

# Federal government limits NSF fees

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Following a consultation period with consumer groups and the banks, the federal government has amended the Financial Consumer Protection Framework Regulations under the *Bank Act* (the Amendments) to limit non-sufficient funds (NSF) fees for personal deposit accounts to \$10. The Amendments also prohibit the imposition of (i) more than one NSF fee in a period of two business days and (ii) an NSF fee on accounts that are in unauthorized overdraft by less than \$10. The Amendments follow the federal government's 2023 budget commitment to "crack down on junk fees" in line with other jurisdictions, and the 2024 budget commitment to impose lower banking fees to address the rising cost of living in Canada.

## What you need to know

- Amendments to the Financial Consumer Protection Framework Regulations limiting NSF fees for personal deposit accounts to \$10 are set to take effect on March 12, 2026.
- The Amendments prohibit (i) more than one NSF fee on an account within two business days and (ii) an NSF fee on an account that is in unauthorized overdraft by less than \$10.
- An extended coming-into-force period has been provided to allow banks sufficient time to update their information technology systems, disclosure documents, guidance materials and other internal documentation.
- The Amendments apply to personal deposit accounts held at Schedule I (including federal credit unions) and II banks, as well as authorized foreign banks, but not to corporate or business accounts.
- Banks are expected to lose approximately \$619 million in NSF fee revenues in the year following implementation of the Amendments due to the reduction of NSF fee amounts, and an estimated reduction of NSF fee transactions by approximately 1.9 million.

## Capped NSF fees

Banks charge NSF fees when there are insufficient funds in an account to cover a cheque or pre-authorized debit (PAD) and the customer does not have overdraft protection or, if the customer does have overdraft protection, the account is overdrawn past the allowed limit. These fees have typically ranged from \$45 to \$48. The federal

government estimates that approximately 34 percent of Canadians incur an NSF fee each year: it notes that NSF fees particularly impact vulnerable consumers who may experience further financial difficulty when charged an NSF fee, and who may resort to taking out a high-cost or predatory loan to avoid such a fee.

Beginning on March 12, 2026, NSF fees on personal deposit accounts (but not corporate or business accounts) will be capped at \$10 per account and the circumstances in which an NSF fee may be charged will be restricted. Specifically, the Amendments prohibit the imposition of more than one NSF fee in a period of two business days per account, meaning that NSF fees can still be incurred during this period on a different account at the same bank or a different bank. In addition, the Amendments prohibit the imposition of an NSF fee on an account that is in unauthorized overdraft by less than \$10.

The Amendments vary from the proposed amendments in November 2024, which we described in a previous [bulletin](#). They contain a reduced timeframe for charging more than one NSF fee (which was originally 72 hours per individual) and remove an alert and grace period and an information disclosure provision for banks.

## Implications for consumers and banks

The most significant impact of the Amendments is the banks' anticipated loss of revenue from NSF fees due to fewer NSF transactions and a lower per-transaction NSF fee. The federal government estimates that approximately 1.9 million NSF transactions will be eliminated in the first year following implementation of the Amendments—2026—with an estimated total loss in NSF fee revenue for banks of approximately \$619 million in that year. The banks will also incur implementation costs, as they must update their information technology systems to identify accounts that have been charged an NSF fee in the prior two business days and on transactions that would have resulted in a nominal overdraft balance, and they will need to revise their disclosure documents accordingly.

The federal government estimates that implementation and reporting will cost banks \$3.3 million in the year prior to implementation of the Amendments. There will also be supervision costs for the Financial Consumer Agency of Canada (FCAC) to supervise the new market conduct obligations.

Consumers will benefit from NSF fee savings (from fewer NSF transactions and the lower NSF fee), and indirect cost savings due to reduced time spent attempting to reverse an NSF fee. However, these changes do not affect missed or late payment fees charged by recipients of intended payments that are rejected for insufficient funds.

## Striking a balance

As we noted in a previous [bulletin](#), the federal government has generally shied away from regulating the pricing of bank products. In accordance with an April 2020 amendment to the *Financial Consumer Agency of Canada Act*, one of FCAC's objectives is to “strive to protect the rights and interests of consumers of financial products and services and the public, **taking into account the need of financial institutions to efficiently manage their business operations**” (emphasis added). In line with that statutory objective, the Amendments have the stated dual goals of “balancing the protection of consumers from unfair fees and incentivizing consumers to make their payments on time”.

The Amendments, however, are the latest measure by the federal government that generally indicate a shift in favour of consumer protection and follow (i) a change to the *Bank Act* in 2022 which required banks to send electronic alerts to their customers when an account or line of credit balance drops under \$100, or another dollar value set by the customer; and (ii) 2024 changes to the *Criminal Code* which lower the criminal interest rate and effectively cap dishonoured payment fees charged by payday lenders at \$20 (as we described in a previous [bulletin](#)). Most recently, as of January 1, 2025, regulations to Ontario's *Payday Loans Act* have also limited dishonoured payment fees to \$20, in line with the *Criminal Code*.

## International initiatives?

Interestingly, the \$10 NSF fee cap will result in lower NSF fees in Canada compared to the average NSF fees in the United States and United Kingdom. Although the Amendments follow efforts by other jurisdictions to restrict “junk fees”, the parallel initiatives in the United States remain uncertain. The Consumer Financial Protection Bureau (CFPB) launched an initiative in 2022 to crack down on such “junk fees”. Since then, CFPB has issued guidance to limit overdraft fees and boosted supervision over financial sector fees. CFPB had also proposed rules prohibiting large financial institutions from charging fees on transactions declined in real time. However, the status of the CFPB initiatives remain in limbo. As a leading U.S. newspaper [reported](#) in February, the agency’s acting director had ordered workers to cease “all supervision and examination activity”, and the status of ongoing initiatives remains largely uncertain<sup>1</sup>.

### FOOTNOTES

*To discuss these issues, please contact the author(s).*

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