

# Financing Main Street — RESEARCH SERIES —

Report #3: A small business rating of their banking services

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#### Financing Main Street Research Series

This report is the *third* in CFIB's 2023-24 update of the small business banking research series, *Financing Main Street*.

- The *first* report<sup>i</sup> examined the distribution of small business market share across major financial institutions. It found that while the Royal Bank of Canada (RBC) holds the greatest market share of small businesses in Canada, certain financial institutions dominate the market for businesses of different sizes and sectors.
- The *second* report<sup>ii</sup> provided a comprehensive update on the financing trends for small businesses and the challenges they have faced in seeking funding. It found that SME demand for financing has significantly increased and, over the last three years, a majority of small entrepreneurs that required financing for their business needed to pledge a personal guarantee to be approved by their bank.

All reports in the series are available at [Research Series: Financing Main Street](#).

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## Key takeaways



- CFIB's latest bank rankings continue to show that credit unions scored the highest with overall satisfaction of their banking services to SMEs.
- Royal Bank achieved the biggest improvement from its 2019 ranking, moving from ninth to fourth place overall, making it the highest-scoring bank among the Big Five for SMEs.
- Comparing 2022 and 2019, it is somewhat concerning that the top overall score decreased and comes in below 6.0 when the highest possible score would be a 10.0. This suggests that even small business customers that bank with a top-rated institution may not be getting as high a level of service as they would like.
- The impacts of the pandemic are being felt in banking relationships.
  - ATB Financial falls from second place in 2019 to ninth place as of 2022. Many SMEs felt that ATB's response in understanding the struggles and challenges that businesses encountered throughout the pandemic fell short.
  - Some of the hardest-hit sectors, such as hospitality, social services, as well as arts, recreation, and information, displayed the highest levels of dissatisfaction with the overall level of service provided by their financial institutions.
- Most banks received a slightly increased financing score in 2022 or have stayed relatively close to their 2019 results.
- The costs and fees associated with banking can have a substantial impact on a small business's bottom line. There is a pressing need for a more diverse range of financial service providers that can offer business owners more cost-effective and efficient options to quickly transfer or deposit funds.
  - Credit unions consistently maintain the highest rating for their banking fees.
- SMEs in small towns tend to experience better service from their financial institutions, likely due to the fact that banks can cultivate closer and more personalized relationships with their clients. Banks from large urban centres may have a more transactional approach to customer relationships.



## Introduction

Small businesses depend on banks for various financial services and the support they receive can greatly impact their day-to-day operations. Knowing this, Canadian banks generally provide a range of products and services tailored to the needs of their small and medium-sized enterprise (SME) clients. The quality of products and services that a small entrepreneur receives, however, varies from one financial institution to the next and often depends on the size and specific requirements of each SME client.

With banking and financing services being so critical to the success of small businesses, it is important to evaluate and understand how financial institutions are performing for their small business clients. Recognizing this, the Canadian Federation of Independent Business (CFIB) has been monitoring how Canada's banks serve and support SMEs across the country for several decades.

This 2024 edition is the fifth study CFIB has published since 2010<sup>iii</sup> evaluating the performance of Canadian banks in their dealings with small businesses.

Based on feedback collected from their small business clients, this study sheds light on the quality of key banking services provided by financial institutions across the country and uses the findings to score and rank the banks accordingly. It then provides recommendations based on those results for both banks and governments on how to improve the banking

experience for small businesses. New to this edition are provincial, regional, and sectoral analyses of small business owners' level of satisfaction with Canada's financial institutions. To be noted, due to sample size constraints, HSBC has been excluded from these breakouts.

Also special to this edition is an assessment of how banks responded to the challenges presented by COVID-19. Canadian banks played a crucial role in supporting small businesses during the pandemic by offering financial relief options and guidance, as well as resources to help businesses navigate economic challenges. As the specific support and services varied across institutions, this report also evaluates the pandemic response employed by each bank.

Given that both the successes and shortcomings of the most commonly used financial institutions<sup>iv</sup> are highlighted, banks should use the findings in this study to better understand what they do well, and where they can work to improve the quality of the services they provide to their small business clients. Those that can address the areas of concern effectively and implement the recommended changes will likely realize greater returns.

## How these report results were built

The findings presented in this report are based on results obtained from CFIB's Banking and Financing online survey that was conducted from October 20 to December 13, 2022, and is based on a sample of 7,193 small business owners across Canada.

These results were used to score and rank the banks used by SMEs across the country, and each bank's score is based on feedback from its small business clients. In developing the approach for evaluating the banks, CFIB determined the areas of banking that are most important for small and medium-sized businesses based on member feedback.

The key areas of evaluation include:

- **Financing:** Reliable and affordable financing with competitive terms is essential for any business, whether it is just starting out or established and aiming to grow. In the area of financing, small businesses were asked to indicate how satisfied they are with the range of financial products and services offered by their banks, specifically lending terms, willingness to lend, and information required for financing.
- **Fees:** While small entrepreneurs know that any product or service comes with a cost, they still expect to see equal value for the fees they pay. As such, small businesses assessed the various fees associated with the different types of banking services and products available through their banks.
- **Account manager:** Strongly linked to the level of customer service a small business receives from its bank, the relationship between a

business client and their local branch account manager can be critical to their overall banking experience. In this key area, businesses were asked to assess the relationship with their account manager in terms of the treatment they receive, accessibility, and whether they felt the account manager understood their business.

- **Service:** Lastly, there are some essential services that all banks should offer. In the area of service, SMEs evaluated the availability of other services, such as bank statements that identify various fees and services in a transparent and easy-to-read format, access to online banking, educational materials, business support, as well as proximity and access to branches.

Each key area of evaluation received equal weight (25 per cent) when calculating the overall score for each bank. Bank scores are based on a relative scale of 0 (worst) to 10 (best). See Appendix 1 for more details on the methodology, including how scores were calculated and the composition of each key area of banking that was evaluated.

Recognizing the period this study would cover, respondents were instructed to answer the survey questions that informed the key areas of evaluation based on their experiences with their financial institution outside of any specific COVID-related support they received. Knowing that many businesses' experiences with banking over the last three years may have been influenced by the pandemic, the survey also included targeted questions to evaluate the quality of the pandemic-related services provided by banks to SMEs during this period. As a result, this report separates the evaluation of typical banking services from COVID-19 banking services.

## Scoring the banks



Overall

Financing

Fees

Account manager

Service

## Satisfaction with most financial institutions has varied since 2009, but credit unions have kept their lead

Since 2009, small business clients of credit unions have expressed the greatest overall satisfaction with the quality of service they receive from their financial institution (Figure 1). In comparison, businesses that do their banking with one of the Big Five (i.e., Bank of Montreal [BMO], Royal Bank of Canada [RBC], Canadian Imperial Bank of Commerce [CIBC], TD Canada Trust [TD], and Scotiabank) report lower levels of satisfaction. That said, there have been some notable shifts in the overall ranking from best (1) to worst (10) banking service provider since the last evaluation was conducted in 2019.

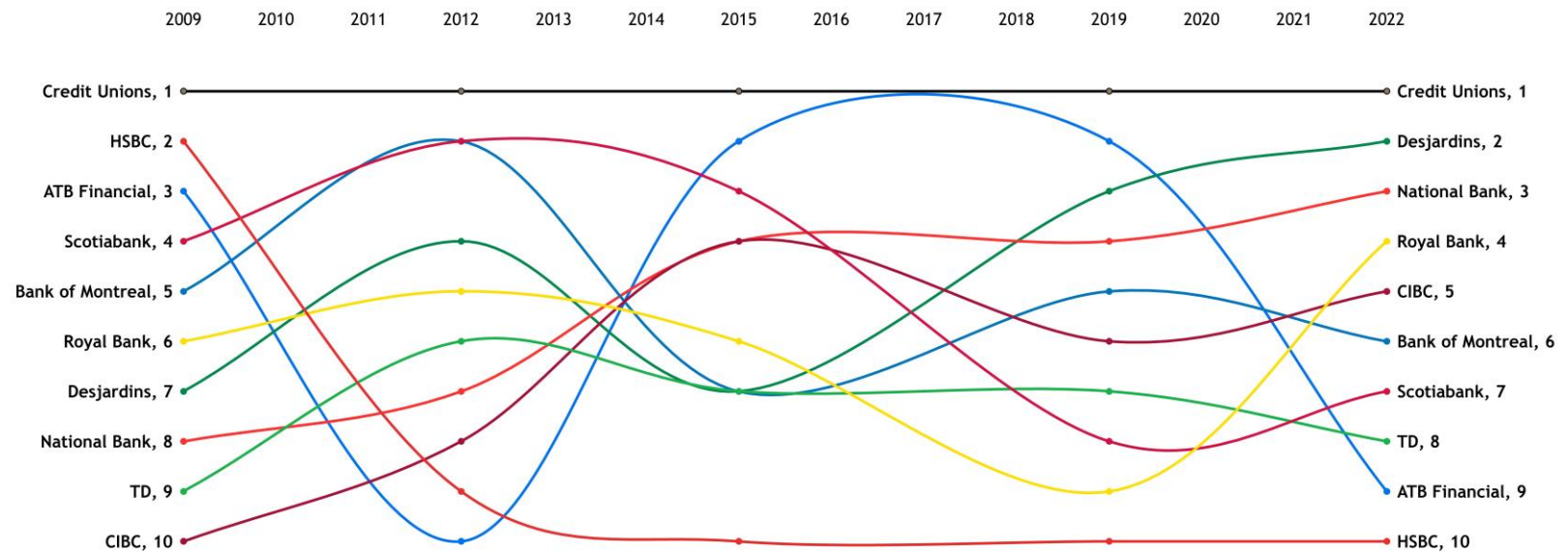
Among the bigger institutions, RBC improved its ranking considerably, jumping from ninth place in 2019 to fourth place as of 2022 and outperforming the rest of the Big Five. While CIBC improved its ranking by one spot and BMO fell by one, both remain around the middle of the

pack at fifth and sixth place, respectively. Scotiabank<sup>v</sup> and TD continue to find themselves near the bottom of the Big Five, though Scotiabank has improved its ranking by one spot since 2019, moving from eighth to seventh place.

