COLLECTIONS HARMONIZATION

A new legislative approach for a unified Canada

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Despite Canada's considerable economic strengths, declining productivity relative to peer nations and limited competition within key sectors continue to constrain economic performance, vulnerabilities made all the more apparent by recent geopolitical shifts. Productivity, defined as GDP per hour worked, has deteriorated relative to other G7 nations since the turn of the century and has shown no meaningful signs of recovery. Investment gaps and regulatory burden are consistently cited as primary drivers of this decline. Critically, the productivity gap is not confined to a handful of sectors; it is a systemic issue spanning nearly all areas of the Canadian economy. Recent research by McKinsey & Company corroborates this, demonstrating that all but a select few Canadian industries are falling further behind their U.S. counterparts [1].

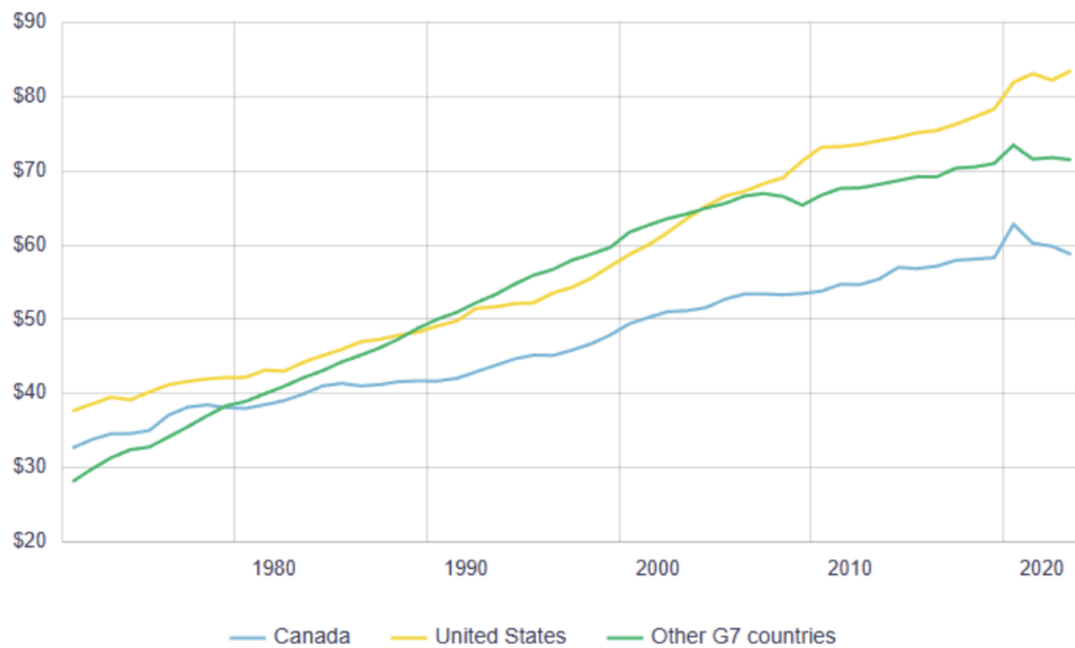

Figure 1: Real GDP per hour worked, constant 2020 US dollars at purchasing power parity, annual data [2]

In a speech delivered last November [3], External Deputy Governor Nicolas Vincent identified three principal pathways to reversing Canada's productivity trajectory:

- Encourage businesses to invest more by simplifying rules, upgrading our infrastructure, and implementing policies that help small companies expand.

- Foster healthy competition in sectors that support the broader economy such as telecommunications, transportation and financial services. This will boost efficiency and innovation and lead to better prices.
- Invest in the workforce. Support education, training and recognition of credentials across provinces and territories and from abroad.

This report examines a concrete opportunity within Canada's debt collection industry to advance each of these objectives, and in doing so, to strengthen productivity and competitive dynamics within a critical component of the Canadian financial ecosystem.

The Debt Collections Landscape: An Industry in Transition

"households' dependence on debt financing remains the biggest domestic risk"

Mark Carney, 2012

More than a decade has passed since Mark Carney issued that warning [4], and while the economic landscape has evolved considerably, the weight of household debt on the Canadian economy remains substantial. Canadian household debt reached $2.6 trillion in the fourth quarter of 2025 [5]. Although the credit industry experienced a period of relative stabilization in 2025, recent signals point to a renewed rise in delinquencies, a trend exacerbated by ongoing geopolitical and affordability pressures [6].

Notwithstanding these headwinds, the credit industry stands on the cusp of renewed growth, driven by meaningful advances in artificial intelligence and the progressive implementation of the Consumer-Driven Banking Act. Central to enabling this growth is Canada's debt collection industry, a critical, if often overlooked, component of the credit lifecycle. A disciplined, efficient, and consumer-oriented collections process serves multiple vital functions: it limits charge-offs, enables creditors to offer lower interest rates, and ensures that consumers experiencing financial hardship receive appropriate guidance and are directed to the tools necessary to restore their financial health and re-enter the credit cycle.

Market Overview

$2.6T	8-10K	$950M
TOTAL CONSUMER DEBT	CANADIANS EMPLOYED	MARKET SIZE

The scale of the collections industry reflects the breadth of its social and economic function. Whilst total figures for consumers serviced by the debt collection industry are hard to acquire, as of Q3 last year ~1.45 million Canadians had missed a credit payment, at least 100-200K of whom one could expect to move onto later stage collections where debt collection agencies are typically engaged [7]. Given ongoing affordability pressures and rising debt levels, these figures are expected to grow. It is roughly estimated that anywhere between 2-8% of the Canadian population have interacted with a collection agency over their lifetime.

