

FEBRUARY 11, 2014 ISSUE

EQUITY ASSOCIATES REFUSES TO PAY \$83,386 COMPENSATION RECOMMENDATION

The Ombudsman for Banking Services and Investments (OBSI) today announced the refusal of Equity Associates Inc. ('Equity Associates') to compensate a retired couple in the amount of \$83,386.

Equity Associates is a mutual fund dealer based in Markham, Ontario. The complainants, Mr. and Mrs. H, are a retired couple with limited investment knowledge. They had sold their home and wanted their advisor to place the proceeds into low-risk investments while their new home was under construction, which was to be ready within a year.

While the clients were willing to take some risk with their long-term RRSP investments, they were risk averse regarding the proceeds from the sale of their home. They trusted their advisor at Equity Associates to make appropriate investment decisions after explaining to him that they could not afford to lose the principal amount, which they need to complete the purchase of their new home. The advisor assured them not to worry and guaranteed no losses would occur.

Over the course of several months the advisor invested the couple's house proceeds in various long-term medium and high-risk mutual funds which were unsuitable given their investment objectives and risk tolerance. As their new home neared completion, Mr. and Mrs. H repeatedly sought assurances that their money was safe and would be available for withdrawal. The advisor was evasive and attempted to persuade the couple to withdraw a lesser amount instead. Eventually, the advisor explained that their investments had significantly declined in value. Without sufficient funds to pay for their new home, Mr. and Mrs. H had little choice but to use their line of credit to make up for the shortfall.

OBSI finds that Equity Associates is responsible for the losses incurred by Mr. and Mrs. H as a result of the unsuitable medium and high-risk investments. Equity Associates allowed the advisor to open new accounts for the couple without collecting Know Your Client (KYC) information, as required by securities rules. As a result, Equity Associates could not assess the suitability of the investments as it was required to do. OBSI also found evidence that strongly suggests Mr. and Mrs. H did not sign the mutual fund purchase documents. It appeared that these documents were altered by photocopying signatures from other sources.

OBSI's recommended compensation amount was arrived at by first calculating the difference between the amount Mr. and Mrs. H's investments would have been worth had they been suitably invested and the actual value as of the date they withdrew the funds at Equity Associates. Interest was then added to compensate the couple for the loss of use of their money, calculated from the date they first complained to the firm. The recommended compensation amount also includes the interest that Mr. and Mrs. H incurred by borrowing from their line of credit.

A copy of OBSI's investigation report for [Mr. and Mrs. H's complaint](#) is available on OBSI's website. Some names and personal information have been edited from the original version to protect the identity of certain individuals involved, including the complainants.

Where a complaint is found to have merit, OBSI makes a recommendation for compensation where it would be fair to do so, taking into account all of the facts and circumstances of the case. A refusal by a participating firm to follow a recommendation means that OBSI must publicize that refusal and the details of the complaint under Section 27 of our Terms of Reference.

OBSI is Canada's national independent dispute resolution service for consumers and small businesses with a complaint they can't resolve with their banking services or investment firm. As a free alternative to the legal system, we work informally and confidentially to find fair outcomes to disputes about banking and investment products and services.

OBSI looks into complaints about most banking and investment matters including: debit and credit cards; mortgages; stocks, mutual funds, income trusts, bonds and GICs; loans and credit; fraud; investment advice; unauthorized trading; fees and rates; transaction errors; misrepresentation; and accounts sent to collections. Where a complaint has merit, OBSI may recommend compensation up to a maximum of \$350,000.

-30-

For more information, contact:

Tyler Fleming
Director, Stakeholder Relations and Communications
publicaffairs@obsi.ca

416-218-4244