Among smaller institutions, Desjardins continues to be well reviewed by its small business clients and has moved into second place. Also making gains, National Bank increased its standing to third place. Standing out as the institution that lost the most ground overall, ATB Financial fell from second place in 2019 to ninth as of 2022. HSBC continues to rank last overall, which is unsurprising given its comparative lack of presence in the small business market.<sup>vi</sup> For the same reason, further breakout analysis of HSBC is limited due to small sample sizes.

FIGURE 1

SME ranking of financial institutions from 2009-2022



Source: CFIB, Banking, Financing, and Payments surveys, 2009-2022.

With overall satisfaction in 2022 generally lower than in 2019, credit unions have remained strong, while ATB has lost a lot of ground

Taking a closer look at the scores that determined the rankings, each bank received an overall score based on its average scores across the four key areas of evaluation (i.e., financing, fees, account manager, service). As of 2022, credit unions received the highest overall score of 5.97 (Figure 2), marking a dip from 2019 when they received a score of 6.19. Desjardins and National Bank follow closely behind with overall scores of 5.56 and 5.19, respectively, marking an increase from 2019 (4.23 for Desjardins, 3.51 for National Bank).

Among the Big Five, RBC saw the largest increase in its overall score, jumping from 2.69 in 2019 to 4.01 in 2022. While there was little movement in the rankings for CIBC, Scotiabank, and TD, they did see their overall scores increase slightly compared to the 2019 results. In contrast, BMO was the only big bank to see a marginal decrease in its overall score from 3.40 in 2019 to 3.31 in 2022.

The biggest surprise with this year's overall scores was the drop experienced by ATB Financial. While it placed second overall with a score

of 4.42 in 2019, it dropped to 3.07 in 2022. This partly explains why the bank fell seven spots in the overall rankings. Finally, over the past decade HSBC has consistently found itself toward the bottom of the rankings. This remains true as of 2022. However, HSBC's overall score increased slightly from 2.49 in 2019 to 2.76 in this year's evaluation.

It should also be noted that a trend seems to have developed over the last few iterations of this analysis where the overall range of scores achieved by the banks under evaluation is shrinking. While the range between the top-scoring financial institution (credit unions at 5.97) and the lowest-scoring financial institution (HSBC at 2.76) was 3.21 in 2022, this marked a decrease of nearly 0.5 points since 2019 when the range was 3.7.<sup>vii</sup> Comparing 2022 and 2019 in particular, it is somewhat concerning that the top score decreased and comes in below 6.0 when the highest possible score to achieve would be a 10.0. This suggests that even small business customers that bank with a top-rated institution may not be getting as high a level of service as they would like.

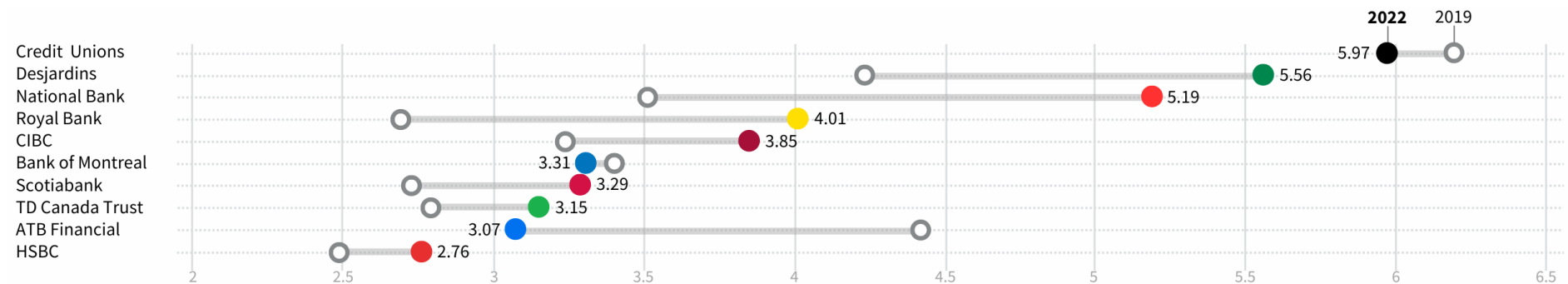


“ATB Financial has been terrible at understanding the challenges that businesses faced during COVID-19 and also previous to the pandemic in regard to the downturn in the oil and gas industry.”

*ATB small business client - Personal Services, AB*

FIGURE 2

Overall score for banking services as determined by SME clients - by main financial institution, 2022 vs. 2019 (Best=10; Worst=0)



Source: CFIB, Banking, Financing, and Payments surveys, 2019, 2022.





“History no longer matters with your financial institution. You are considered a number and nothing else. Loyalty means nothing to them anymore.”

*RBC small business client - Transportation, QC*

## Overall satisfaction by size of business: the bigger the business, the better the score

When looking at overall scores by size of business, there has been some movement since 2019 that is worth noting.

### Micro-businesses (fewer than five employees)

When it comes to serving micro-businesses, credit unions received the highest overall score of 5.84 for 2022. This is a slight decrease from the 2019 results when their overall score was 5.75. Similar to the 2019 results, Desjardins and National Bank follow closely behind. Among the Big Five, BMO received the worst overall score of 2.57, down from its 2019 result of 3.26. The biggest jump was achieved by RBC, which placed first among the Big Five with a score of 3.10, a vast improvement from 2019 when it placed last overall with a score of 1.90. TD, Scotiabank, and CIBC all saw marginal increases to their overall scores. ATB received the worst overall ranking (2.36), marking a dramatic drop from second place with a score of 4.52 in 2019.

### Small businesses (5 to 49 employees)

In general, the scores given to financial institutions by small businesses (those with 5 to 49 employees) were slightly higher than those given by micro-businesses. This year, scores increased in this segment for every financial institution, with the exception of National Bank. Credit unions continue to top this list, despite dropping from 6.29 in 2019 to 5.93 in 2022. National Bank and Desjardins follow closely behind with overall satisfaction scores increasing from their 2019 results. RBC saw the biggest jump from 2019 (3.07) to 2022 (4.48), putting it in fourth place and making it the most preferred big bank among small businesses. BMO, Scotiabank, and TD continue to find themselves near the bottom of the list.

### Medium-sized businesses (50+ employees)

As displayed in Table 1, medium-sized businesses gave some of the highest scores to the big banks. Due to sample size constraints for some of the regional institutions, such as credit unions, Desjardins, National Bank, and ATB, these banks could not be scored and compared alongside the Big Five. This noted, compared to 2019, RBC, CIBC, and BMO all managed to marginally increase their scores. In contrast, Scotiabank and TD, both of which have traditionally done well among medium-sized businesses, experienced a drop in their overall scores.

TABLE 1

### Overall level of banking services as scored by SMEs - by size of business, 2022

	Micro (0-4 employees)	Small (5-49 employees)	Medium-sized (50+ employees)
Credit unions	5.84	5.93	—
Desjardins	5.35	5.42	—
National Bank	5.37	5.05	—
RBC	3.10	4.48	6.96*
CIBC	2.88	4.39	6.62*
BMO	2.57	3.71	5.45*
Scotiabank	2.79	3.56	4.71*
TD	2.77	3.37	4.27*
ATB Financial	2.36	3.61	—
Average	3.67	4.39	5.60

## Overall satisfaction by province: credit unions dominate, but other players also do very well in certain regions

Credit unions continue to rank well across all of Canada, receiving top scores in the western regions of the country (BC, AB, MB) and consistently placing second for all other regions (SK, ON, Atlantic), with the exception of Quebec where Desjardins effectively replaces them as the financial cooperative option. Although CIBC represents only 7.7% of the small business market share in Atlantic Canada, it received the highest score (8.33) for its overall level of service.<sup>viii</sup> Scotiabank, on the other hand, holds 33.5% of the small business market share in Atlantic Canada, and unfortunately received the lowest overall rating in the region (5.40).<sup>ix</sup>

For Quebec and Ontario, Desjardins received the top scores for clients' overall level of satisfaction. In Quebec, 45% of small businesses are banking with Desjardins and it is not unexpected for them to perform well within this market. It is more surprising that, in Ontario, where Desjardins only serves a small proportion of SMEs, the bank also topped the list for its overall level of service. National Bank, which holds a sizeable market share of small businesses in Quebec (compared to its

presence in other provinces), received the second highest score (6.62) for its overall level of service. To be noted, Scotiabank received the lowest overall score from its small business clients in both Ontario and Quebec.