Serving this population is an industry comprising approximately 300 agencies of varying sizes and specializations, operating across Canada with a total workforce estimated at 8,000 to 10,000[8]. The industry's estimated market size stands at $950 million to $1 billion as of 2025 [8], with projected growth driven by advances in the credit sector and Canada's expanding population.

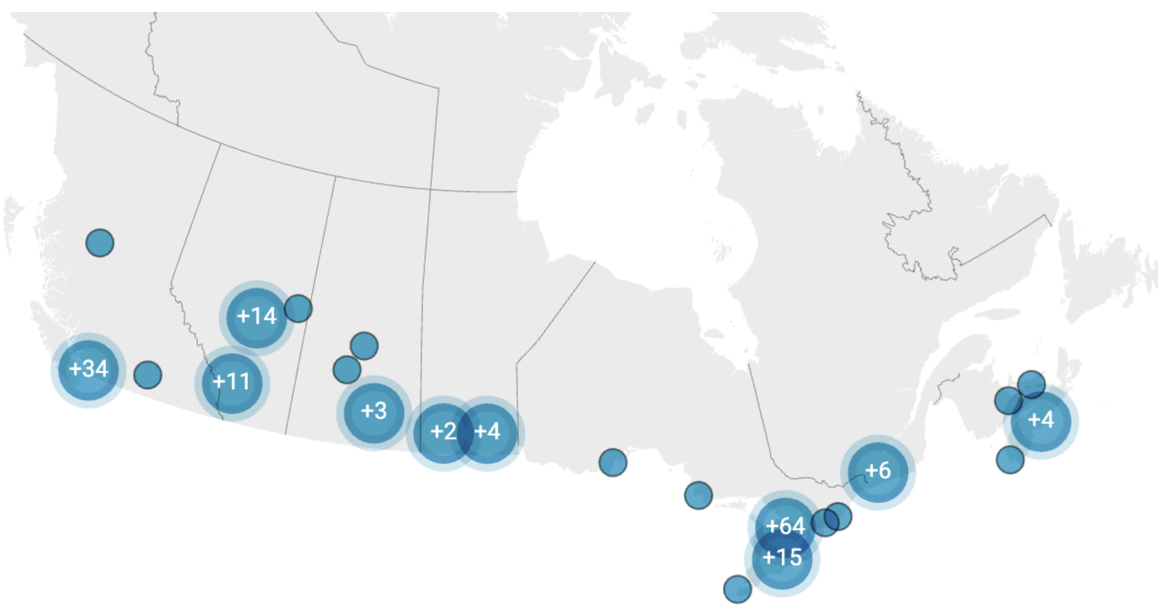

Figure 2: Collection agencies across Canada [9]

Collections Legislation: An Opportunity for Reform

Despite its critical role in the financial ecosystem, the debt collection industry is hampered by a slower pace of innovation, driven in large part by limited competition and significant regulatory friction. Operating a collection agency in Canada requires navigating a patchwork of provincial and territorial legislation; thirteen distinct regulatory regimes that share common intent but differ sufficiently in their specifics to create material complexity in compliance, workforce management, and systems architecture.

Canada's debt collection licensing model is characterized by a fragmented, decentralized structure rooted in the country's constitutional framework. Under *Section 92(13) of the Constitution Act, 1867*, provinces hold exclusive jurisdiction over "Property and Civil Rights," placing the regulation of debt collection and consumer protection firmly within provincial and territorial authority [10].

The Core Principles

- Provincial Jurisdiction: Each of Canada's thirteen provinces and territories maintains its own legislation, regulatory body, and registry for debt collection agencies, reflecting the constitutional allocation of authority over property and civil rights.
- The "Debtor-Follows-Law" Rule: Licensing requirements are determined by the location of the debtor, not the collecting agency. A firm headquartered in British Columbia that is collecting a debt from a resident of Saskatchewan must hold a valid Saskatchewan collection agency license.
- No National "Passport": An agency operating nationally across all thirteen jurisdictions must secure and maintain thirteen separate licenses, file thirteen annual reports, and adhere to thirteen distinct regulatory frameworks.

The result is a legislative environment that generates significant administrative costs, impedes technological innovation, and presents a formidable barrier to entry for agencies seeking to operate at a national scale. This report examines the consequences of this fragmentation in depth and makes the case for a more streamlined, unified legislative approach, one that serves the interests of both consumers and industry.

Provincial Licensing: An Administrative Labyrinth

Administrative and Licensing Costs

Each province approaches the licensing of individual agents differently, some requiring registration some not, most requiring payment but of varying amounts, differing expiry dates and renewal terms etc. The impact is not just limited to the licensing costs themselves, but the administrative burden placed on HR professionals within collection agencies. As per the aforementioned Debtor-Follows-Law, a collection agent based in Ontario wishing to call debtors in Saskatchewan must hold a license in Saskatchewan. In fact, due to the national reach of many of the larger collection agencies, and the clients they serve, it is not uncommon for collection agents to hold multiple licenses across many of Canada's provinces and territories.

