

# FAIR Canada Calls for COVID-19 Relief for Vulnerable Subscribers of Group RESP Plans

FAIR

Canadian Foundation for  
Advancement of Investor Rights  
Fondation canadienne pour l'avancement  
des droits des investisseurs

TORONTO, Apr. 23, 2020 (GLOBE NEWSWIRE) --

FAIR Canada has [appealed](#) to the Ontario Securities Commission (OSC) and the Canadian Securities Administrators (CSA) to provide urgent relief to subscribers of group plan RESPs, and to provide industry guidance in relation to suitability for new group plan RESP subscribers.

In light of the COVID-19 health and economic crisis, FAIR Canada asks that the OSC and CSA impose a waiver or moratorium on default terms, cancellation terms, as well as penalties and forfeitures arising from missed contributions and account changes for group plan RESP subscribers.

FAIR Canada additionally calls on the OSC and CSA to issue group plan RESP industry guidance regarding the assessment of suitability with respect to new sales and subscription activity that considers the current environment. Because of COVID-19, today's extraordinary environment sees low income Canadians relying on transitory government income assistance, experiencing highly variable incomes and expenses and enduring uncertain employment and financial circumstances resulting in a more uncertain path to post-secondary education for children and family members. As colleges and universities have closed their campus doors and moved classes online, and as businesses shutter and job losses mount, several of the key criteria for suitability assessments for group plan RESPs, including income, ongoing contribution affordability and education plans, have become more uncertain and higher risk.

Group plan RESP products have been likened to "tontines" - the 17<sup>th</sup> century investment hybrid annuity and lottery investment vehicle, with attrition based on death and payouts that went to survivor subscribers. Terms of group plan RESPs can be costly and punitive for subscribers who cannot afford to continue to comply with a prescribed contribution schedule or to do so always on time. Subscribers risk default, plan cancellation and the associated potential loss and forfeiture of sales charges, earnings on investments and/or account funds. Interest may also be charged.

Canadians and particularly low and middle-income Canadians are in financial crisis. They should be afforded relief during these extraordinary circumstances from potentially costly and punitive terms that could otherwise deepen their financial hardships.

Group plan RESP promoters and managers are scholarship plan dealer and investment fund manager registrants, variously registered with CSA members. The risks and complexities of group plan RESPs are significant for subscribers. Because their payout structure is based partially on subscriber attrition, attention must be particularly paid to these registrants and their customers during periods of broad financial distress.

We are asking that the OSC and CSA take this opportunity to exercise its mandate in investor protection by turning its attention to the most vulnerable Canadians with respect to highly complex and risky financial products and sales practices.

Consumer advocate and not-for-profit supporters of FAIR Canada's recommendations contained in its April 21 letter to the OSC and CSA include:

[Kenmar Associates](#) (Ken Kivenko),  
[Momentum](#),  
[CFA Societies Canada](#),  
[Omega Foundation](#)  
[Community Financial Counselling Services](#).

**Note:** FAIR Canada's policy submissions with respect to group plan RESPs include:

1. FAIR Canada letter to the OSC and CSA of April 21, 2020
2. FAIR Canada Submission to the CSA of July 7, 2010
3. FAIR Canada Submission to the CSA of January 24, 2012

Further reading can be found in Toronto Star [reporting](#) and this Seed Winnipeg [research report](#).

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**About FAIR Canada:** FAIR Canada is an independent national charitable organization. The mission of FAIR Canada is to be a catalyst for enhancing the rights of Canadian shareholders and individual investors including being a national voice for investors and financial consumers in securities regulation. FAIR Canada provides information and education to the public, governments and regulators about investors' and financial consumers' rights and protections in Canada's capital markets.

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