In the West, the overall satisfaction with banking services is slightly different. While credit unions perform well in Saskatchewan, placing second, it is RBC (6.84) that received the highest overall score for its level of service. Other honourable mentions are Scotiabank in British Columbia with a score of 6.50, CIBC in Alberta with a score of 6.39 and in Manitoba with a score of 5.99. It should be noted that ATB's overall score by province of 5.11 is higher than its overall score from Figure 2 (3.07). The data in Figure 2 does not include ATB's data from medium-sized businesses (50+ employees) due to the small sample size, whereas the provincial data provides results from all business sizes. This indicates that ATB does better at serving larger businesses and should focus on improving services for micro-/small businesses.

“The monthly fees are high, annual fees are a joke. They are only interested in putting the numbers into their formula and whatever the system tells them is their answer. The banks make millions of dollars a quarter and they hammer small businesses to death with their fees. They offer new technology to help, but they charge additional fees.”

*BMO small business client - Manufacturing, ON*



TABLE 2

### Overall level of banking services as scored by SMEs - by province/region, 2022

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic
Credit unions	7.24	8.43	6.70	8.18	7.94	—	8.18
Desjardins	—	—	—	—	8.14*	7.25	—
National Bank	—	—	—	—	—	6.62	—
RBC	5.93	5.68	6.84	5.49*	5.66	5.91	6.46
CIBC	4.84	6.39	4.90*	5.99*	5.56	6.50*	8.33*
BMO	5.93	4.05	—	—	5.07	6.61	6.68
Scotiabank	6.50	5.06	6.52*	5.30*	5.03	3.84	5.40
TD	4.02	4.11	3.38*	5.21*	5.45	5.45	5.41
ATB Financial	—	5.11	—	—	—	—	—
Average	5.74	5.55	5.67	6.03	6.12	6.03	6.74

### Overall satisfaction by community size: SMEs in small towns feel better served by their financial institutions

The overall level of service provided to small businesses by their financial institutions can vary based on whether they are located in small towns or in large urban population centres. In fact, the results of this study indicate that businesses in small population centres are most satisfied with the overall level of service received from their banks. Generally, the scores attained by financial institutions in rural, small, and medium population centres are higher than those in large urban centres.

One explanation for this trend may be that, in small towns, banks often have closer and more personal relationships with their customers,

including SMEs. This can lead to more customized services and a better understanding of the specific needs of local businesses. In contrast, in large urban population centres, banks may have a more transactional approach to customer relationships, and there is often a greater degree of competition in terms of the banking options available to consumers and businesses alike. While this can lead to a wider range of services being offered, it may also result in a more standardized and less personalized approach.

TABLE 3

Overall level of banking services as scored by SMEs - by community size, 2022

	Rural (population less than 1,000)	Small population centre (1,000-29,999)	Medium population centre (30,000-99,999)	Large urban population centre (100,000+)
Credit Unions	8.09	7.83	9.24	7.97
Desjardins	6.94	8.50	6.20	7.06
National Bank	7.55	6.67	7.03	6.21
Royal Bank	5.62	5.83	6.48	5.11
CIBC	6.09	6.04	5.94	4.93
BMO	6.38	4.48	3.50	4.79
Scotiabank	5.00	5.68	5.53	3.97
TD	4.80	4.92	4.41	4.44
ATB Financial	4.45*	5.85	3.05*	3.20
Average	6.10	6.20	5.71	5.30

“The customer service has really declined, not enough knowledgeable staff.

Can't contact the bank directly, all calls go through the switchboard, not very helpful.”

ATB small business client - Personal Services, AB



## Overall satisfaction by sector: COVID-19 impacts are being felt in banking relationships

Businesses from the agriculture, construction, as well as finance, insurance, real estate, and leasing sectors displayed the highest levels of satisfaction with the overall level of service they receive from their banks. While most of the Big Five Banks seem to have a dedicated department that offers banking solutions as well as advice from agricultural specialists, many of our agribusiness members were most satisfied with TD's overall service and most disappointed by the overall services provided by CIBC. As a result, agribusinesses ranked TD as the best financial institution for its overall level of service.

In contrast, SMEs based in hospitality, social services, as well as arts, recreation, and information displayed the highest levels of dissatisfaction with the overall level of service they received from their financial

institutions. In fact, the scores given by small businesses from these sectors are some of the lowest for each individual bank. Even credit unions seem to underperform based on the scores from these sectors (hospitality: 5.73, social services: 6.33, arts, recreation, and information: 6.56). While each of these sectors ultimately faces a set of unique challenges, one common explanation for this finding may be linked to the fact that businesses in these industries were also among some of the hardest hit during the COVID-19 pandemic. This suggests that financial institutions have failed to truly meet the banking needs of these businesses and highlights an opportunity for Canadian banks to further develop their understanding of, and expertise in, these specific industries to better support the financial needs of those businesses.

TABLE 4

### Overall level of banking services as scored by SMEs - by economic sector, 2022

	Agri.	Const.	Manufac.	Wholesale	Arts, Rec. & Info.	Fin., Ins., R.E. & Leasing	Prof. Services	Social Services	Hospitality	Personal, Misc. Services	Transportation	Retail	Ent. & Admin. Mgmt.
Credit unions	6.70	7.12	7.58	7.21*	6.56*	7.61*	6.43	6.33*	5.73	6.11	6.64*	6.60	6.75*
Desjardins	6.88*	6.69	6.82	5.56*	—	—	7.18*	—	5.24	5.96	5.74*	5.87	—
National Bank	—	5.29*	5.51*	—	—	—	—	—	—	6.34	—	5.88	—
RBC	6.59*	5.81	5.64	6.35	3.68*	5.43*	5.53	4.63	3.88	4.40	4.74*	4.62	4.69
CIBC	4.42*	5.20	4.96	5.47*	—	—	5.48	4.71*	3.23	4.82	4.57*	5.27	—
BMO	5.12*	5.55	3.61	6.24	3.96*	4.04*	4.07*	4.24	4.43	4.92	4.95*	4.19	—
Scotiabank	6.27*	4.52	4.37	3.88	5.24*	5.37*	4.88	4.17	3.28	4.51	4.18*	4.26	4.15
TD	7.28*	4.93	4.68	3.81	2.70*	4.60*	5.07	4.53	3.64	4.90	5.22*	3.73	5.42
ATB Financial	—	3.83*	—	3.68	—	—	—	—	—	—	—	4.65	—
<b>Average</b>	6.18	5.44	5.40	5.28	4.43	5.41	5.52	4.77	4.20	5.23	5.15	5.01	5.25



“The Canadian banking system is perhaps the single greatest inefficiency in our economy strangling growth and innovation.”

It also reduces consumer spending power through exorbitant fees and high consumer interest rates.”

*CIBC small business client - Personal Services, ON*

## Financing scores have slightly increased between 2019 and 2022, potentially due to the pandemic

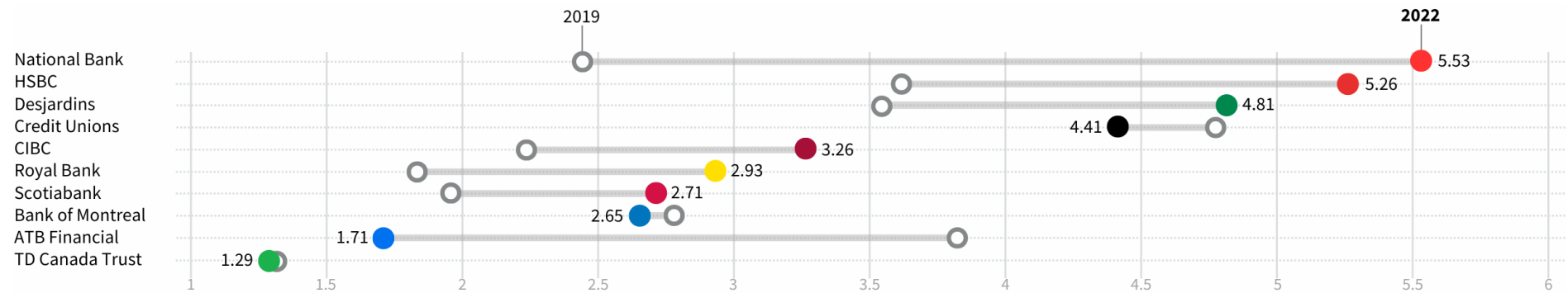
Reliable and affordable financing options are critical to a small business's success. In fact, SMEs rely on competitive and secure financing options from their primary institution to support their day-to-day expenses, as well as for longer-term borrowing requirements. As such, we asked small businesses to rank the financial products and services offered by their banks. This included lending terms, willingness to lend, and information required for financing.