Differing Processes

To illustrate the degree of variation, consider the comparison between the licensing procedure in British Columbia vs Manitoba:

British Columbia Application Process

- Collector must first go to the consumer protection BC website and complete the debt collector exam
- Once completed they need to print the certificate and proctor verification as proof they have assed
- The collector must then complete a criminal record check with the results being forwarded directly to the Consumer Protection department
- The Collector or HR professional then will need to fill out the application form with the following information:
  - Full Legal Name, date of birth, and address of the Collector
  - Any prior bankruptcies or convictions
  - Previous regulatory or licensing issues
  - Previous collector licesning
  - Special qualifications regarding credit and collection work
- The completed and signed form must be delivered with the exam certificate and proctor verification either via email or direct mail
- A $340 payment must then be completed via the online portal or via cheque/money order
- Processing may take up to 4 weeks

Manitoba Application Process

- Collector or HR professional must download and print the application form
- The following information must entered on the form:
  - Applying collection agency name
  - Full Legal Name, date of birth, and address of the Collector
  - Any prior bankruptcies or convictions
  - Previous regulatory or licensing issues
  - Special qualifications regarding credit and collection work
- A $75 payment must then be completed via the online portal or via cheque/money order
- The full form completion takes approximately 20 - 25 minutes
- The printed application form must then be mailed to the Consumer Protection Office in Winnipeg
- Processing can take up to 30 days

Figure 3, 4: Summarized debt collector licensing processes for B.C. and Manitoba [11], [12] As can be seen, the licensing processes for British Columbia and Manitoba differ materially in their procedural requirements, documentation standards, timelines, and associated fees. This disparity is representative of the broader provincial landscape and requires agencies to devote dedicated human resources, often one to two full-time HR professionals, solely to managing agent licensing administration.

Estimating the Cost

$4.3M

ANNUAL COST OF LICENSE MANAGEMENT

Drawing on available data from provincial annual reports, the estimated number of licenses issued annually across all jurisdictions is approximately 26,000 [13]. For an industry workforce of 8,000 to 10,000, of whom at least 10% are in non-agent roles, this implies that each active collection agent holds an average of three to four licenses. The annual direct cost of licensing across the industry is estimated at approximately $1.8 million. When the cost of agent time spent on applications (approximately $1.5 million) and HR administration covering database management, licensing coordination, and compliance tracking (approximately $750,000 to $1 million) are added, the industry's total licensing and administration expenditure is estimated at $4 million to $4.5 million annually. This figure excludes the downstream costs of integrating licensing data into CRM and dialer systems, as well as the hiring and onboarding delays discussed in the following section.

Hiring and Onboarding Delays

As noted in the licensing discussion, several provinces, including British Columbia and Quebec, require agents to pass an examination as a condition of licensing, independent of other registration requirements [14]. More broadly, agents operating nationally must demonstrate familiarity with the compliance rules applicable in each jurisdiction they service, as they are responsible for applying those rules during interactions with consumers. This requirement meaningfully extends training timelines before agents can be placed into production.

The collections industry already operates with high attrition rates, given the demanding nature of the role. Many individuals leave within the first month, making training efficiency a critical operational consideration. Extended training timelines create friction for new product launches and complicate the agency response to delinquency spikes, further straining recruitment and onboarding processes that are already resource-intensive.

A harmonized national licensing framework could meaningfully reduce this training burden by eliminating jurisdiction-specific requirements that are duplicative in nature. For reference, industry estimates and compliance consultants frequently cite a 30-40% reduction in administrative 'touch time' for participating states in the U.S. who transitioned to a national licensing model for debt collectors, primarily due to the elimination of redundant data entry and manual documentation mailings. Applying a conservative version of this efficiency gain to the Canadian context, using Alberta's quoted processing benchmark of seven days [16], suggests a potential saving of approximately two days in onboarding time per agent. This translates to an estimated $1.8 million to $2.2 million in additional recoveries annually by accelerating the time-to-production for new agents.

Treatment Inhomogeneity by Province

Many collection agencies make pragmatic decisions about which provincial portfolios to service based on cost-benefit considerations. In the absence of a client mandate to service all jurisdictions, agencies may elect not to license agents for certain provinces, particularly smaller ones, in order to manage licensing expenditure. The consequence is that consumers in smaller provinces such as Yukon, Nunavut, or even New Brunswick receive fewer or no collection interactions. This has a negative impact on recovery rates for credit issuers and creates a feedback loop that disadvantages consumers in these provinces with respect to their creditworthiness.

Province	Credit Score
British Columbia	694
Ontario	686
Quebec	678
Alberta	658
Manitoba	661
Saskatchewan	658
Nova Scotia	664
New Brunswick	649

Figure 5: Credit score disparity across Canada's provinces [17]

Provincial credit score data confirms that credit profiles are not uniform across Canada. While macroeconomic factors are the primary driver of this disparity, differential treatment by collection agencies compounds these differences rather than mitigating them. This dynamic is further amplified by legislative opacity at the provincial level: for example, unclear rules governing the use of email and SMS in certain jurisdictions have led agencies to default to more conservative treatment strategies. Should provinces adopt divergent approaches to Open Banking implementation or delay adoption altogether, the resulting inconsistency in collections practices could deepen the existing credit score disparity across jurisdictions.

Capital Inefficiency

In a fragmented regulatory environment, capital is not merely spent, it is immobilized. For small and medium-sized enterprises (SMEs), this dynamic creates a form of liquidity constraint that limits the very investments in cybersecurity, technology, and service capacity that regulators seek to encourage.

The Surety Bond Multiplier

Most provinces require collection agencies to post a surety bond as a consumer and creditor protection mechanism. While the underlying policy intent is sound, the multi-provincial execution results in significant redundancy.

