



IN SEARCH OF LOST LOONIES

This is what happens when a credit union member's account goes dormant

By Wendy Glauser Illustrations By Ryan Snook

IT SEEMS TOO GOOD TO BE TRUE: the idea that a few hundred dollars – maybe even a thousand or two – might be waiting for you in a long-forgotten account. Perhaps that's why so many Canadians don't think of checking to see if they have unclaimed money. Surprisingly, however, it's a fairly common occurrence. The Bank of Canada alone is holding unclaimed funds for about 1.3 million Canadians that amounted to over \$500 million at the end of 2013. That's no small change.

What constitutes an unclaimed account? Typically, it's one that has had no activity over a 10-year period and still remains dormant despite repeated notifications from the holder's financial institution. The reasons accounts sit untouched are many. Divorcing couples sometimes neglect a shared account in the confusion after separation. A relative might set up an account for a child, then both parties forget about it. In other instances, people die leaving no clear details of their financial affairs. Moves are also a common reason, according to Cheryl Rettschlag, manager of banking support services at **Servus Credit Union**, which has more than 100 branches in Alberta. "Many times we just can't reach members because they haven't updated us with their new address," she says.

STRAIGHTFORWARD FOR BANKS

As far as the federally-regulated Big Five banks go, the fate of these dead accounts is pretty straightforward. The banks must turn over unclaimed money to the Bank of Canada once a decade has passed. The Bank of Canada then acts as a custodian, holding on to unclaimed balances of less than \$1,000 for 30 years. Balances of \$1,000 or more are held for 100 years. The Bank of Canada's website has a database where people can search for accounts they believe belong to them. However, if balances still remain unclaimed after the prescribed dates, the Bank of Canada transfers the funds to the Receiver General of Canada and the money gets added to the country's coffers.

"We make the [search] service available for free," says Dale Alexander, chief of communications at the Bank of Canada. "Canadians can contact us directly and we will help them go through the process."

TRICKIER FOR CREDIT UNIONS

The process regarding these accounts is trickier for credit unions because they're provincially regulated. For one thing, it's difficult to calculate how much money in total lies dormant in financial cooperatives Canada-wide.



For another, credit unions in different provinces deal with unclaimed money in different ways.

In Alberta, after 10 years of inactivity, credit unions transfer unclaimed balances to the Credit Union Deposit Guarantee Corporation (CUDGC), which then holds the money for another 20 years, at which point the account becomes government revenue. A CUDGC spokesperson who wished not to be identified said the institution currently holds approximately \$1.4 million in 2,400 unclaimed accounts.

By contrast, in British Columbia unclaimed accounts are held indefinitely by the B.C. Unclaimed Property Society. In 2013, provincial credit unions transferred about

\$3.3 million in unclaimed accounts, but that was due in part to a “clean-up project” by one credit union, making the year an outlier, according to Alena Levitz, executive director of the B.C. Unclaimed Property Society. In 2011, around \$179,000 was transferred and in 2012, \$362,000. Like the Bank of Canada, the Society has a searchable database for unclaimed funds on its website.

ONTARIO'S DEAD ACCOUNTS UNDER SCRUTINY

The amount of unclaimed credit union member money in Canada's most populous province, Ontario, is next to impossible to pin down because credit unions there do not yet have to transfer unclaimed balances to a provincial body. (None of the Ontario

credit unions contacted for this story were willing to disclose the amount of inactive accounts they held.) However, the rules for Ontario credit unions around unclaimed accounts are likely to soon change, perhaps after the 2014 review of the Credit Union and Caisses Populaires Act, according to Louise Robichaud, a manager in the Licensing and Market Conduct Branch of the Financial Services Commission of Ontario.

Ontario's law currently stipulates that credit unions must forward unclaimed balances to the Minister of Finance “in accordance with the Minister's directions.” But the Minister of Finance has never sent instructions on how money should be transferred, despite the Act becoming law in 1994.

“We've been warning credit unions...[that] at some point we'll have to comply to this law and we'll receive directives from the Minister of Finance,” says Robichaud, who points out that Ontario credit unions should be especially vigilant about ensuring they keep a record of all details of unclaimed accounts.