As can be seen in Figure 3, National Bank, HSBC, and Desjardins received the highest overall scores for the category of financing. This is a bit of a shift from the 2019 data where credit unions (4.77) and ATB (3.82)

ranked at the top of that list. Despite the change in rankings, most banks have received a slightly increased score in 2022 or have stayed relatively close to their 2019 data, with the exception of ATB whose score took a significant hit (dropping from 3.82 in 2019 to 1.71 in 2022). While we are pleased to see most results trending positively, we would note that financing scores could have been skewed by the "loan guarantee programs" implemented by the federal government during the COVID-19 crisis, which encouraged banks and other financial institutions to extend credit to SMEs. Programs like the Canada Emergency Business Account (CEBA) were backed up by the federal government, which reduced the risk from the lender and made it easier for SMEs to secure loans.

FIGURE 3

Bank financing as scored by SME clients - by main financial institution, 2022 vs. 2019 (Best=10; Worst=0)



Source: CFIB, Banking, Financing, and Payments surveys, 2019, 2022.

### Financing score highlights

- While credit unions received the highest scores for financing from micro-businesses in 2019, it was National Bank that received the best financing score in 2022, nearly tripling its score from 2019.
- For small businesses, Desjardins and National Bank are at the top, displacing credit unions, which are now in third place. Medium-sized businesses, which are mainly seeking financing services and options from the Big Five Banks, continue to give them comparatively higher scores.
- Businesses from Atlantic Canada, where financing scores are generally higher than other provinces, and those from Quebec give CIBC their highest score. Desjardins gets the top marks in Ontario, while credits unions (Manitoba, Alberta), Scotiabank (Saskatchewan) and BMO (British Columbia) split the honours in the West. In comparison to the 2019 results, the smaller institutions, such as credit unions, Desjardins, and ATB, saw their financing scores decrease, whereas the Big Five Banks seem to be performing slightly better.
- Despite small differences in ranks, the financing scores vary little between rural and urban centres.
- The arts, recreation, and information, hospitality, and transportation sectors were the least satisfied with financing options provided by their banks.

“Banks here are severely risk averse, not willing to lend a dime after being in business for decades unless we put a cash deposit down, which effectively is not really lending. The massive profits they generate do not motivate them to work a little harder. Just leaning back and watching the cash roll in. Let's open the market for foreign banks and watch the Big 5 scramble and lose.”

*Scotiabank small business client - Retail, ON*

“Banks are totally useless for independent businesses. Thank goodness for 2<sup>nd</sup> tier lenders and BDC.”

*CIBC small business client - Retail, ON*

TABLE 5

### Bank financing according to SMEs - Top 2022 scores

	#1	#2	#3
Micro-businesses (0-4)	● NB	● CU	● DES
Small businesses (5-49)	● DES	● NB	● CU
Medium-sized businesses (50+)	● RBC	● CIBC	● BMO
Atlantic	● CIBC	● BMO	● CU
Quebec	● CIBC	● DES	● NB
Ontario	● DES	● CU	● CIBC
Manitoba	● CU	● CIBC	● SB
Saskatchewan	● SB	● RBC	● CU
Alberta	● CU	● CIBC	● RBC
British Columbia	● BMO	● CU	● SB
Rural (population less than 1,000)	● BMO	● CU	● NB
1,000-29,999	● DES	● NB	● CU
30,000-99,999	● CU	● RBC	● NB
100,000+	● NB	● DES	● CU
Agriculture	● SB	● RBC ● TD	● CU
Construction	● CU	● DES	● RBC
Manufacturing	● RBC	● CU	● DES
Transportation	● DES	● BMO	● RBC
Wholesale	● CIBC	● ATB	● RBC
Retail	● DES	● NB	● CU
Arts, recreation & information	● SB	● BMO	● RBC
Finance, insur., real est. & leasing	● SB	● CU	● RBC
Enterprise & admin. management	● CU	● SB	● RBC
Professional services	● CIBC	● DES	● CU
Social services	● CIBC	● CU	● SB
Hospitality	● BMO	● DES	● CU
Personal, misc. services	● DES	● NB	● CU

\* The natural resources sector was not included due to the low number of responses.

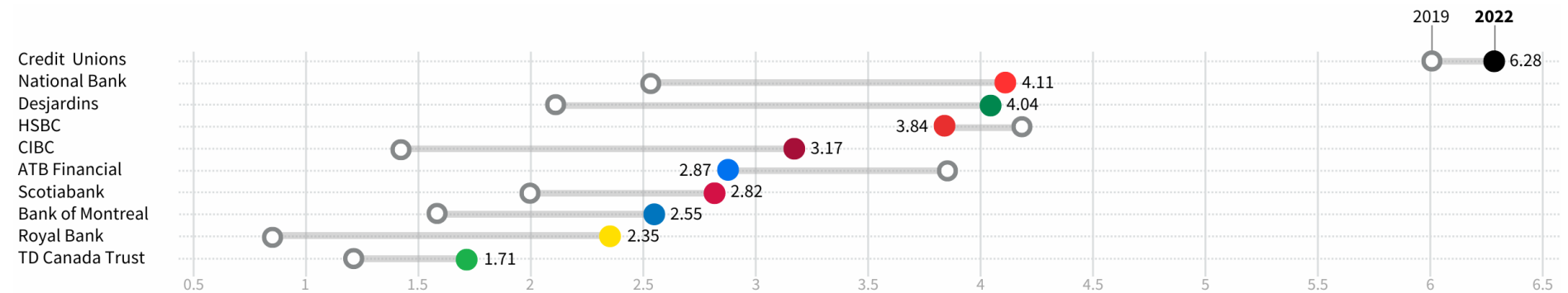
## Banking fee scores are up in 2022, but they still remain a major cost constraint for SMEs

CFIB's Business Barometer from October 2023 found that 41% of small business owners report bank account and processing fees as a major cost constraint for their business.<sup>x</sup> Banking costs and fees can significantly impact a small business's bottom line. While business owners understand that any product or service has a price, they expect the level of fees charged to reflect the quality and level of service received. In addition to getting their money's worth, businesses do not want to pay extra for things that make little sense, such as charges for moving money between accounts or fees for paying their taxes. In evaluating the performance of financial institutions around fees, small business owners were asked to indicate their level of satisfaction with the various fees associated with the different types of banking services and products available to them.

The level of banking fees for SMEs can vary based on the financial institution they choose as well as the type of account they use. Credit unions are generally able to offer lower fees for various banking services, including business checking accounts, savings accounts, and loans. This can be especially attractive for small businesses looking to reduce their operating costs. As in past iterations, credit unions continue to rank highest for their fees (6.28), marking a slight increase from their 2019 result of 6.00. With the exception of ATB and HSBC, all other financial institutions saw their fee scores increase this year, in comparison to their 2019 results. Even TD, with its last place ranking (1.71 in 2022), saw a marginal increase in comparison with 2019 (1.21). RBC experienced the biggest jump in score, from 0.85 in 2019 to 2.35 in 2022, but it remains near the bottom of the ranks for bank fees. Among the Big Five Banks, CIBC (3.17) received the highest score this year, taking over from Scotiabank in 2019.

FIGURE 4

Bank fees as scored by SME clients - by main financial institution, 2022 vs. 2019 (Best=10; Worst=0)



Source: CFIB, Banking, Financing, and Payments surveys, 2019, 2022.



“Canada’s banking sector lacks real competition to move this sector into the 21<sup>st</sup> century. Compared to their European and Asian counterparts, the Canadian banks continue to rely on payment instruments that were eliminated decades ago in other countries.

The online banking systems we have to use in Canada are vulnerable, antiquated, and not user-friendly. Innovation in banking would reduce so much time and free up capital.”

*CIBC small business client - Agriculture, BC*

## More banking tools and options could lead to cost-efficient banking solutions for SMEs

Over the years, many of our members have expressed concerns over the lack of inexpensive and efficient ways for business owners to quickly transfer or deposit funds. Timely access to funds is vital for small businesses as they manage day-to-day operations, cash flow, and pay their suppliers. For many small business owners, cheques remain an important payment method. However, one of the notable downsides is the time it can take for banks to process a cheque, which can create delays in accessing funds. While most Canadian banks offer wire transfers, this service often comes with high transaction fees, especially if money is being paid internationally. While there are more and more online payment options available to small businesses, such as PayPal or e-transfers, many of these have limitations. For example, e-transfer services often have transaction limits, which can restrict the ability for a small business owner to make large or high-volume payments.