- The "Double-Bonding" Problem: A firm operating across ten provinces must typically maintain ten separate surety bonds. Even where the firm's aggregate national risk profile is stable, it incurs premiums and collateral obligations for ten distinct legal instruments.
- Collateral Drag: Surety providers commonly require cash collateral or letters of credit representing 10% to 100% of the bond value. A firm with $500,000 in total bonding requirements across Canada may have as much as $250,000 in cash immobilized in restricted accounts solely to satisfy provincial regulatory requirements.

Segregated Trust Account Inefficiency

Provincial legislation typically requires that funds collected from residents of a given province be held in a trust account at a financial institution physically located or registered within that province. A national agency is consequently required to manage thirteen separate bank accounts, each with its own reconciliation process, monthly statements, and audit trail for provincial inspection purposes. By distributing collected funds across thirteen micro-accounts rather than a single national trust pool, firms forfeit efficient cash flow management. Smaller balances in fragmented accounts typically attract higher banking fees and generate no interest income to offset administrative overhead.

Impact on SME Scalability

For a regional collection or consulting firm employing fifteen staff, the capital requirements of geographic expansion constitute a significant structural barrier, one that extends well beyond the cost of hiring.

- Entry Barriers: Transitioning from a single-province operator (for example, Ontario-only) to a national firm may require locking up an additional $100,000 to $150,000 in bonding collateral and licensing fees before generating a single dollar of revenue in a new jurisdiction.
- Innovation Stagnation: Capital immobilized in regulatory compliance requirements is capital unavailable for investment in secure technology infrastructure, service quality improvements, or consumer-facing innovation.

Taxpayer Costs and the Case for Efficiency

Duplication of Regulatory Infrastructure

The primary objective of this report is to highlight the productivity gains and competitive benefits that regulatory harmonization would deliver. However, the associated cost to taxpayers also warrants consideration. Under the current model, licensing administration and regulatory oversight are conducted separately by each provincial and territorial government, resulting in the effective duplication of services and functions across thirteen jurisdictions. This means thirteen separate agency and agent databases, thirteen web portals, thirteen payment processors, thirteen sets of financial statements, thirteen intake offices, and thirteen sets of administrative, investigative, and oversight functions, each with its own staffing, overhead, and infrastructure requirements. This duplication extends to consumer outreach programs, compliance investigations, and the ongoing maintenance of thirteen distinct bodies of provincial regulation.

Existing Precedent

The harmonization of Canada's sales tax system provides a relevant precedent. When Ontario joined the Harmonized Sales Tax (HST) framework, the elimination of duplicative provincial tax administration generated material savings in government overhead and administrative expenditure for businesses, savings that benefited the province, its taxpayers, and businesses alike [20]. While precise estimates from provincial annual reports are difficult to compile, consolidation of agency and agent registration into a single shared national registry and a unified licensing portal could reasonably be expected to generate multi-million dollar savings in annual administrative overhead across participating jurisdictions.

13 collection laws: The cost of fragmentation

Impact on Technology Adoption

Technical Entrenchment

The current regulatory environment functions as a structural anchor on technological modernization, compelling agencies to prioritize rigid compliance architecture over innovation. The need to configure systems to accommodate thirteen distinct sets of provincial rules creates a customization trap from which it is difficult to escape. Every new dialer campaign, digital communication strategy, or client-service system must be configured to reflect jurisdiction-specific rules: applicable calling hours, contact frequency restrictions, place-of-employment calling rules, and agent licensing restrictions, among others.

A medium-to-large collection agency may operate between 50 and 300 dialer campaigns simultaneously to service its client portfolio. Each campaign must be precisely configured to ensure compliance across all applicable jurisdictions, for example, Alberta's 3x7 contact frequency rule, differing permissible call windows, and varying restrictions on employer contact. Each agent profile within the dialer must also reflect current licensing status to prevent routing of calls from jurisdictions in which the agent is not authorized to collect.

This level of necessary but burdensome customization drives a cycle of technical entrenchment. Regulatory requirements become hardcoded into legacy systems, and the motivation and resources needed to migrate to more modern platforms are consistently undermined by the compliance complexity that migration would entail. As a result, many of Canada's major collection agencies continue to operate on systems that are decades old. This is consistent with findings from a 2020 OECD survey of SMEs, in which "difficulty integrating new technologies with existing systems, standards, and processes" ranked among the top cited barriers to technology adoption [21], a challenge that is particularly acute in highly regulated industries such as debt collection.

Opacity and the Impact on Tooling

A persistent obstacle to technology adoption is the lack of clear regulatory guidance regarding emerging tools and communication channels. A prominent example arose with the introduction of Automated Dialing-Announcing Devices (ADADs) in the late 2000s [22]. In response to consumer advocacy, the CRTC introduced legislation in 2011 requiring ADADs to disclose the business identity and nature of the call at the outset. This requirement conflicted with provincial legislation prohibiting the disclosure of a debtor's collection status prior to the completion of Right Party Confirmation (RPC). The resulting regulatory ambiguity prompted protracted exchanges between collection agency compliance teams and provincial regulators. While interim workarounds were eventually identified, most creditors prohibited ADAD usage entirely to avoid potential regulatory exposure. Agencies that had invested in ADAD infrastructure received no return on that investment, and the technology remains underdeployed to this day.

