

Sentinel Financial Management Refuses to Compensate Investor

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The Ombudsman for Banking Services and Investments (OBSI) today announced the refusal of Sentinel Financial Management Corp. (Sentinel Financial) to compensate an investor \$128,799 for losses caused by an advisor working for Sentinel recommending unsuitable investments.

Sentinel Financial is a mutual fund dealer based in Saskatoon.

“Sentinel Financial is responsible for the financial harm caused by one of its advisors,” said Ombudsman Sarah Bradley. “It’s rare for any firm to refuse our recommendation to compensate an investor when warranted. But this marks the fourth time Sentinel has refused an OBSI recommendation in the past two years. To date, Sentinel has refused to pay almost \$450,000 in compensation to investors.”

Mr. E is an investor with limited investment experience and minimal investment knowledge. He had difficulty understanding common investment products, such as stocks and bonds. He relied on his Sentinel Financial advisor for advice and almost always followed the advisor’s recommendations.

When Mr. E left his job at a private company to work on his family farm full time, his advisor helped transfer his pension from his former employer to a locked-in retirement account. The advisor recommended purchasing several high-risk, sector-focused exempt market securities. In a memorandum to Mr. E, his advisor described the risk level of the alternative investments as “generally low” and stated that one investment was “projected to pay out a quarterly cash flow of 18-25% per year.” Mr. E experienced significant losses on these investments: one exempt market product went into receivership, while another suspended redemption indefinitely.

OBSI found these high-risk exempt market securities unsuitable given Mr. E’s low to medium-risk tolerance. Furthermore, the Sentinel Financial advisor characterized the products as “low-risk” and failed to adequately disclose the actual risks and product features. Had Mr. E understood the true risks associated with these investments, we have concluded that he would not have purchased them.

A copy of [OBSI's investigation report](#) for Mr. E’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 complainant.

All investment firms in Canada are required to make OBSI services available to their clients. Following the investigation of a complaint, OBSI may make a recommendation for compensation where it would be fair to do so, taking into account all of the facts and circumstances of the case. If a firm refuses to follow a recommendation, OBSI is required to publicize that refusal and the details of the complaint.

OBSI is Canada's trusted 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: mutual funds; bonds and GICs; stocks, exchange traded funds, income trusts and other securities; investment advice; unauthorized trading; fraud; debit and credit cards; mortgages; loans and credit; 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. OBSI has an excellent record of acceptance of recommendations from both firms and complainants: over 99% of the thousands of complaints brought to our office have been successfully resolved.

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