As our financial landscape continues to evolve, it is essential that Canada keep up. Small businesses are often faced with various payment-related issues and challenges that can hinder their competitiveness and financial stability. There is a need for a more diversified group of financial service providers in Canada. This would encourage innovation and lead to the development of new user-friendly, accessible, and cost-efficient payment solutions for small businesses.

### Open banking:

Open banking has the potential to have a significant impact on small businesses. With the ability to give businesses more control over their financial data and account information (e.g., greater access to financial data, improved financial services, more options for efficient financial transactions, broader range of financing options), open banking has the potential to be more accessible and less restrictive than traditional banking services.

### Real-time payment systems/Real-time rail (RTR):

Real-time payment systems have the potential to impact small businesses in a positive manner. With the lack of fast and efficient ways to transfer and deposit funds, real-time payment systems could allow small businesses to move funds between bank accounts (near) instantly. The technology has the potential to allow small businesses to make/receive payments quickly to/from their suppliers, other businesses, customers, bill payees, etc. Having real-time access to their financial transactions and balances allows small businesses to make informed financial decisions and better manage their cash flow.



### Fee score highlights

- Credit unions generally had the highest levels of satisfaction with banking fees among both micro- and small businesses. When it comes to businesses with more than 50 employees, CIBC scored the highest. Scores generally increased among the Big Five Banks, as the businesses got bigger.
- Provincially, fee levels for SME banking services show little variation across the country. Credit unions consistently lead the rankings, except in Quebec, where Bank of Montreal receives the highest fee score.
- Scores for small business banking fees and costs remain consistent regardless of location, likely due to standardized fee structures applied by financial institutions, whether in rural or urban areas.
- Banking fees and costs can differ based on the industry in which a business operates. Agribusinesses are the most satisfied with their fees, while hospitality, arts, recreation and information, and retail businesses are less satisfied, likely due to higher transaction volumes.

“The fees are becoming outrageous. I am penalized (paying) for actually depositing cash and for buying change at the bank.”

*ATB small business client - Retail, AB*

“Online payment of larger amounts (over \$4,000) is very expensive [...]. Very labour-intensive where it should be easy and fast.

Unfortunately, writing a cheque is still the faster and cheaper way to pay large amounts if you bank with CIBC.”

*CIBC small business client - Agriculture, AB*



TABLE 6

### Bank fees according to SMEs - Top 2022 scores

	#1	#2	#3
Micro-businesses (0-4)	● CU	● DES ● NB	● ATB ● BMO
Small businesses (5-49)	● CU	● NB	● CIBC
Medium-sized businesses (50+)	● CIBC	● RBC	● SB
Atlantic	● CU	● CIBC	● RBC
Quebec	● BMO	● NB	● DES
Ontario	● CU	● DES	● CIBC
Manitoba	● CU	● CIBC	● SB
Saskatchewan	● CU	● SB	● RBC
Alberta	● CU	● ATB	● CIBC
British Columbia	● CU	● SB	● RBC
Rural (population less than 1,000)	● CU	● CIBC	● NB
1,000-29,999	● CU	● NB	● DES
30,000-99,999	● CU	● NB	● DES
100,000+	● CU	● DES	● CIBC
Agriculture	● RBC	● BMO	● DES
Construction	● CU	● CIBC	● DES
Manufacturing	● CU	● DES	● CIBC
Transportation	● CU	● BMO	● CIBC
Wholesale	● CU	● BMO	● DES
Retail	● CU	● NB	● DES
Arts, recreation & information	● CU	● BMO	● SB
Finance, insur., real est. & leasing	● CU	● SB	● RBC
Enterprise & admin. management	● CU	● TD	● SB
Professional services	● CU	● DES	● CIBC
Social services	● CU	● DES	● CIBC
Hospitality	● CU	● DES	● BMO
Personal, misc. services	● CU	● NB	● SB

\* The natural resources sector was not included due to the low number of responses.

Overall

Financing

Fees

Account manager

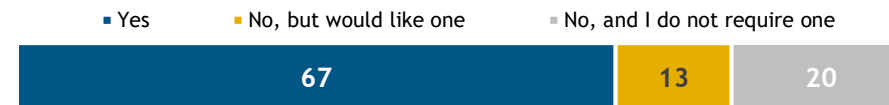
Service

## While many use them, account managers do not understand the realities faced by SMEs

The quality of interactions with the local branch account manager can greatly impact SMEs' overall banking experience. As of 2022, over two thirds (67%) of small business owners currently have an account manager and another 13% do not have one now but would like one (Figure 5). While this marks a decrease since 2019 when corresponding shares were 73% and 8%, it still highlights the great importance for banks of ensuring their account managers are offering high quality services to their small business clients.

FIGURE 5

Four in five business owners either **have an account manager (67%)** or **would like one (13%)**



Source: CFIB, Banking and Financing survey, October 20-December 13, 2022, final results, n = 6,520.  
Question: Does your business have an account manager at its main financial institution? (Select one)  
Note: The following section that scores and ranks financial institutions on the service provided by their

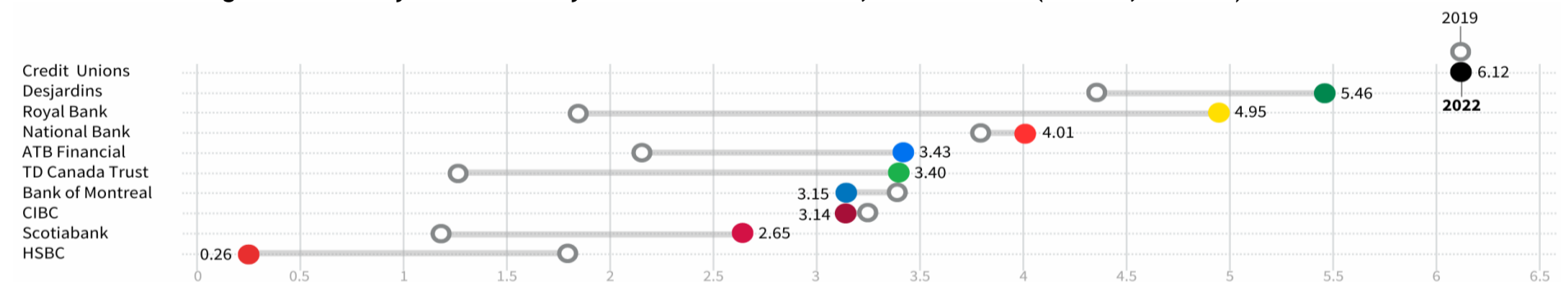
account managers is only based on the responses of small business owners who indicated they have an account manager.

Credit Unions, Desjardins, and RBC received the highest overall scores for the category of account manager (Figure 6). Rankings changed since 2019, most notably with RBC greatly improving its standing by moving from seventh place with a score of 1.85 to third with a score of 4.95. Credit unions and Desjardins maintained their first and second rankings, respectively, with credit unions achieving the exact same score as they did in 2019 (6.12). Desjardins, on the other hand, made some notable improvements, gaining more than a full point (compared to 4.36).

While Scotiabank previously ranked last overall in this service area with a score of 1.19, it has since moved up one spot to ninth and has increased its score significantly to 2.65. TD Canada Trust and ATB Financial also managed to improve their scores a considerable amount. TD jumped from second last overall in 2019 to sixth overall in 2022, while ATB went from sixth overall to fifth. CIBC and BMO were able to maintain similar scores to those that they achieved in 2019, improvements made by other institutions meant that both banks lost ground in the rankings.

FIGURE 6

Bank account managers as scored by SME clients - by main financial institution, 2022 vs. 2019 (Best=10; Worst=0)



Source: CFIB, Banking, Financing, and Payments surveys, 2019, 2022.

### Account manager score highlights

- While credit unions received the highest score for account manager services from micro-businesses in 2019, Desjardins scored the highest in 2022, moving from fourth to first place. Credit unions held on to the top spot among small businesses, but Desjardins dropped from second to third place as a result of RBC more than doubling its score since 2019. Among medium-sized businesses, which are mainly served by Big Five account managers, CIBC improved its score since 2019 and moved into first place ahead of RBC, while BMO nearly doubled its score, moving from last place overall to third.
- Looking to regional results for service provided to SMEs by their account managers, credit unions only secured the top score in Alberta though they ranked first overall in the category. RBC obtained the most first-place spots, scoring highest in the Atlantic, Manitoba, and Saskatchewan. In the two biggest provinces, Ontario and Quebec, Desjardins landed the top spot. Given that these are the main provinces where Desjardins concentrates its efforts, this result suggests that any strategy the bank has in terms of account manager services is paying off. Finally, for British Columbia, TD Canada Trust was the highest-scoring bank.
- There are significant differences in the scores obtained by banks in rural versus urban areas for account manager service. In rural areas, the range of scores was much smaller than in urban areas, suggesting that account managers from banks in lower density regions tend to offer a comparable level of service.
- In terms of how the banks ranked across economic sectors, credit unions secured first place across the greatest number of sectors (five out of 13). TD Canada Trust received the top score in nearly as many (four out of 13), scoring particularly high in the agriculture sector.