A more consequential example is the slow adoption of SMS and email as collection communication channels. While jurisdictions around the world are actively embracing digital communication strategies in the collections context, Canadian agencies continue to be constrained by unclear provincial guidance, leading most creditors to prohibit these channels. The contrast with international practice is stark. As an illustration, Saskatchewan's *Collection Agents Act* makes no reference to email or text messaging as permissible communication methods, citing only telephone calls and telegrams.

RSS 1978, c C-15, s 28.

Unlawful practices

29(1) No collection agent or collector shall:

(a) collect or attempt to collect for a person for whom he acts any moneys in addition to the amount owing by the debtor;

(b) make any charge against a person for whom he acts in addition to those contained in the agreement with that person;

(c) send any telegram or make any telephone call, for which the charges are payable by the addressee or the person to whom the call is made, to a debtor for the purpose of demanding payment of a debt;

(d) enter into any agreement with a person for whom the collection agent acts unless a copy of the form of the agreement is filed with the registrar;

(e) use any form or form of letter to collect or attempt to collect money from a debtor unless a copy of the form or form of letter is filed with the registrar;

(f) use, without lawful authority, any summons, notice, or demand, or other document, expressed in language of the general style or purport of any form used in any court in the province, or printed or written or in the general appearance or format of any such form.

(g) make telephone calls or personal calls of such nature or with such frequency as to constitute harassment of the debtor, his spouse or any member of his family;

Figure 6: Excerpt from Saskatchewan's Collection Agents Act laying out unlawful collection practices [23]

Alberta's corresponding legislation, by contrast, explicitly encompasses all common contemporary communication methods and includes forward-looking provisions for channels not yet in common use. This regulatory divergence makes nationally consistent digital collection strategies a compliance liability, and has materially delayed the adoption of communication channels that consumers increasingly prefer. Many major Canadian financial institutions continue to prohibit digital messaging for collections purposes, in large part because of the unresolved compliance uncertainty.

(d) "contact" means communications by telephone, facsimile, e-mail, automated call system, text messaging or in person, including messages left for a debtor with another person or by voicemail or on an answering machine, or any other form of communication not specifically excluded, but does not include communications that the debtor has expressly consented to or solicits in advance;

Figure 7: Excerpt from Alberta's Collection and Debt Repayment and Practices Regulation [24]

Regulatory Barriers

Compliance Team Bloat

Given the sensitive nature of the collections industry, regulatory auditing is an appropriate and necessary safeguard to ensure that agencies and agents maintain standards of consumer care. However, the multiplication of this function across thirteen provincial and territorial regimes, each with its own audit procedures, timelines, and documentation standards, represents a material and avoidable source of inefficiency. This burden is compounded by the fact that creditors, in seeking to maintain their own regulatory standing, typically conduct independent compliance audits of their collection agency partners, often on an annual or more frequent basis. The fragmented nature of provincial legislation adds considerable complexity to these audits, consuming analyst time and necessitating the establishment of dedicated compliance functions within collection agencies.

This report does not, in any respect, advocate for the removal of the consumer protections that have been established through regulation. Rather, it targets the duplication of oversight functions across jurisdictions and the disproportionate compliance costs that this duplication imposes on the industry. It is worth noting that the extended compliance burden is ultimately not cost-neutral for consumers: compliance expenditure passed through to creditors in the form of higher commission rates may ultimately be reflected in the interest rates offered to borrowers.

Broader financial sector data supports the significance of this trend. The share of total labour costs attributable to compliance activities across the financial sector rose from 16% in 2019 to 22% in 2024 [25]. Industry estimates suggest that eliminating duplicative regulatory requirements could save total compliance costs for affected businesses could $14 billion annually [26], savings that could be redirected toward innovation and growth or passed through to consumers in the form of lower costs.

Barrier to Entry

The complexity of Canada's collections regulatory framework is well recognized within the industry and among international observers. A recent report by Allianz Trade rated Canada as

"Very High" in terms of collections complexity, a designation that functions as both a barrier to domestic startup activity and a deterrent to international firms considering entry into the Canadian market. Understanding the full scope of provincial communication regulations, licensing obligations, and agency requirements demands considerable legal and operational expertise, effectively restricting competition to established incumbents.

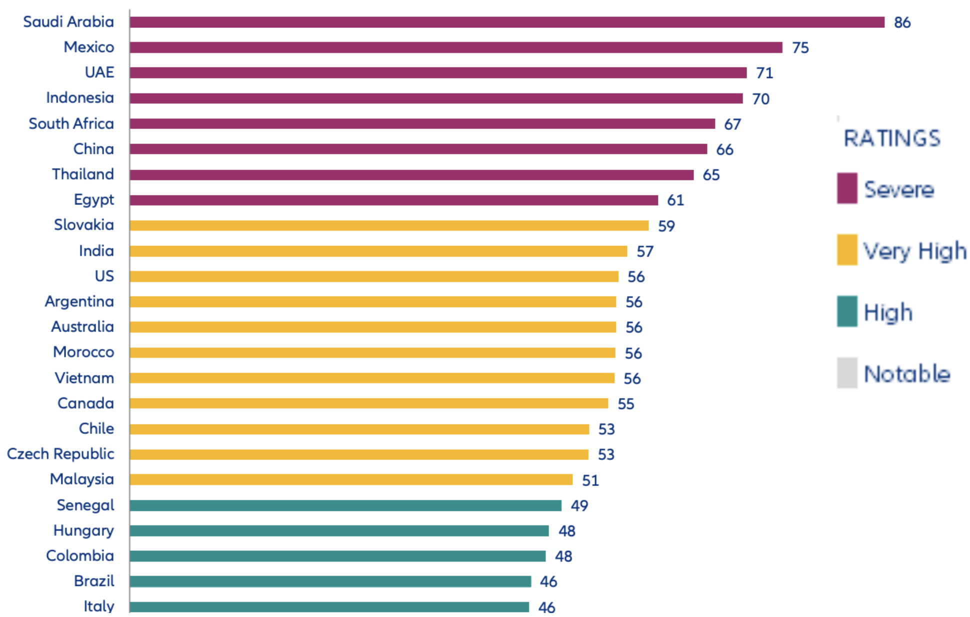

Figure 7: Collection complexity score and ratings, by country [27]