A credit union's obligations regarding notifying members also vary by province. In Ontario, credit unions must send written notification warning members that their accounts have become inactive after two and five years. Alberta credit unions must attempt to make “reasonable efforts to locate a customer” three times over a 10-year period. In B.C., credit unions must send only one written notice to members, just before the money is transferred to the B.C. Unclaimed Property Society.

According to the CUDGC spokesperson in Alberta, however, most credit unions “go beyond what the Act requires.”

Cheryl Rettschlag of Servus Credit Union in Alberta says staff will attempt to find members using Google search or 411, for example. They'll also call anyone listed as a reference or emergency contact in the member's initial application.

“We'll say we're trying to contact the person but we don't give any information,” says Rettschlag, explaining the credit union wants to avoid fraudulent claims from impersonators. For the same reason, the credit union can't simply call every person

in the phone book with the same name as a member. “If you have a Patricia Smith, there could be millions of Patricia Smiths. So where do you start?”

...only eight of the 2,400 accounts currently held by the regulator were claimed.

LOCATING MEMBERS 'GOOD FOR BUSINESS'

Credit unions want to locate members for unclaimed funds because it's the right thing to do. “It's their money and we want them to have it,” says Rettschlag. But doing so also makes good business sense. When notifying someone about an unclaimed account, for example, Servus invites members to discuss how they can better manage their finances. “We talk about the money that has gone dormant and try to get them to be an active member,” says Rettschlag. “Maybe they have a chequing account with another institution and we can help them bring the chequing account over.”

Other credit unions may not be as proactive, possibly because of their limited resources. Other than Servus, only the \$4-billion **Conexus Credit Union** in Saskatchewan provided some information, explaining that unclaimed accounts are very rare for that institution, with there only being two in the last few years.

Once money is transferred to provincial regulators, those organizations also make efforts to publicize unclaimed accounts. For instance, every year, Alberta's CUDGC publishes a list of the unclaimed accounts credit unions have transferred to its institution, including the name, credit union the account was opened at and the amount. The list appears in the *Edmonton Journal* and *Calgary Herald*, but doesn't generate as much buzz as one might think. For instance, in 2013, only eight of the 2,400 accounts currently held by the regulator were claimed. In B.C., meanwhile, 31, 21 and 63 accounts were

reclaimed in the last three years respectively. The B.C. Unclaimed Property Society takes out ads in various publications to promote its online database that allows anyone to search for unclaimed money (not just from credit unions, but also from class action law suits, pension funds and other sources).

Individuals who think they are the rightful owner of an account held by the B.C. Unclaimed Property Society must submit an application form and provide supporting documents, such as a bank statement, identification papers, a SIN number or legal confirmation that one is an heir to a deceased person's account – as is the process with the Bank of Canada.

SEARCH ENGINES TOO LIMITED?

Stewart Rand, the founder of *lostcash.ca*, thinks search engines, such as those provided by the Bank of Canada or the B.C. Society, are too limited. That's why he purchased data from the Bank of Canada and set up his own free database, which allows users to also search by city or address. While Rand, an IT consultant, makes a little money from ads on his website, he says he's mostly interested in spreading the wealth.

There is no charge for those applying for money through the Bank of Canada or the B.C. Unclaimed Property Society.

“I showed a friend how to do a search and he looked up his wife's maiden name,” says Rand. “They found \$4,200 that belonged to her aunt and it was at a time when the family was in financial need.” When the aunt moved in 1994, she and her husband had forgotten about the account, which held an inheritance from a grandparent.

“We still can't get over the miracle of it all,” the owner, Debbie Miles, told local media at the time the money was claimed.

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But many are suspicious of Rand's Good Samaritan motives. "I tried tracking down a couple of the bigger value accounts from this city," Rand says of his home base in Halifax. "I haven't received any responses back." Rand thinks that the people he contacted assumed his email was a scam, even though he says he is not interested in any cash reward.

Indeed, numerous consultants profit by taking a cut after helping clients find and retrieve unclaimed accounts. There is no charge for those applying for money through the Bank of Canada or the B.C. Unclaimed Property Society, and the process is relatively straightforward, so, generally speaking, such brokers are unnecessary. That said, a

BECOMING MORE PROACTIVE

Hoping to ensure against unclaimed accounts in the future, Servus now asks for additional contact information, such as email addresses and cell phone numbers. "Over the last few years, we've been trying to be more proactive," Rettschalg says.

