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Break at the Bank for Consumers: NSF Fees Capped at $10

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05/21/2025

The federal government has amended the Financial Consumer Protection Framework Regulations under the *Bank Act (Canada)* to limit non-sufficient funds (NSF) fees for personal deposit accounts — excluding corporate or business accounts — to $10, effective March 12, 2026. These amendments follow consultations with consumer groups and banks, aligning with commitments in the 2023 and 2024 federal budgets to reduce banking fees and address the rising cost of living in Canada.

Key Changes

1. **NSF Fee Cap:** NSF fees for personal deposit accounts are capped at $10.
2. **Frequency Limitation:** Banks cannot impose more than one NSF fee within a period of two business days on the same account.
3. **Overdraft Protection:** NSF fees cannot be charged on accounts that are in unauthorized overdraft by less than $10.

Impact on Banks and Consumers

- **Banks:** The amendments apply to personal deposit accounts held at Schedule I, Schedule II, and Schedule III banks, as well as at federally regulated credit unions. Banks are expected to lose approximately $619 million in NSF fee revenues in the year following implementation due to the reduction in fee amounts and transactions. Banks will also incur costs to update their IT systems and revise disclosure documents.
- **Consumers:** Will benefit from lower NSF fees and fewer NSF transactions, reducing financial hardship, especially for vulnerable consumers.

Exclusions

The amendments do not apply to corporate or business accounts. Although some banks already offer grace periods for NSF fees, the amendments do not mandate banks to provide alerts or grace periods to account holders. Additionally, there are no information disclosure requirements, so banks are not obligated to report the total NSF fees collected to the public.

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Conclusion

The amendments represent a significant step towards protecting consumers from unfair banking fees and ensuring financial stability for vulnerable populations. Banks will need to adapt to these changes, balancing consumer protection with efficient business operations.

*The authors of this article gratefully acknowledge the contributions of articling student **Duncan Crabtree** in the preparation of this article.*

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