This report does not seek to re-establish the well-documented relationship between limited competition and adverse outcomes for productivity and consumers, that relationship is well understood. It is, however, appropriate to note the federal government's 2026 Spring Economic Update [28], which emphasizes competition as a policy priority through the "Whole-of-Government Competition Plan", an initiative to "prioritize the promotion of competition and limit, to the extent possible, the potential negative impacts on competition that can, often inadvertently, stem from government policies." In this context, an examination of provincial legislative frameworks that demonstrably constrain competitive entry is both timely and directly aligned with stated federal objectives. This report makes the case that streamlining and unifying debt collection legislation represents a concrete and achievable opportunity to improve competitive dynamics within this sector.

Consumer Protection

Limited Economy of Scale on Outreach Programs

A 2015 research report examining Canada's debt collection industry, drawing on consultations with senior collections professionals and direct focus group engagement with consumers who had personally experienced the collections process, identified a material gap in consumer awareness of debtor rights [22]. The study found that despite most provinces providing information regarding debtor rights upon initial contact by a collection agency, focus group participants demonstrated limited awareness of these resources, pointing to the need for more targeted and effective outreach programs.

Individual provinces have since taken meaningful steps to address this recommendation. The province of British Columbia launched a four-month consumer education campaign in 2024 targeting millennials (aged 24 to 45), using a combination of digital and out-of-home advertising to inform consumers of their rights in the collections process. The campaign achieved over 120,000 site visits and received positive feedback from 91% of surveyed respondents, a strong result by any measure [29]. However, smaller provinces face material budgetary constraints that limit their capacity to replicate such initiatives independently. A harmonized legislative framework would create the conditions for coordinated national outreach campaigns, ensuring equitable consumer education across all provinces and territories while eliminating duplicative expenditure on thirteen parallel provincial programs.

Figure 8: An example of consumer protection BC brochure to help inform consumers of their rights when receiving calls from a debt collector

Siloed Licensing Data and Consumer Transparency

Under the current decentralized model, licensing data is maintained within each individual provincial or territorial jurisdiction and is not shared systematically across registries. This creates two significant limitations.

First, consumers seeking to verify the identity or licensing history of a collection agent who has contacted them must navigate up to thirteen separate provincial portals, an unrealistic expectation for the average consumer. Second, provincial licensing bodies face material constraints when assessing the background of applicants, as information sharing between jurisdictions is typically limited to serious infractions. As a result, an agent who has been prohibited from collecting in one province for ethical or regulatory violations may theoretically obtain a license in another province and resume collection activity.

The siloed nature of current data also limits the ability of regulators and industry bodies to identify systemic licensing trends, emerging patterns of consumer harm, and broader market developments that might inform regulatory refinement. A unified licensing framework would enable a richer, more comprehensive data environment, one that better equips regulators to protect consumers from bad actors, provides consumers with greater transparency regarding the credentials and history of those contacting them, and supports more sophisticated, evidence-based oversight of the industry as a whole.

Looking Ahead: Emerging Technologies and the Need for Legislative Renewal

Advancements in the Financial System and the Need for Refreshing Legislations

The preceding sections have focused on the ways in which Canada's current regulatory model constrains the productivity of the debt collection industry as it stands today. It would be a significant omission, however, not to consider how this same model may impede the industry's capacity to participate in the technological and legislative developments that are reshaping the broader financial sector. Two developments in particular merit close attention: the implementation of Canada's Consumer-Driven Banking framework and the accelerating integration of artificial intelligence into collections practice.

Open banking

Bill C-15, the Budget 2025 Implementation Act, received Royal Assent on March 26, 2026, establishing Canada's Consumer-Driven Banking Act (CDBA) and a comprehensive framework for open banking [30]. The first phase centres on read access, enabling consumers to securely direct their financial data to participating entities of their choice. Write access, permitting payment initiation and account switching, is targeted for mid-2027.

Under the CDBA, collection agencies that obtain accreditation as participating entities could, with explicit consumer consent, access real-time financial data. The potential benefits for collections practice are meaningful: visibility into a debtor's actual cash flow would allow collectors to offer genuinely affordable and individually tailored repayment plans, rather than schedules based on limited information, and to intervene earlier in the delinquency cycle with more targeted consumer support.

However, existing provincial collections legislation does not define what categories of financial data collectors may access under the CDBA, under what consent standards, for what duration, or for what purposes. Regulatory clarity is required on several critical questions: the categories of permissible data, the duration and revocability of consumer consent, purpose limitation provisions (ensuring, for example, that data accessed for repayment planning cannot be used for credit reporting or resale), and the maintenance of appropriate audit trails. Without this clarity, collection agencies will face material legal uncertainty in leveraging open banking data, and the practical benefits of the CDBA for collections practice are likely to go unrealized.

