaching effects that must also be fully considered prior to implementation. To this end, 4P remains committed to supporting the OSB through any evaluation period.

I am passionate about providing honest, careful and personalized support to debtors. The counselling program we have developed has reaped significant results and, in speaking with our clients about this potential change, they are very upset that they may not be able to continue with us. We have many clients who are willing to speak with the OSB to voice their concerns, if you would be open to hearing them.

I believe we can arrive at a solution that is mutually agreeable to both sides and I sincerely hope that the OSB is willing to have an open and thorough consultation process before these changes are made.

Yours Sincerely,

John Croft

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