In British Columbia, one silver lining to money that remains unclaimed is that the B.C. Unclaimed Property Society donates funds each year to the Vancouver Foundation. Try as they might to find rightful owners, "a portion of funds will never be traced," explains Levitz. This donation is taken from the total of abandoned money and doesn't

"There was the opportunity for a great social benefit that the province saw," Levitz notes. "We are the only [money holding institution] that does that in North America."

business that may have unclaimed accounts held by different people under different legal jurisdictions may benefit from such a service. Furthermore, as Rand points out, those who wouldn't have otherwise found out about an unclaimed account do benefit from a cold call alerting them, even if the "consultant" expects a five per cent cut.

Fortunately, easy-to-access free services like Rand's website reduce the need for brokers. And as Rettschalg points out, the Internet is likely to substantially reduce the number of unclaimed accounts. Most people keep email addresses for longer periods than they maintain the same mailing address. If they do change emails, they usually have mail automatically forwarded to their new address.

affect any lost-account holder personally. The reason? The same principle applies as when financial institutions invest account holders' money because they know everyone will not withdraw all their funds at once. That means the Society will always have enough on hand to reimburse someone who rightfully owns a lost account.

Since 2003, the organization has donated more than \$20 million to the Vancouver Foundation, a registered charity that provides funding for community, arts and environmental projects. "There was the opportunity for a great social benefit that the province saw," Levitz notes. "We are the only [money holding institution] that does that in North America." E



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THE RULES OF THE ROAD IN B.C.

FICOM has outlined several areas in which it is seeking compliance from credit unions. These can be loosely broken down into board characteristics, performance and responsibilities.

TO ASSESS CHARACTERISTICS, FICOM REVIEWS WHETHER:

- the board's composition, structure, activities and reporting are aligned to the size, scope, strategy and risks of the credit union;
- directors have the appropriate skills, knowledge and experience to govern the credit union;
- roles and responsibilities are clearly set out, documented and accessible to members and stakeholders;
- the board has approved the policies and procedures that contribute to the effective identification, measurement, reporting and control of all material risks; and
- the board exercises the appropriate degree of transparency, reporting and assessment to ensure independence and accountability to its members and stakeholders.

TO ASSESS PERFORMANCE, FICOM CONSIDERS THE BOARD'S:

- actions to control and set boundaries to the risks associated with the credit union's chosen strategy and business model;
- willingness and ability to remain independent from management and exercise control through the effective probing, reviewing and questioning of key assumptions and important decisions;
- success in establishing and maintaining a culture within the board, senior management, oversight functions and throughout the credit union that supports the board's effectiveness;
- commitment to continuous improvement through learning and training; and
- demonstrated accountability and disclosure by the credit union to its members, regulator and other stakeholders.

FICOM DESCRIBES A BOARD'S RESPONSIBILITIES AS FOLLOWS:

- defining and approving the credit union's risk appetite;
- setting, approving and monitoring the credit union's strategy and performance and overseeing its planning process; and
- ensuring that the credit union has the capability and culture to support its risk appetite and achieve its strategy, including;
- oversight of the credit union and executive team;
- choosing and evaluating the CEO; and
- recruitment and renewal of the board.

"Credit unions can take a role in this," she points out. "We can come up with some common definitions and common templates for risk appetite statements because whether I'm here in Grand Forks or in St. John, New Brunswick, the overall governance model is really no different."

Dergousoff also says that credit unions can band together to advance the cause of risk assessment and management, much as they have done with procurement using the Solution Centre, which allows credit unions to share couriers and other suppliers. "Say you are from Nelson and we are from Grand Forks and we can't afford our own chief risk officer or internal auditor. We [could] hire someone together and provide those services to our credit unions," she says. "We know how to cooperate and this is the next level that we need to go to."

Bill Wellburn, chair of the \$12.6-billion **Coast Capital Savings Credit Union**, says risk management remains a priority at Coast. "When you look back at credit unions that have run into problems, it's generally around risk – either being unaware of it or not planning to address it," he says. "It's something we at Coast Capital have been focusing on for a number of years. We recognize there are an awful lot of factors [involving risks that] credit union boards need to be cognizant of."