The second phase of Canada's open banking roadmap, expected by mid-2027, will extend the framework to encompass write access, allowing participating entities to initiate payments or facilitate product changes on a consumer's behalf. For collectors, this opens the prospect of initiating payments directly from a debtor's account with consent, eliminating reliance on cheques, electronic transfers, or pre-authorized debit arrangements. Canada's existing collections legislation largely does not contemplate API-initiated payments, leaving unresolved questions around liability in the event of a disputed or failed transaction, and the consent standards that would govern such activity. Without defined guardrails embedded within provincial collections acts, creditors are likely to be cautious, or unwilling, to authorize collection agencies to initiate payments through these mechanisms.

Emerging Technologies

Artificial intelligence is already playing a meaningful role in collections operations, from AI-driven scoring models that optimize contact intensity to sentiment analysis tools that provide real-time coaching to agents based on call content. As AI capabilities continue to advance, however, regulators will need to establish appropriate boundaries to ensure that the efficiency gains these technologies offer are realized without compromising consumer protection standards.

AI-driven models are increasingly used to determine the optimal timing, channel, and tone for collection contact. Sophisticated systems now detect linguistic signals associated with financial distress, enabling earlier intervention and more targeted referral to specialist support teams, outcomes that are genuinely beneficial for consumers. At the same time, these capabilities raise legitimate questions about whether algorithmically timed and individually personalized contact could, in practice, constitute undue, excessive, or unreasonable pressure under existing provincial collections legislation. Provincial acts currently prohibit such conduct but were drafted with human-to-human interaction in mind. Regulators will need to define acceptable thresholds for AI-driven contact frequency and personalization, and to determine whether algorithmically targeted outreach to consumers identified as financially vulnerable requires heightened safeguards.

The use of AI agents in direct consumer interactions remains nascent. Chatbot-based engagement exists but has seen limited adoption, and AI-driven voice interactions are at an early experimental stage. Nevertheless, the trajectory of this technology is clear, and regulators should begin developing the frameworks that will govern its use before deployment outpaces oversight. Enforcement mechanisms that are well suited to human agents, including license suspension or revocation for misconduct, are less readily applicable to AI systems. Responsibility will ultimately rest with the operating agency, as it does today, but the regulatory toolkit will need to expand to address AI-specific remediation, accountability, and transparency requirements.

Quebec has taken a notable early step in this direction, with draft guidelines released in 2025 requiring institutions to maintain registries of AI systems, conduct bias testing, and ensure meaningful human oversight, with an emphasis on the principle that automated decision-making must remain explainable and accountable [31]. Other provinces should build on this approach by updating their collections legislation to address three core requirements: algorithmic explainability (ensuring that consumers can understand why they were contacted in a particular manner), independent bias audits for AI scoring models used in collections prioritization, and mandated human escalation pathways for any automated consumer interaction.

International Comparisons and a Model for Canada

This report establishes a firm argument that licensing and the regulatory framework across provincial lines needs to be reformatted to meet the competitive nature of the day. Determining what that will look like requires extensive work with regulators and industry professionals and advocates to find a suitable alternative, encouraging both efficiency and enhanced consumer protection

Comparisons to Other Countries

Determining what an effective reformed framework might look like for Canada requires an assessment of the approaches taken by comparable jurisdictions. Three international examples are instructive.

- United States: In 2012, the United States expanded the Nationwide Multistate Licensing System (NMLS) to cover debt collector licensing, citing the unnecessary administrative burden that multiple parallel application processes imposed on both businesses and state regulators. The NMLS provides a single portal through which collection agencies can apply for licenses in all participating states, significantly streamlining the administrative process for nationally operating firms. As of 2023, twenty six states had joined the NMLS [32], with additional states looking to follow suit, and processing time improvements of 30 to 40% have been reported for participating jurisdictions. While the NMLS represents a meaningful advance in administrative efficiency, it does not address the underlying legislative fragmentation: each state retains its own licensing requirements, generating ongoing exceptions and amendments that limit the system's full effectiveness. Canada should draw on this model's efficiencies while learning from its limitations, specifically, the value of coupling administrative harmonization with substantive standardization of licensing requirements.

- United Kingdom: The United Kingdom, a nation encompassing three distinct legal systems and centuries of distinct Scottish legal tradition, has nevertheless achieved a broadly unified consumer credit and debt collection framework. This reflects the doctrine of parliamentary sovereignty, under which Westminster retains the authority to legislate on any matter across all constituent nations. Collection rules have been applied on a UK-wide basis, and the devolved assemblies of Wales, Northern Ireland, and Scotland have not sought to establish divergent credit regimes, recognizing that a uniform commercial law framework constitutes foundational economic infrastructure. Material variations in enforcement exist, most notably Scotland's distinct approach to the enforcement of judgments, but the substantive rules governing collections practice are effectively consistent across the jurisdiction. The UK demonstrates that legislative unity in this area is both achievable and operationally durable.

