

Study suggests check-cashing stores target areas with high crime

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Cheque-cashing outlets may be strategically targeting persons who live in high-crime neighbourhoods, according to researchers at St. Michael's Hospital.

Dr. Joel Ray, a physician-researcher at the hospital's Li Ka Shing Knowledge Institute, compared the density of cheque-cashing places in Toronto neighbourhoods with police-reported [crime data](#). Along with his colleagues, Dr. Ray observed a nearly seven times higher rate of cheque-cashing places in neighbourhoods with the highest rate of violent crime, even after accounting for nearby retail [alcohol outlets](#) and bank branches and income levels.

The findings appear online in the journal *Sociology Mind*.

Dr. Ray said the same people who use cheque-cashing places—single parent mothers, the elderly and young males—are those who are more likely to be victims of violent crime. "Therefore, cheque-cashing places may be strategically placed where customers abound," he said.

With the closing of mainstream banks in many low-income neighbourhoods, cheque-cashing places, or CCPs, proliferated over the last decade. They are often seen as alternative [financial institutions](#) to banks and tend to be used by those in need of quick cash, or by those who frequently live from pay cheque to pay cheque, especially government support cheques.

Dr. Ray said that despite their convenience, CCPs may represent a form of "deviant" banking because of their extremely high user fees.

"The cheque cashing place industry, which is largely unregulated, is highly competitive and highly taxing on its users," said Dr. Ray. "It's the notion that the person who uses a CCP is probably in a socially unstable state. The CCP industry knows this. Unfortunately, it's all about product placement."

On average, CCPs charge a flat fee and an additional 2.99 per cent of the cheque value. By cashing a cheque immediately, a CCP provides a short-term loan whose annualized interest rate varies from 100 per cent to 600 per cent.

"A substantial amount of income is lost by the individual who uses a CCP," said Dr. Ray. "Moreover, if an individual on social assistance cashes their cheque through a CCP, then a portion of the tax dollars intended for use by that person goes to the CCP."

Dr. Ray said banks need to step up to the plate and offer more outreach in low income areas, by opening more branches and assisting local residents in setting up an account.

"CCP users may be unaware that cashing a government cheque under \$1,500 is free of charge at any mainstream bank, and that banks offer very affordable services," he said.

Provided by St. Michael's Hospital

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