“Having a senior account manager that understands my business is critical - particularly during difficult times.”

*TD Canada Trust small business client - Agriculture, BC*

“We have an account manager, but we do not know their name or contact info. They never call us so I do without them, but I think they could assist us with making certain decisions pertaining to our business banking.”

*BMO small business client - Manufacturing, PEI*

TABLE 7

### Bank account manager according to SMEs - Top 2022 scores

	#1	#2	#3
Micro-businesses (0-4)	● DES	● CU	● RBC
Small businesses (5-49)	● CU	● RBC	● DES
Medium-sized businesses (50+)	● CIBC	● RBC	● BMO
Atlantic	● RBC	● CIBC	● CU
Quebec	● DES	● RBC	● TD
Ontario	● DES	● CU	● RBC
Manitoba	● RBC	● CU	● SB
Saskatchewan	● RBC	● CU	● SB
Alberta	● CU	● CIBC	● RBC
British Columbia	● TD	● BMO	● RBC
Rural (population less than 1,000)	● NB	● CU	● RBC
1,000-29,999	● DES	● CU	● RBC
30,000-99,999	● CU	● RBC	● CIBC
100,000+	● CU	● DES	● RBC
Agriculture	● TD	● RBC	● CU
Construction	● DES	● CU	● BMO
Manufacturing	● CU	● DES	● RBC
Transportation	● TD	● DES	● CU
Wholesale	● RBC	● BMO	● CU/● ATB
Retail	● CU	● RBC	● CIBC
Arts, recreation & information	● CU	● DES	● SB
Finance, insur., real est. & leasing	● CU	● RBC	● CIBC
Enterprise & admin. management	● TD	● RBC	● CU
Professional services	● NB	● DES	● RBC
Social services	● TD	● RBC	● CU
Hospitality	● CU	● RBC	● TD
Personal & misc. services	● NB	● ATB	● CU

\* The natural resources sector was not included due to the low number of responses.

Overall

Financing

Fees

Account manager

Service

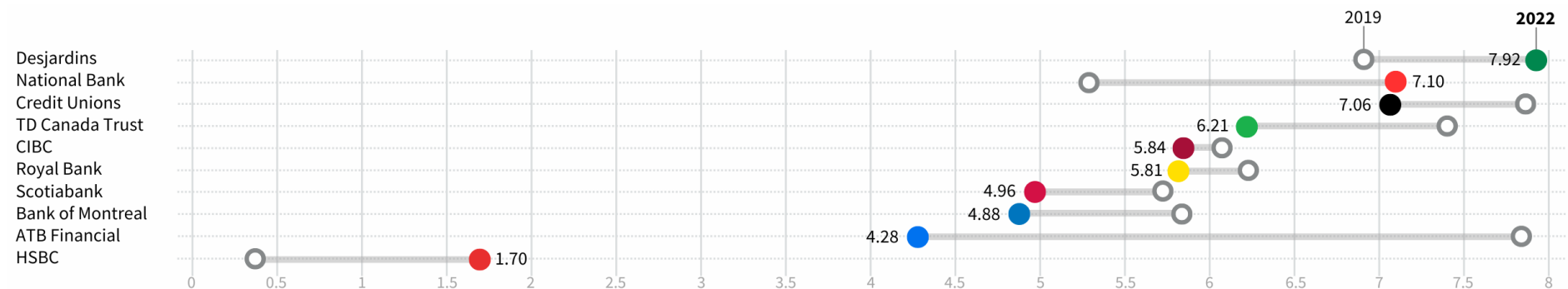
## Service scores declining among the bigger banks is a cause for concern

This year, when it comes to the services banks provide (such as bank statements that identify various fees and services in a transparent and easy-to-read format, access to online banking, educational materials, business support, proximity and access to branch), Desjardins received the highest score (7.92), up from its 2019 score of 6.90. National Bank made a big jump to second place this year with a service score of 7.10, especially when compared to its 2019 result of 5.28. Credit unions took a slight dip from their 2019 first-place finish (7.86), earning a service score of 7.06 in 2022. Among the Big Five, TD maintained its top position despite a drop in its score from 7.07 in 2019 to 6.21 in 2022. With the exception of HSBC, which seems to have slightly increased its score from 2019, service scores declined among the remaining financial institutions (CIBC, RBC, SB, BMO, ATB).

SMEs have high expectations for efficient, responsive, and helpful banking services, and the perception that banking services are getting worse for some small business owners is certainly concerning. Like many other industries, banks had to shift and evolve during the pandemic, introducing a number of new digital services. However, it is important for banks to maintain a high standard of service in both online and face-to-face interactions. Small businesses rely on their banks for a range of financial services. When those services fall short of expectations, it can impact SMEs significantly: disrupting their day-to-day operations, leading to potential financial losses, wasted time, lack of financial advice, etc. It is essential for banks to recognize the significance of their small business clients and make efforts to maintain and improve their customer service standards.

FIGURE 7

Bank service as scored by SME clients - by main financial institution, 2022 vs. 2019 (Best=10; Worst=0)



Source: CFIB, Banking, Financing, and Payments surveys, 2019, 2022.

### Service score highlights

- Regional banks like credit unions, Desjardins, and National Bank consistently receive top service scores from micro- and small businesses. Despite RBC and Bank of Montreal receiving top scores from medium-sized businesses, it remains concerning that most service scores given to the Big Five Banks are on a downward trend.
- Service scores exhibit minimal variation across provinces, despite some differences in banking ranks. Credit unions continued to top the list. With the exception of British Columbia and Alberta, all provinces consistently ranked Scotiabank near the bottom.
- Small businesses in large urban centers often report lower satisfaction with their financial services, possibly due to a perceived lack of personalized attention and inadequate understanding of their unique needs. On the other hand, small businesses in rural areas tend to be more satisfied with banking services, with regional banks like Desjardins, credit unions, and National Bank receiving the highest scores.
- Regional banks like Desjardins and credit unions consistently receive top service scores, while Scotiabank, CIBC, and Bank of Montreal rank near the bottom, receiving low service scores from SMEs in different sectors. Businesses from the arts, recreation, and information, hospitality, and social services sectors are the least satisfied with the services being provided by their financial institutions.

“I think our biggest issue is trying to get a hold of someone on the phone to discuss any issue or concerns.”

One must always make an appointment, which is time-consuming, often frustrating, and not always necessary, AND banking fees are exorbitant.”

*BMO small business client - Retail, AB*

“We have been a customer of the CIBC for 50 years, but that doesn't seem to matter to anyone working there. Severe lack of customer service that is very frustrating for a small business just trying to survive.”

*CIBC small business client - Manufacturing, ON*

TABLE 8

### Bank service according to SMEs - Top 2022 scores

	#1	#2	#3
Micro-businesses (0-4)	● NB	● DES	● CU
Small businesses (5-49)	● DES	● CU	● NB
Medium-sized businesses (50+)	● RBC	● TD	● BMO
Atlantic	● CIBC	● CU	● TD
Quebec	● DES	● CIBC	● BMO
Ontario	● CU	● DES	● TD
Manitoba	● RBC	● CU	● TD
Saskatchewan	● TD	● RBC	● CU
Alberta	● CU	● RBC	● SB
British Columbia	● CU	● SB	● CIBC
Rural (population less than 1,000)	● DES	● NB	● CU
1,000-29,999	● DES	● CU	● CIBC
30,000-99,999	● NB	● DES	● CU
100,000+	● DES	● NB	● TD
Agriculture	● DES	● TD	● CU
Construction	● DES	● CU	● TD
Manufacturing	● DES	● CU	● NB
Transportation	● DES	● RBC	● CU
Wholesale	● CU	● BMO	● DES
Retail	● NB	● DES	● CU
Arts, recreation & information	● CU	● CIBC	● SB
Finance, insur., real est. & leasing	● CU	● TD	● SB
Enterprise & admin. management	● CU	● RBC ● TD	● SB
Professional services	● DES	● TD	● RBC
Social services	● RBC	● BMO	● CIBC
Hospitality	● DES	● TD	● CU
Personal, misc. services	● TD	● DES	● NB

\* The natural resources sector was not included due to the low number of responses.



## Quality of service provided to small businesses during COVID-19

Bank rankings for the previous sections in this report (Financing, Fees, Service, Account Manager) are based on a survey where business owners were asked to consider their satisfaction with their main financial institution without any special consideration of COVID-19 implications. This was to ensure results from this most recent study could be compared to those of previous editions.