BOARD RENEWAL AN ISSUE

Wellburn also feels board renewal might be an issue when trying to meet the Governance Guideline standard. "In the old days, you'd just put up your hand up at the AGM if you were interested in serving on the board," says Wellburn, who has been a director since 1992. "We have moved now as an industry to much larger organizations that require a number of skill sets on the board if governance is to be effective."

He understands the challenge that small credit unions face in complying with regulation, "but if you want your organization to be around in the years before us, there is a lot to be said for getting on board with the guidelines."

WHERE TO START?

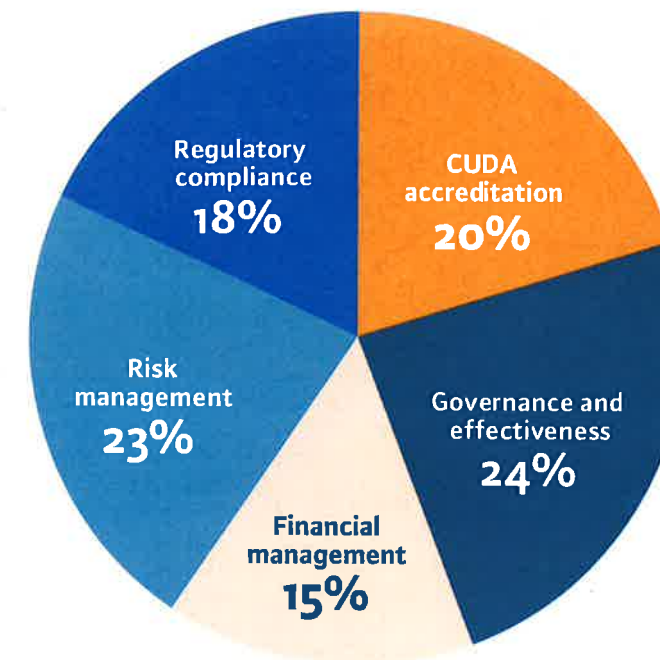
Other directors who prefer not to be named say many smaller credit unions are unsure where to start in complying with the Guideline. How do you prioritize which guidelines are the most important or which ones you should implement first? "Can you mostly do it or do you have to do the whole thing all of the time?" says one.

John de Leeuw, CEO of **Ladysmith & District Credit Union**, which has two branches on Vancouver Island and \$130 million in assets, says there is a world of difference between the risks that smaller credit unions faced in the past and the ones they face today. "Years ago, the challenges facing a small credit union's survival would have been financial," he says, referring to competing for deposits and wooing mortgage business. "It appears to me and my board . . . that the greatest challenge today is a level of governance that is expected and the ability to recruit and retain qualified directors."

He feels that expectations placed on directors today are far more demanding than was the case 20 years ago, as is the amount of work required to ensure directors are on top of credit union activities. While large credit unions today routinely pay directors \$70,000 to \$80,000 and more," he says, "the average rate our directors made last year was \$4,000."

Chris Catliff, CEO of **BlueShore Financial**, says he is supportive of FICOM's work and that his organization was 90 to 95 per cent there before the guidelines came out. One area where BlueShore needs to do some "touchup" is in risk appetite. The Governance Guideline stresses that the goal for credit unions is not simply to reduce all forms of risk but to seek a prudent balance.

CROSS-CANADA BOARD EDUCATION PRIORITIES IN 2013



Data provided by Central 1's People Solutions

"It's an annual discussion," says Catliff, whose credit union has \$2.8 billion in assets under administration. "We [used to look at] risk management through the prism that all risk reduction is good. So that is an interesting change."

BlueShore will be doing more in terms of transparency although he points out that compensation revelations can have a downside and have already led to salary wars in some jurisdictions. Compliance has other costs, too. Catliff is concerned that his board may have to shift gears and develop strategies to compete with other financial institutions that don't have to follow the same rules as credit unions.

While credit unions didn't create the problems of the financial crisis, they are the recipients of rules and regulations that followed in its wake, he says. "I just want the focus to be not solely on that." ■

ARE YOU SITTING ON SOMEONE ELSE'S ASSETS?

Each year, millions of dollars go unclaimed by British Columbians in forgotten credit union accounts, unpaid wages, overpayment to debt collectors, and unclaimed proceeds from courts, tax offices and estates.

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