

January 19, 2009 ISSUE

FROM THE OMBUDSMAN'S DESK ...

If it's not too late in the calendar, sincere best wishes for a Happy New Year. As much of the year-end commentary said, only semi-jokingly, good riddance to 2008! The economic and financial whirlwind caused significant and widespread pain, which is being felt broadly among participating firms and consumers.

For OBSI, 2008 was our busiest year ever. The number of files opened reached a record 670 cases, which represents a doubling of our caseload in two years. Volume was up in both the banking services and investments.

The good news is that we were able to manage the increased volume more efficiently, thanks in part to our increased use of facilitated settlements to achieve a quicker mutual agreement on a resolution to a complaint. Our timeliness improved in 2008 to 93 per cent of our cases closed within 180 days, which well exceeds our target service level.

Our 2008 annual review will be released in the coming weeks, containing more details about the year just ended. We've reproduced some excerpts from the annual review in this newsletter ... the full story will be in your mailbox (and on our website) soon.

Looking ahead, we believe we will be facing a challenging year. The counter-cyclical nature of our business means we are likely going to be seeing more files, particularly when combined with improved communications and awareness efforts.

We will continue to rely on the support and continued cooperation of our stakeholders, and look forward to working with all of you.

David Agnew

Ombudsman



CASE STUDY: CREDIT CARD FRAUD

Here's one of the case studies we are profiling in our upcoming 2008 Annual Review from our banking services team.

An unfriendly fraud

An 82-year-old woman received a letter from her friend in which the friend admitted she took \$1,940 from the client's bank account before leaving the country. The client immediately informed both the police and her bank.

After going through her finances with the help of her niece, the client discovered that the first fraudulent activity involved an \$8,000 cheque written on her account with a credit card cheque three

years prior. Her credit card statement showed the transaction, but the elderly client misread it and didn't see the emerging fraud problem. Over a period of three years, the friend had "borrowed" approximately \$75,000 through the client's credit card account through the use of cheques and cash advances. Although her friend made repayments, about \$63,000 in cheques written by the friend bounced. The client claimed she was victim of a fraud and asked the bank to forgive the debt on her account.

The bank acknowledged that the client's friend was later convicted on several charges of fraud relating to the client's account. However, in the bank's view the client was not completely unaware of the outstanding debt. The bank cited a telephone conversation in which the client had asked about the disputed charges. She told the bank that she had given her card number to her friend to use in case of emergencies. She had also given her friend her telephone banking password to make certain transactions on her behalf.

Since the client had given her friend her telephone banking password, the bank said it was reasonable to assume that the client's credit card personal identification number (PIN) had also been disclosed by the client. The bank concluded that the client was responsible for the losses but was prepared to accept partial repayment for the outstanding card balance provided the client submitted a statement of her financial affairs. The client did not agree to the proposed settlement terms.

Our investigation confirmed that the PIN number was correctly entered to make the cash advances with the client's card and then the card was returned to the client. The signatures on the cheques appeared to be that of the client. The client had accepted her friend's transactions on her account for two years and we didn't believe it was reasonable to dispute them a year later when the fraud on her account came to light. The client's friend gradually increased her use of the client's card and we did not see a sudden change in the pattern of account activity which would have alerted the bank to the friend's unauthorized use of the client's card. The client's pattern of behaviour toward her friend indicated that she trusted her completely and left herself open to the fraud by willingly sharing her card and PIN.

We concluded that the client did not exercise proper care and control over her card, PIN and other financial information which directly contributed to the fraud loss. We did not recommend compensation for the client.



SERVING A DIVERSE POPULATION

From our Annual Review ...

About a year ago, we launched a pilot project to extend our call centre language capabilities from English and French to about 170 more languages ... and we're not kidding.

We signed up to an international telephone-based service that allows us to connect a phone call we've received from someone who doesn't speak French or English to an interpreter, literally in seconds. The interpreter helps us understand the nature of the inquiry or complaint and makes sure the client can comprehend our messages too.

Over the past year, we've used the language service with callers speaking Mandarin, Russian, Romanian, Cantonese and German among others. While we can't offer to do a full case review or investigation in other than French or English, the interpreters help us explain to clients how OBSI works and point them to community resources where they can get language help.

It's a reflection of our diverse population that the service has been put to good use. We expect that as our complaint volumes grow, so will our need for it.