That said, the level of service provided by banks to business owners during this period clearly had a significant impact on how well they were able to adapt to changes in their financial situation. For example, in the spring of 2020, over a quarter of business owners indicated that they were having a difficult time dealing with their bank.<sup>xi</sup> A few months later, three in ten business owners indicated that they would give their bank a grade of “Average” or lower (Poor [D] or Unacceptable [F]) for their overall customer experience since the pandemic began.<sup>xii</sup>

To evaluate which banks did the best job at serving their clients during COVID-19, this study includes a separate scoring and ranking system. Small business clients were asked about their level of satisfaction in four

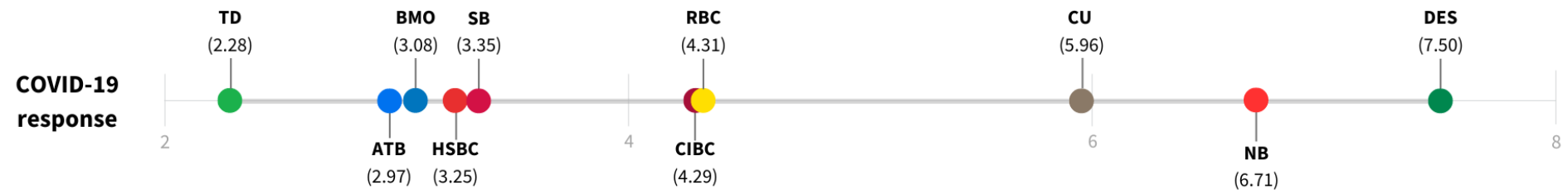
key categories of pandemic-related services provided by their main financial institution:

1. Access to pandemic financing (emergency federal relief programs, other loan programs such as BDC’s co-lending program, additional access to financing through a new loan, LOC, etc.)
2. Assistance with fees and/or payments (with existing mortgage/loan, deferral of payments, break on banking fees, etc.)
3. Remote service offering (access to services online, by phone, live representatives, etc.)
4. General satisfaction

Desjardins was the clear winner, ranking first out of all ten financial institutions for greatest overall small business customer satisfaction with the service they received over the course of the pandemic (Figure 8). Following Desjardins’s notable lead, National Bank came in second place and credit unions came in third. On the other end of the scale, TD Canada Trust placed last, and the rest of the Big Five Banks were also concentrated toward the lower end of the scoring range.

FIGURE 8

### Banks’ overall score for treatment of businesses during the pandemic, 2022 (Best=10; Worst=0)



Source: CFIB, Banking, Financing, and Payments survey, 2022.

“People working at home while managing kids and dogs do not supply good service.”

*RBC small business client - Manufacturing, ON*



“During COVID, our sales dropped. Bank fees went up. Lines of credit were reduced by 50%. Interest rates are through the roof. Banks keep making money off small businesses.

All-time profit gains. They offered government-backed loans, but cut our operating line of credit. Reducing their risk but harming our business.”

*BMO small business client - Enterprises & Admin. Mgmt., ON*

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Taking a closer look at the scores that determined the COVID-19 service rankings, Desjardins scored highest in three out of the four categories of evaluation - Breaks on Fees and/or Payments, Remote Service Offering, and General Satisfaction (Table 9). For the fourth remaining category, Access to Pandemic Financing, it was National Bank that received top marks with a score of 7.52.

Turning to the low-performing end of the range, TD Canada Trust received the lowest score in two out of four categories, Breaks on Fees and/or Payments (1.46) and General Satisfaction (1.45). ATB Financial

received the lowest score (2.48) for Access to Pandemic Financing and HSBC placed last with a score of 1.79 in the Remote Service Offering category.

Among the Big Five, Royal Bank received the highest score (4.31), landing it in fourth place overall. It was followed very closely by CIBC, however, which received an overall score of 4.29. While the two banks received similar scores across three out of the four categories, RBC achieved a more sizeable lead in the Breaks on Fees and/or Payments category, likely resulting in the bank taking the top spot across the Big Five.

TABLE 9

**Banks’ scores for treatment of businesses during the pandemic, overall and by category, 2022 (Best=10; Worst=0)**

Rank	Financial Institutions	Overall	Access to pandemic financing	Breaks/Deferrals on fees and/or payments	Remote service offering	General satisfaction
1	Desjardins	7.50	6.70	8.42	7.69	7.20
2	National Bank	6.71	7.52	7.42	5.76	6.15
3	Credit Union	5.96	5.23	5.42	6.48	6.71
4	RBC	4.31	5.20	3.12	4.20	4.73
5	CIBC	4.29	5.29	2.84	4.28	4.74
6	Scotiabank	3.35	4.26	2.70	2.58	3.85
7	HSBC	3.25	3.94	3.43	1.79	3.82
8	BMO	3.08	3.59	2.72	2.77	3.25
9	ATB Financial	2.97	2.48	1.66	5.26	2.47
10	TD	2.28	3.41	1.46	2.79	1.45
	<b>Average</b>	4.60	4.91	4.19	4.53	4.77

## Conclusion and recommendations

Small businesses deserve high-quality, low-cost banking services. Despite the Big Five Banks holding the majority of the small business market share, they are not serving their SME clients as well as credit unions. This report highlights the need for Canada's financial institutions to enhance and expand small business banking options and services. There is a high level of dissatisfaction with banking fees among SMEs. Encouraging competition among banks is essential for improving the quality and affordability of banking. New emerging payment technologies must also be part of the solution. As such, CFIB makes the following recommendations:

### Financial institutions:

#### Financing

- Concentrate on providing low-cost financing and increasing access for SMEs in need of financing.
- Increase staff knowledge of alternative financing options and ensure that they willingly provide information on those options to SME clients (e.g., federal and provincial grant and loan programs).
- Do not promote credit cards as a main alternative source of long-term financing for SMEs.
- Focus on “relationship” lending by ensuring small business bankers get to know their SME clients.

#### Fees

- Reduce fees and ensure value for services offered to SME clients.
- Eliminate fees to move money within the same bank.
- Publicly disclose service fee revenues generated from SME clients.
- Rather than increasing fees on cheques or disincentivizing their use, provide incentives to SMEs to use newer and more efficient types of payment (e.g., online payments, business-to-business [B2B]).

- Ensure that existing and new types of payment are not designed to solely benefit banks and electronic solutions providers (i.e., SMEs should not be treated as a cash cow).
- Ensure transparency of costs associated with the processing of all types of payment for SMEs.
- Ensure transparency of bank account fees charged to SMEs.

#### Account manager

- Ensure that account managers work in the best interest of the client by focusing less on sales and more on providing advisory services.
- Empower account managers at the branch level by ensuring that they are well versed on small business needs and risk assessment, as well as by giving them greater decision-making and credit-scoring authority.
- Assess the risk of SME clients using a combination of credit scoring and the knowledge gained through the account manager's relationship with their SME clients.
- Explain clearly to the client what credit scoring is, its importance, and how to improve their score.
- Decrease the account manager turnover rate. The business client-bank relationship can be improved by decreasing the number of times account managers change. Instead, focus on building a long-term relationship with the SME client by conducting regular visits and meetings.
- Improve responsiveness and reduce wait times to see an account manager.
- Ensure account managers meet with their clients regularly to gain an understanding of each business. For example, have account managers visit new business clients at their place of work, and





“Over the past three years, it appears my branch has been sliding downhill.

I have no idea who my account manager is, we barely have any tellers to assist customers. I went with ATB because we were told there would never be a hold on any cheque deposited. Unfortunately, there seems to be some disconnect with information being passed on to the tellers. Always a problem with new tellers, and new tellers are a common thing.”

*ATB small business client - Construction, AB*

#### FINANCING MAIN STREET - Report #3: A small business rating of their banking services

schedule regular visits (e.g., every 2-3 years) based on the needs and interests of each client.

#### Service

- Focus on core business banking and the competencies required to improve the delivery of banking services to SME clients.
- Build a stronger community presence among SMEs (e.g., easier access to branch).
- Continue to find ways to keep meaningful contact with small business owners in order to better understand their needs. In particular, do not abandon SMEs in non-urban areas.
- Focus on producing clear, legible bank statements.
- Continue developing cost-effective online services, such as low-cost options for electronic payments (e.g., online, mobile) and business-to-business (B2B) payments, while making sure traditional ways of banking are still available.
- Clearly explain fees associated with bank accounts and advise SME clients on how to obtain the best value for their money.
- Maintain a high standard of service in both online and offline interactions.
- Offer more specialized industry tools or expertise to support the unique needs of businesses from all sectors.

#### Government:

- **Ensure that financial institutions adhere to the Small Business Banking Code of Conduct.** The Code of Conduct outlines a set of principles and best practices that banks must follow to ensure that they treat small business clients fairly and with transparency. As such, financial institutions have a responsibility to ensure that SMEs are aware of the Small Business Banking Code of Conduct and their rights under it.
- **Extend the *Bank Act* to include small businesses.** To ensure fairness within the banking industry, SMEs should have similar

protections as consumers. For example, they should be protected against certain arbitrary lending practices or any hidden/additional fees. There is a need for SMEs to be protected under Canada’s *Banking Act*.

