

# Financial Services Co-operatives



## Introduction

Financial co-ops (generally called credit unions) are provincially-regulated, deposit-taking and loan-granting financial institutions. They are member owned, are only permitted to conduct business with their members and they operate on co-op principles. *Caisses populaires* are credit unions which conduct their business principally in French. In Ontario, credit unions form the second largest co-op sector (by number of organizations) after housing.

There are other types of co-operatives that operate in the financial sector. These co-ops offer insurance and investment services, either directly to members or to other co-ops operating in Ontario (or Canada).

Meridian Credit Union, Alterna Savings and FirstOntario Credit Union are some of the larger credit unions operating in communities throughout Ontario, while The Co-operators is a financial services and insurance co-operative operating across Canada. Other credit unions are smaller, such as Ottawa Women's Credit Union, and serve niche markets that may be neglected in larger institutions.

Co-ops in Ontario are governed by the *Co-operative Corporations Act*; however, credit unions and *caisses populaires* are subject to different legislation. They are incorporated and regulated under Ontario's *Credit Unions and Caisses Populaires Act (1994)*.

## The Difference between Credit Unions and Banks

Many credit unions in Ontario offer all of the products and services banks do, but there are still key differences. For example, customers of the credit union are also the member-owners of the credit union. When joining the credit union, members must purchase a "share" in the organization (making them "owners"), which is returned if they close their accounts.

These members elect their volunteer board of directors (which come from within the membership itself) in a democratic one-person-one-vote system regardless of the amount of money invested in the credit union. The credit union's primary purpose is to serve the interests of its members, and as such, any profit or surplus the credit union generates is returned to members in

patronage, dividends, or is reinvested into the credit union and its services.

Decisions are made locally — no Ontario credit union has a head office located outside of the province. Credit unions are mandated by law to follow the co-op principles and adhere to the triple bottom line (social, environmental and economic goals). Community involvement for credit unions is the norm and an expectation.

Banks, in comparison, are owned by shareholders who are primarily interested in maximizing profits and may not use the banks' services at all. The shareholders' monetary contribution directly determines their decision-making power. It is the shareholders, not the consumers of the bank's services, who are eligible to vote at meetings, elect the board of directors or run for directorship.

Banks are regulated federally and have a branch structure that stretches across the country. Credit unions, in contrast, are provincially regulated and must utilize ATMs and networks such as The Exchange to allow their members to access basic banking services at another credit union.

## Resources

### Credit Unions of Ontario [creditunionsofontario.com](http://creditunionsofontario.com)

A comprehensive, user-friendly database of Ontario Credit Unions and surcharge free ATMs. This resource also includes a list of available services, guidebooks for moving your finances and other informative articles regarding Credit Unions in Ontario.

### Central 1 Credit Union [central1.com](http://central1.com)

The primary liquidity manager, payments processor and trade association for member Credit Unions in Ontario and B.C.

### Canadian Credit Union Association [ccua.com](http://ccua.com)

The national trade association for the Canadian credit union system.

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Credit unions have also historically marketed themselves as providing superior member service. Surveys of both bank and credit union customers have supported this claim by consistently showing a significantly higher customer satisfaction rate with the quality of service at credit unions.

In light of the global recession, financial co-operatives have also proven to be more resilient than other banks (according to a report published by the International Labour Organization). Credit unions didn't face a drop in the economic crisis of 2008 — in fact, they kept on growing slowly, regularly, but not dramatically. The report also explains that financial co-operatives help to prevent the danger of monopolistic supply by moneylenders, correcting market failure.

Despite all these differences, many of the products and services at credit unions and banks are very similar. Such as:

- savings accounts;
- chequing accounts;
- term deposits;
- financial transactions at branches, through ATMs, or online banking;
- issuing of credit cards and debit cards, including processing transactions and billing;

- issuing of cheque books, certified cheques and other forms of payment deliverable by post;
- provision of personal loans, commercial loans and mortgage loans;
- provision of overdraft agreements and charge card advances; and
- access to insurance products and mutual funds, among others.

It is also worth noting that eligible accounts in credit unions and caisses populaires are covered by deposit insurance, just as they would be in a bank. Many credit unions have embraced technology and offer smart phone apps, tablet apps and other modern options as well.

### Co-operative and Mutual Insurance Companies

There are other types of co-ops in the financial services sector as well, such as co-operative and mutual insurance companies. These co-ops provide all the products and services other insurance companies do, including home, auto, life, health, group benefits, travel, commercial and farm insurance, and investment products. The major difference between corporate and co-operative insurance companies is their structure. Co-ops are 100% democratically owned and run by

their members and are accountable to a triple bottom line (people, planet, profit) — corporations are not.

The most well-known examples of an insurance co-operative in Ontario is The Co-operators, which have been in business for over 65 years and have over a million clients across the country. The Co-operators was built by farmers to take care of themselves and their communities when traditional insurers were not meeting their needs. The goal of co-operative insurance was to work with policyholders to keep them insured in good times and bad. Many Canadian co-operative and mutual insurance companies have roots in rural communities and the agricultural sector, and today, many mutual insurance companies in Canada remain focused on insuring farm operations.

According to the International Co-operative and Mutual Insurance Federation, co-operative and mutual insurers' market share in Canada is increasing steadily. Between 2007 and 2011, their market share increased from 16.3% to 19.5% [ICMIF, *Market Insights Canada 2011*, 2013].

### FOR MORE INFORMATION, CONTACT

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**More resources are available at:**  
CoopZone Network  
[coopzone.coop](http://coopzone.coop)

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