

What you need to know: Banking fees

Why do I have to pay fees at the bank?

Bank fees, also called maintenance fees, are the expenses banks incur for maintaining customers' accounts, such as administration and computer system maintenance expenses. They cover these expenses by charging their clients fees.

How are fees charged?

The way fees are charged may vary depending on the financial institution and type of account.



Chequing account fees

- Chequing accounts can be free or low cost for certain groups, such as youth, students, seniors, or people with disabilities (but may have some restrictions – be sure to ask!)
- Fees are often charged under a package rate for a certain number of transactions per month (with extra charges if you go over). The average monthly fee for a chequing account can range from \$3.95 to \$30, depending on the type of account and what kind of transactions are included. This may not include additional fees for things like overdraft fees or extra transaction fees.
- You may have the option of a “flat rate fee” for unlimited transactions
- There are fees for using a “bank machine” (ATM) if it does not belong to your own bank
- Some chequing accounts are free (“no-fee”), or they may only be free if you keep a minimum balance in your account.

TIP: Check if the account requires a “minimum balance” or “minimum daily balance”. Minimum balance indicates that the required balance needs to be maintained at all times during the period (usually a month). Minimum daily balance means the account must have the minimum balance by the end of each business day.

Savings account fees

- Savings accounts can come with a limited number of free transactions. After that, there are fees for using your debit card, making a withdrawal, and paying bills.

TIP: Check out the Financial Consumer Agency of Canada’s Bank Selector Tool at:
<http://www.fcac-acfc.gc.ca/Eng/resources/toolsCalculators/Pages/BankingT-OutilsIn.aspx>

What other types of fees are there?

Transaction based charges: Fees that depend on the type of transaction initiated by the client.

Debit transactions fees: If a customer goes beyond the allotted number of monthly debit transactions (any activity that results in money being withdrawn from their account) they may be charged additional fees. Fees can be \$1 to \$2 per transaction, depending on the banking plan. Some banks also allow for unlimited debit transactions without any charges.

ATM charges/other bank fees: If an account holder of a particular bank uses the ATM of another financial institution, they will be charged what may be called an “Other Bank Fee”. It can range from \$2 - \$7 depending on the financial institution.

TIP: Stay within your monthly transaction limit by making fewer withdrawals of larger amounts of money from an ATM, rather than several smaller withdrawals, especially if the ATM is not owned by your financial institution. OR – ask for “cashback” when making a purchase at a retail store.

Paper statements/passbook: Some banks charge their clients for a passbook or a paper statement of account transactions. Clients may be charged \$2.00 per month for a paper statement to be mailed to them, whereas account activity can be viewed online for free.

Cheque books: Some chequing accounts charge for additional cheque books which have to be ordered online or in person. The cost of a booklet of cheques is decided by the bank, and can depend on the number of cheques and their style.

Interac e-transfer: When a client wants to move his or her money from one account to another within Canada, they can use an e-transfer using Interac. The fees can range from free to \$2.50 depending on the bank or banking plan.

Non-sufficient funds (NSF): When a banking account does not have enough funds to cover a transaction or cheque, the bank charges the client an “NSF” fee. Depending on the financial institution, this fee can be \$45 or more. This may also be referred to as cheque “bouncing.”

Overdraft protection: To prevent cheques from bouncing (NSF) or the account from being overdrawn, a customer can opt for overdraft protection for an additional fee. Fees average around \$4 per month plus interest which will be charged on the amount overdrawn

Did you know? The rate of interest on overdraft can be as high as 22%! Do your best to manage your bill payments and cash flow to avoid overdraft whenever possible.

The above list of bank account charges is by no means exhaustive. However, many of the charges can be reduced/waived by bundling other bank products. For example, a bank can combine different products such as savings account, chequing account, and credit card – all under one plan for one fee.

For more information

Prosper Canada – Financial Literacy Facilitator Resources (Module 4: Banking and Financial Services)

<https://learninghub.prospercanada.org/knowledge/financial-literacy-facilitator-resources/>

Financial Consumer Agency of Canada – Opening a Bank Account

<https://www.canada.ca/en/financial-consumer-agency/services/banking/opening-bank-account.html>

Bank accounts in Canada

<https://www.canada.ca/en/financial-consumer-agency/services/banking/bank-accounts.html>