- Australia: Australia presents perhaps the most directly instructive comparison for Canada. It operates a federal structure in which states hold constitutional powers over property and civil rights broadly analogous to those held by Canadian provinces. A fragmented approach to collections regulation might therefore be expected. The distinguishing factor is *Section 51(xxxvii) of the Australian Constitution* [33], which permits states to refer their legislative powers to the Commonwealth Parliament. Following extensive negotiation, Australian states exercised this mechanism in 2009 to create a uniform national framework for consumer credit and debt collection through the *National Consumer Credit Protection Act 2009* [34], administered federally by the Australian Securities and Investments Commission. The Australian experience demonstrates that a comparably structured federation, when faced with the same fragmentation challenge, was able to achieve national harmonization, and has operated effectively within that framework for over fifteen years. While the constitutional referral mechanism available to Australian states is not replicated in the Canadian framework, the outcome illustrates what analogous governance in a federated system can achieve.

A Model for Canada

Arriving at the most effective reformed framework for Canada will require sustained engagement between regulators, industry, and consumer advocates. Acknowledging the constitutional constraints within which any solution must operate, this report identifies three priority initiatives.

1. A National Interprovincial Licensing System (NILS): Drawing on the administrative logic of the U.S. NMLS, a Canadian national interprovincial licensing system would provide a single application portal through which collection agencies and agents could obtain and manage licenses across all participating provinces and territories. Critically, and learning from the limitations of the U.S. model, provinces should pursue not only administrative consolidation but substantive harmonization of licensing standards, including examination requirements, background check procedures, and data collection protocols, so as to avoid replicating the ongoing exceptions and amendments that continue to complicate the U.S. system. Such a system would significantly reduce administrative expenditure for the industry, improve inter-jurisdictional transparency, and lower barriers to entry for new market participants.

2. Harmonized Legislative Language Across Provincial Acts: While a single national Debt Collection Act on the model of the United Kingdom is not constitutionally available to

Canada, a materially more consistent approach to how provincial legislation is drafted would deliver significant practical benefits. Adopting common definitional standards, ensuring that terms such as "contact" carry consistent meaning across jurisdictions, and that all common forms of communication are addressed in an equivalent manner, would substantially reduce the compliance uncertainty that currently constrains technology adoption and operational innovation. Compliance teams at both the creditor and agency level would have greater confidence in the regulatory standing of their strategies and systems, and the risk of inadvertent non-compliance that currently deters investment in new communication channels and technologies would be meaningfully reduced.

3. A Standing Interprovincial Legislative Forum: As this report has demonstrated, provinces have not consistently aligned their approaches to legislative adaptation in response to technological change, with the slow and uneven rollout of digital communication channels serving as a prominent example. As the industry enters a period of particularly rapid technological evolution, encompassing artificial intelligence and open banking integration, the absence of a coordinating mechanism for inter-jurisdictional legislative alignment poses a material risk. An interprovincial panel or forum, comprising provincial legislators, regulatory bodies, and industry and consumer representatives, should be established to facilitate the consistent sharing of regulatory approaches, coordinate responses to emerging technological developments, and ensure that legislative adaptations are implemented in a timely and coherent manner across all jurisdictions. Such a forum would help prevent a repeat of the compliance uncertainty that has historically impeded the industry's adoption of modern tools, and would position Canadian consumers in all provinces to benefit equitably from the productivity gains that innovation in collections can deliver.

In Summary

Canada's debt collection industry is a critical but underappreciated component of the national financial ecosystem, servicing approximately two million consumers daily and supporting the stability and accessibility of the broader credit market. Yet the industry operates within a regulatory framework that is structurally misaligned with the demands of a modern, competitive economy, a misalignment that imposes material costs on businesses, consumers, and taxpayers, and that risks becoming more consequential as the industry confronts a period of rapid technological change.

Canada's declining productivity relative to its G7 peers is a well-documented and pressing concern. Regulatory burden and insufficient competition are consistently identified as key drivers. The debt collection industry illustrates both problems in concrete terms: a patchwork of thirteen provincial and territorial regulatory regimes creates administrative duplication, suppresses competition, deters investment, and constrains innovation across an industry that touches millions of Canadians each year. The direct and indirect costs of this model are substantial: estimated industry expenditure on licensing and administration alone reaches $4 million to $4.5 million annually, and the broader costs, in immobilized capital, delayed technology adoption, extended hiring timelines, and duplicated government oversight infrastructure, are considerably larger. The estimated recovery value of reducing onboarding delays alone is $1.8 million to $2.2 million per year.

Regulatory complexity does not only burden industry, it ultimately disadvantages consumers. Agencies make pragmatic decisions to under-service smaller provinces where licensing costs are disproportionate to portfolio size, contributing to the disparity in credit profiles observed across Canadian jurisdictions. Unclear and inconsistent provincial rules on digital communication channels have impeded the rollout of SMS and email-based collections, limiting consumer access to more convenient and efficient methods of engagement. The complexity of the framework also acts as a significant barrier to entry, limiting competition and the full utilization of emerging technologies.

Comparable jurisdictions, including the United States, the United Kingdom, and Australia, have each moved toward greater legislative harmonization in the regulation of debt collection, drawing on their respective constitutional frameworks to reduce fragmentation and improve market function. Canada has the benefit of these examples in designing its own approach. Drawing from these examples and aforementioned insights, this report advances three targeted recommendations: the establishment of a National Interprovincial Licensing System (NILS) that consolidates administrative processes and harmonizes licensing standards across jurisdictions; the adoption of consistent legislative language and definitional standards across provincial collections acts; and the creation of a standing interprovincial legislative forum to coordinate regulatory responses to technological change. Together, these initiatives would meaningfully reduce the administrative burden on industry, strengthen competitive dynamics, improve consumer outcomes, and position Canada's debt collection sector to participate fully in the innovations that will define the next phase of the credit lifecycle.

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