- **New payment technologies must be affordable and accessible to SMEs.** The lack of inexpensive and efficient ways for business owners to quickly transfer or deposit funds can be a significant pain point for many. In fact, timely access to funds is vital for small businesses as they manage day-to-day operations, cash flow, and pay their suppliers. As new technology and services continue to transform Canada’s financial landscape (e.g., real-time rail payment system and open banking), it is essential that our regulatory framework keep up. The federal government should quickly implement new banking initiatives and solutions, such as Open Banking and Real-Time Rail, which have the potential to make banking more accessible, efficient, and less costly for small businesses.
- **Carefully review banking mergers and acquisitions.** The consolidation of financial institutions, such as HSBC/Royal Bank and the proposed amalgamation of Servus Credit Union and connectFirst Credit Union, can result in a reduction of options and services available to SMEs. When there are more financial institutions competing for business, they may be more willing to extend credit to small businesses, provide more favourable loan terms, offer more competitive interest rates, provide a better customer service experience, and better support their growth/expansion plans. The consolidation of financial institutions should be carefully considered as it could lessen competition within the Canadian banking sector, where there are already limited options and significant barriers to entry for new players.
- **Improve the accessibility and effectiveness of multiple banking ombudsman services.** Banking ombudsman services are indispensable for the timely and fair resolution of disputes between small businesses and banks. However, there are multiple



“At the start of the pandemic when we started doing online sales, our online sales platform was making multiple deposits per day and because we didn't have an ‘unlimited’ account we ended up being hit with huge fees.

The bank could have switched our account type when they saw how many transactions were being processed or waived the fees due to the extraordinary circumstances but instead they took advantage of it to just make more money.”

*CIBC small business client - Manufacturing, ON*

ombudsman offices in Canada. This has caused SMEs to be uncertain about which office to contact for assistance in resolving disputes and concerns with financial institutions. To enhance the effectiveness of the ombudsman service and minimize confusion, we welcome the initiatives outlined in the 2023 Fall Economic Statement, which aim to consolidate the ombudsman function for a more streamlined resolution of complaints. We hope the federal government implements this new process as soon as possible.

- **More transparency and fairness in the fee structures of Canadian banks.** The Financial Consumer Agency of Canada (FCAC) sets guidelines and regulations to ensure transparency and fairness in the fee structures of Canadian banks for consumers. We recommend that the mandate for the FCAC be expanded to include SME bank fees and financing issues. It should also monitor banking fees and ensure bank statements provide small business owners with clear, easy-to read information about their accounts.
- **Make it easier for SMEs to access financing.** Work with banks to ensure the Canada Small Business Financing Program primarily benefits small and micro-sized businesses. Additionally, when a small business is declined financing, it should be provided with an explanation and alternative solutions.
- **Reconsider the implementation of GST/HST for credit unions.** Budget 2023 proposes to amend the *Income Tax Act* by eliminating the 10% test from the definition of “credit union.” This would impact the way credit unions currently operate, turning them into “full-service financial institutions.” This change could result in higher costs for SMEs should GST/HST be applied to credit unions. Many SMEs feel that affordable banking options in Canada are limited. Adding additional taxes to credit unions could lessen competition in the industry. We urge the federal government to reconsider the implementation of GST/HST for credit unions as it could have unintended consequences, such as limiting banking options and generating higher costs for SMEs.

#### Small businesses:

It is important to acknowledge that SMEs must also play an active role in understanding how their financial institution will meet their unique needs and challenges. Small business owners should use the information from this report to help them determine which bank might be most appropriate. It is important to make an informed decision, so shop around for competitive rates and services. Request to meet with the account manager to discuss your long-term business goals, plans, and future developments. Think about selecting a bank that understands the unique financial needs of small businesses. Some banks specialize in serving SME clients and offer tailored services and resources. Read reviews and ask other business owners about their experiences with the bank's customer service. Business owners should take the time to thoroughly research and compare different banks. Selecting the right bank for a small business is an important decision, as it can have a significant impact on the financial operations and overall success of a business.

## Appendix 1: Methodology

### Data source

This report is based on the results of a survey conducted from October 20 to December 13, 2022, and is based on a sample of 7,193 small and medium-sized business owners from across Canada. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of plus or minus 0.91 per cent, 19 times out of 20.

Through this survey, CFIB members were asked to rate their main bank (very satisfied, somewhat satisfied, somewhat dissatisfied, very dissatisfied) on eleven factors, which are presented in the tables on the next page.

Due to small survey sample sizes:

- We did not use any data with fewer than 20 respondents. In the tables, we used “-“ when the sample size was fewer than 20 respondents.
- We used “\*” when the sample size was fewer than 40 respondents.

### Overall index score

An index was created to score and rate each bank on a scale of 0 (worst) to 10 (best) for each factor. The highest percentage of respondents who answered “very dissatisfied” or “somewhat dissatisfied” was assigned a score of 0, while the lowest percentage of respondents received a score of 10. All other values were normalized and were between 0 and 10. These values form a relative index as a basis for comparison.

The bank scores provide important information for business owners to use in making informed decisions. Choosing a bank that is the right fit for the business can make the difference between success and failure. Conversely, the scores provide banks with a valuable source of intelligence on how they are treating their SME clients.

The formula used for the normalized score for each factor is:

$$(\max-x)/(\max-\min)*10$$

Where x = the value of % Very Dissatisfied and % Somewhat Dissatisfied for each bank

Min and max are the minimum and maximum of the values (sum of % Very Dissatisfied and % Somewhat Dissatisfied) across each factor.

The 11 normalized scores were then classified under one of four areas (see next page) and an average score by area was calculated for each bank.

### Financing score

SME owners rely on financing from their main bank for their day-to-day purchases and longer-term borrowing needs. They also look to secure financing on competitive borrowing terms.

1. Willingness to lend	2. Lending terms (interest, collateral, etc.)	3. Information requirements for financing
Average of 3 normalized factor scores above = area score for "Financing"		

### Fees score

Bank fees have a huge impact on SMEs' bottom lines. SME owners want low fees and expect the level of fees charged to reflect the quality and level of service received.

4. Level of fees
= area score for "Fees"

### Account manager score

The account manager experience can make or break the SME relationship. As the account manager acts as the key contact to their main bank, SME owners need them to have a good understanding of their business, be accessible, and treat them well.

5. Understanding of my business by account manager	6. Accessibility of account manager	7. Treatment by account manager
Average of 3 normalized factor scores above = area score for "Account Manager"		

### Service score

Banks also need to pay attention to other services that SME owners require. For example, bank statements should be made clear to help business owners with their recordkeeping, and to provide greater transparency in fees to better understand the rationale behind them.

8. Clarity of bank statements	9. Access to branch (e.g. proximity to local branch, hours of operation)	10. User friendliness of online banking	11. Range of services offered through online banking
Average of 4 normalized factor scores above = area score for "Service"			

## Endnotes

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<sup>i</sup> Taylor Matchett, CFIB, Financing Main Street (Report 1): SME Market Share Among Major Banks, 2023. Link: <https://www.cfib-fcei.ca/hubfs/research/reports/2023/2023-07-sme-financing-indicators-en.pdf>.

<sup>ii</sup> Taylor Matchett and Alchad Alegbeh, CFIB, Financing Main Street (Report 2): SME Financing Indicators, 2023. Link: <https://www.cfib-fcei.ca/hubfs/research/reports/2023/2023-07-sme-financing-indicators-en.pdf>.

<sup>iii</sup> While this report compares findings back to 2010, CFIB has been publishing banking reports every three to four years since 1982.

<sup>iv</sup> Taylor Matchett, CFIB, Financing Main Street (Report 1): SME Market Share Among Major Banks, 2023.

<sup>v</sup> It should be noted that some business owners responding to the CFIB survey may be participating in exclusive discounts offered by Scotiabank through the CFIB Scotiabank Savings Program.

<sup>vi</sup> According to Report 1 from the Financing Main Street research series on SME Market Share Among Major Banks, HSBC currently holds less than 1% of Canada's small business market share and reported the greatest share of small business customers that would like to switch to a new financial institution.

<sup>vii</sup> In 2019, the top-scoring financial institution was credit unions at 6.19 and the lowest-scoring was HSBC at 2.49. This resulted in the overall range of scoring being 3.7.

<sup>viii</sup> CFIB, Banking and Financing surveys, 2019 and 2022. For 2022: October 20-December 13, final results, n = 7,176.

<sup>ix</sup> CFIB, Banking and Financing surveys, 2019 and 2022. For 2022: October 20-December 13, final results, n = 7,176.

<sup>x</sup> CFIB, Monthly Business Barometer, October 2023. Link: <https://www.cfib-fcei.ca/en/research-economic-analysis/business-barometer>.

<sup>xi</sup> Your Business and COVID-19 – Survey No. 4.

<sup>xii</sup> Your Business and COVID-19 – Survey No. 11.

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The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 97,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings.

Additional resources

Questions or data requests: [research@cfib.ca](mailto:research@cfib.ca)

All CFIB research: [cfib.ca/research](http://cfib.ca/research)

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