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Remarks by Sarah Bradley, Ombudsman and CEO, OBSI
to the Standing Senate Committee on Banking, Trade and Commerce

December 1, 2016

Thank you Mr. Chair, Honourable Members and good morning. My name is Sarah Bradley and I'm the Ombudsman and CEO for the Ombudsman Banking Services and Investments.

Thank you for the invitation to present to the Committee today.

For those of you not familiar with OBSI let me provide some background.

OBSI resolves disputes between participating banking services and investment firms and their customers if they can't resolve the complaints in a timely basis on their own.

We are independent from the firms. We are impartial, and our services are free to consumers of participating firms. We are an alternative to the legal system.

We began operations in 1996. The country's largest banks were our first participating firms.

We were then and are today a not-for-profit corporation, established to meet the needs of the Canadian public and we take our public service mandate very seriously.

In 2002, our mandate further expanded to include firms regulated by the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA).

In 2012, we were mandated by the Canadian Securities Administrators as the sole provider of mandatory dispute resolution services to the Canadian securities industry, and in 2014, our mandate broadened again to include other financial services firms registered with the Canadian Securities Administrators, including portfolio managers, exempt market dealers, and scholarship trust plan dealers.

In 2015, we were approved as an External Complaints Body under the then-new Bank Act regulations concerning ECBs.

Our banking activities are overseen by the Financial Consumer Agency of Canada and our investment activities by the members of the Canadian Securities Administrators.

Today, we have almost 1,400 participating firms.

This includes over 1,280 mandatory-participation firms, including approximately 80 federal banks, 270 IIROC and MFDA member firms, and 935 exempt market dealers, portfolio managers and scholarship plan dealers.

We also have over 100 voluntary participation firms, including about 25 trust and loan companies and 60 credit unions.



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Under the current bank regulations, banks have the option of selecting which of the two approved ECBs they wish to use. I would note that Royal Bank and TD Bank use ADRBO for banking complaints. But they are required by securities law to use OBSI for resolving all investment-related complaints.

Turning to our volumes, in 2015 we received more than 18,000 telephone and electronic contacts from across the country, over 5,000 formal inquiries, and we opened 571 investigations – 273 of which were banking cases.

In 22% of banking cases in 2016, we found in favour of the consumer. Even when we do not find fault with a firm, however, many consumers tell us how much they appreciate having an independent expert take the time to investigate their complaint, and explain why compensation was not warranted in their circumstances.

This is reflective of the vital public service that financial ombudsmen services provide. Our underlying public purpose is to support confidence in the financial services sector.

The products offered in this sector are complex and the information asymmetry between consumers and firm in our sector is immense. Consumers know this. They also know that the legal system is not practically available to them. Our average compensation recommendation for banking disputes last year was \$5,669, and the largest recommendation was just over \$86,000. Without access to the services of a financial ombudsman, consumers would have no practical mechanism for redress and confidence in the sector, which is vital for our economic prosperity, would suffer.

That is why we are supported in our work by the public mandate of regulators, as well as by industry and consumer advocates. It is why financial ombudsmen exist in virtually every developed country in the world.

Our experience also allows us to gather valuable information about the points of highest friction in the financial services sector, across firms, across jurisdictions, across product lines, and across sectors. We are well positioned to share this knowledge with regulators and industry participants with a view to improving the overall consumer experience in our sector and ensuring that fair practices prevail.

Regarding our views on Bill C-29, it's worth emphasizing our role as an impartial dispute resolution provider - we do not advocate for consumers or the financial industry, but rather serve a role intended to strengthen the overall confidence of the sector for all participants.

With that role in mind, I will limit my remarks to Division 5 of Part 4 of Bill C-29.

In my view, this division of the Bill provides a useful consolidation of the provisions that apply to a banks in relation to the protection of banking consumers and the public.

The Bill clearly articulates the principles and purpose of these provisions, which is important because these principles and purposes will serve to inform future interpretation of the provisions. In particular, the inclusion of principles emphasizing the importance of fair treatment of consumers; the impartiality,



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transparency and responsiveness of complaints processes; and general responsibility to consider the interests of customers and the public, are appropriate and well-founded.

The Bill's enhancements in the areas of corporate governance, access to basic banking services, disclosure of information, business practices and public reporting are also important clarifications.

Looking forward, we will continue to work with the FCAC in meeting our mandate and the important role we play in supporting the consumer framework outlined by the government in this Bill.

We believe that the principles outlined for dealing with the consumers and the public align with the practices and procedures we follow at OBSI, and we support any efforts to ensure access to fair, independent and impartial dispute services for consumers.

As the government looks to improve financial consumer protection, we emphasize the importance of legislative and regulatory clarity to promote and safeguard fair outcomes for financial complaints.

Thank you again for giving me this opportunity to speak to you today and I welcome your questions.