



Credit counselling and debt settlement services

Credit counselling and debt settlement companies can help you get out of debt. This booklet explains the services they provide, the rules they must follow, and your legal rights when you use them.

What are not-for-profit credit counselling agencies?

Credit counsellors at **not-for-profit** agencies can help you make a payment plan. The plan will help you manage your bills so you can repay everyone you owe. This can improve your credit record.

Credit counsellors also try to help you avoid getting into debt again. They help you learn how to:

- manage your money
- make financial decisions
- make a budget and stay within it

To find a not-for-profit credit counselling service near you, contact one of their national organizations. You can contact Canadian Association of Credit Counselling Services at **1-888-746-3328** or [financialfitness.ca](https://www.financialfitness.ca). You can also contact Credit Counselling Canada at **1-866-398-5999** or [creditcounsellingcanada.ca](https://www.creditcounsellingcanada.ca).

How do credit counsellors work?

A credit counsellor will review your bills and your budget. They help you choose which of your past due bills are most urgent. They help you figure out how much you can put toward repaying what you owe each month and still have enough to live on.

The credit counsellor contacts your creditors to let them know you are working with them to come up with a debt repayment plan. Sometimes credit counsellors can get creditors to agree to accept less money as full payment of their bills or to lower their interest rate.

If you choose to pay your creditors with an instalment plan, you pay a set amount of money every month to your credit counselling service. The credit counsellor uses that money to pay your creditors what they have agreed to accept until the bill is paid. Once your plan is in place, your credit counsellor will talk to your creditors to let them know you have a debt repayment plan. This might stop your creditors from contacting you.

Non-profit credit counsellors usually charge a fee for their services, but they do not make a profit from you.

What are debt settlement companies?

Debt settlement companies can give you the same services as a non-profit credit counsellor. But they are **for-profit** businesses. This means they make a profit from helping you. In Ontario, they must be registered with the provincial government.

Debt settlement companies offer debt management planning and sometimes financial counselling. They may also act as collection agencies for creditors.

How do debt settlement companies work?

Debt settlement companies will ask you for all your bills. You then agree to pay a certain amount into a debt repayment account every month.

Debt settlement companies often focus on paying one bill at a time. They pay a bill only when there is enough money in your debt repayment account. Then they wait again until there is enough in the account to pay the next bill. They do not always ask you which bill you think should be repaid first.

Debt settlement companies might not contact all your creditors to let them know you are trying to pay your debts. These creditors might keep contacting you or hire collection agencies to collect what you owe them.

How much can these services charge me?

In Ontario, there are rules that credit counsellors and debt settlement companies must follow. They can only help you repay your debts in 2 ways. They can offer each of your creditors:

- an instalment plan to pay off the whole amount, or
- a single payment plan to settle the bill at a reduced amount.

The law also says what fees they can charge you for their services.

Instalment plans

The credit counsellor or debt settlement company can charge you a one-time fee of \$50 for setting up a repayment plan for each creditor. They can also charge up to **15%** of each payment they make to your creditors.

Single payment plans

The credit counsellor or debt settlement company cannot charge you more than **10%** of the original amount of each debt they settle this way.

They are not entitled to their fee until the payment has been made to the creditor. Your debt settlement agreement must tell you how much the counsellor or company is charging for each payment.

What are credit counsellors and debt settlement companies not allowed to do?

Credit counsellors and debt settlement companies are not allowed to:

- say they are a charitable or not-for-profit organization if they are not
- claim that their programs are approved by the government if they are not
- promise results that are better than what they actually got for other clients within the last year
- promise results that are not in their control, for example, promising they can stop a creditor from trying to collect a debt

What are credit counsellors or debt settlement companies required to do?

If you make an agreement with a credit counsellor or debt settlement company, they must:

- give you a copy of any debt settlement agreement when you sign it
- tell you in the agreement how their organization is funded (for example, by charging fees to clients or through charitable donations)

- contact your creditors within 15 days after you give them permission to negotiate your debt
- tell you within 15 days if a creditor refuses to negotiate a payment schedule or a one-time payment

What must a debt settlement agreement include?

Debt settlement agreements must include your name, address, and phone number. They must also include:

- the credit counsellor or debt settlement company's name, address, phone number, fax numbers, email address, and website
- their Ontario registration number if they are a debt settlement company
- whether they expect to get a fee from your creditors in exchange for getting you to enter into the agreement
- a detailed list of all services they will provide

The agreement must show the date the agreement was made, and its end date. The end date must not be more than 18 months after the latest of:

- the date you make the agreement
- the last day you make a payment under the agreement
- the last day the credit counsellor or debt settlement company settles a debt under the agreement

The agreement must have information about all the debts covered in the agreement. For example, it must include each creditor's name, the total amount you owe each creditor, and the interest rate each creditor is charging you.

Finally, the agreement must say whether they will offer your creditors an instalment plan or a single payment plan.

Make sure you understand your agreement before you sign it. It is also a good idea to talk to your creditors to make sure they accept your repayment plan.

What if I change my mind after entering a debt settlement agreement?

When you sign a debt settlement agreement, you can cancel it in the first **10 days after you get a written copy**. You can cancel it for any reason — even if you simply change your mind.

If the agreement does not follow the law or if you did not get a written copy of it, you have the right to cancel the agreement any time within **one year after you sign it**.

What happens if I cancel the agreement?

If you have the right to cancel the agreement, you can demand a refund of all fees you paid. You must send the credit counsellor or debt settlement company written notice that you want a refund.

If they do not refund your fees, you can sue them in court to get your money back. You can also sue them to get back any money they have not yet paid to your creditors.

If you have already made a repayment plan with a creditor, you still have to make the payments to that creditor.

What can I do if I have a problem with a debt settlement company or credit counsellor?

You can file a complaint with the Ministry of Public and Business Service Delivery.

There is a complaint form on the Ministry website at [ontario.ca/page/consumer-protection-ontario](https://www.ontario.ca/page/consumer-protection-ontario) or call **1-800-889-9768**. If the Ministry agrees with your complaint, it

can order the agency to follow the rules, refund your money, or pay you compensation.

For more information and help

Consumer Protection Ontario can give you more information about your rights or help you make a complaint. Visit [ontario.ca/page/consumer-protection-ontario](https://www.ontario.ca/page/consumer-protection-ontario) or call **1-800-889-9768**.

Pro Bono Ontario's legal advice helpline can give you up to 30 minutes of free legal advice. Call **1-855-255-7256**.

Some community legal clinics also help with consumer law issues like problems with debt settlement services. To find your local clinic, visit [legalaid.on.ca/legal-clinics](https://www.legalaid.on.ca/legal-clinics) or call **1-800-668-8258**.



Visit **stepstojustice.ca** for more information about consumer problems. This is general information for people in Ontario, Canada. It is not intended to be used as legal advice.

Vous pourriez avoir droit à des services en français devant les tribunaux ou auprès d'organismes gouvernementaux. Visitez **justicepasapas.ca/droits-linguistiques-des-francophones**.