

Sub: Response to proposed changes to Directive No 1R3

Dear Office of the Superintendent of Bankruptcy (OSB):

Over the last 8 years I have had the privilege to operate 6 (Six) 4Pillars franchises across Northern Alberta and Northern BC. My comments are based on my meeting with thousands of people who have had debt situations and helping them to address their finances.

During the initial 5-6 years, I heard comments from Clients saying that they went to the Trustee for counseling and they were made to watch a video for 30 minutes without any personal interaction. Some of the clients were advised not to take credit cards as they are evil. Counselling takes place at a critical life event and teachable moment. Watching a video can't help them in addressing the core issues which created this debt. To move forward they need to be educated and advised on the responsible use of credit and ultimately will need to have access to credit or they can never re-enter the traditional banking system.

To provide value to our clients, in 2014 we hired independent counsellors who are licensed under the BIA, to provide counselling. This was in addition to the other services we were providing them after the insolvency has been approved. Our clients were provided one on one counseling which was required under the BIA and were educated on the prudent use of consumer credit and budgeting principles so that they can develop successful strategies for achieving financial goals and overcoming financial setbacks. We have low rates of repeat insolvency because of the continuous work we do with the debtors and the trust they have with us. This is a huge investment in our client's well-being and requires significant time and resources. But we are still committed to ensuring the counseling is comprehensive and there is an intangible benefit to the clients when done properly with an advisor they trust, and is with them throughout their journey to financial stability. The LIT's statutory duties are to both the creditors and the administration of the BIA, but not to the financial rehabilitation of the debtor. There have been examples of where the debtor has called the LIT with future financial questions and they have been told that its not their responsibly to assist in future financial decisions, but they can help with any questions regarding the insolvency.

Your hurriedly proposed directive will change the model completely and will be a detriment to the debtor. The people who will lose out the most with these changes are the debtors and the counsellors working outside the LIT's office. With the LIT's offices not having enough counsellors, and the counselling fees do not make it lucrative to hire experienced counsellors, they will resort to

their other staff to learn, and do counselling and will reduce the positive impact the counselling can have when delivered by someone who truly cares. This will create issues in the insolvency industry for which I do not have words to explain how concerned I am about the future changes and how this will impact the consumer.

The experienced Counsellors who are dedicated to only conduct counselling, means they are not biased and can deliver above and beyond what has been asked.

I would like to point out the report titled, 2013 Industry Canada Evaluation of Mandatory counselling report pointed to the following concerns:

- (1) The repeat “offender” rate increased which meant the counselling or the financial education provided was not adequate. It was suggested that OSB should collect more performance data before they make changes
- (2) The report suggested that OSB should explore ways to facilitate access to products and tools for delivery of the counseling program. That meant, that the existing counselling program has not achieved its set goal.
- (3) It was also suggested that OSB should examine the existing counsel model to better address the needs of the various debtor groups.
- (4) The creditors who were interviewed, as an part of the report, also stressed the fact that financial education is key for them also as that would allow funds to be available at lower cost. It was also stressed that in addition to the tangible benefits, which are improved finances of the debtor, there was intangible benefits such as reduced stress, better health ad improved relationships. Suicides have increased in times of financial uncertainty. An article here highlights the issue which is faced by people in Alberta when in financial distress. The requirement of trained and fully committed counselors is must in this type of situation. https://www.vice.com/en_ca/article/kwxk7v/albertas-suicide-rates-are-up-30-percent-amid-oil-patch-crisis

The recent changes suggested by the OSB does not consider the recommendations of the Industry Canada Counselling Report. The new changes have been recommended without the below due diligence.

(1) No new study has been undertaken to find out whether the present system has in fact proved useful in reducing the “reoffender” rate.

(2) In some cases, the new changes are totally opposite to the recommendations made. While the report recommended to look at new ways to deliver quality counselling, the changes proposed seems to suggest the counselling being more monopolized, which could mean a reduced delivery of service and hence the debtor does not learn from past mistakes.

(3) No new counselling material has been introduced to address the needs of the various debtor groups.

It appears the OSB has totally overlooked the Industry Canada report and is now working on its own agenda. It also appears that the OSB has not sought any opinion or input from parties that could provide valuable advice on the basis of the work they have done in Financial literacy.

The BIA has to evolve as per the needs of the time and it needs third party involvement in areas of Counselling and Financial Literacy which are not the specialty of the LIT's as well as the OSB. The more we restrict consumers from choice and make it monopolized, the more the repeat filing rate will increase.

My suggestion is that the OSB allow more time for the deliberations to happen on this proposed directive. It is also suggested that a thorough study of the present practices and outcomes be done before any changes are proposed.

Regards

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