

# June 26, 2008 ISSUE

## FROM THE OMBUDSMAN'S DESK

Few skills are most important in our lives than being able to understand financial products and services, and then being able to make appropriate and informed choices. Yet financial literacy – or more accurately the absence of it – continues to be a challenge for millions of Canadians.

On Sept. 9 and 10, 2008 at Centre Mont-Royal in Montréal, the private, public and non-profit sectors will join together in a national conference to look at Canadian and international experiences in measuring, delivering and evaluating financial literacy programs, products and services.

Called *Reaching Higher: Canadian Conference on Financial Literacy*, the conference is hosted by the Financial Consumers Agency of Canada, the Joint Forum on Financial Market Regulators and Social and Enterprise Development Innovations, a leading non-profit agency.

Presentations and panels feature well-known experts from across Canada and around the world, including Canada's Minister of Finance, the Hon. Jim Flaherty, Québec's Minister of Finance, the Hon. Monique Jérôme-Forget, and keynote speaker John Hope Bryant, Chairman, Operation HOPE and Vice Chairman, U.S. President's Advisory Council on Financial Literacy.

This is a great opportunity to learn about, and advance the cause of, financial literacy in Canada – a priority that we all share.

For more information on the conference, including registration details, please [click here](#)

David Agnew  
Ombudsman

## INTERNATIONAL OMBUDSMAN NEWS

### THE HUNT REVIEW

Last year the OBSI underwent an independent review of its operations. The Financial Ombudsman Service in the UK recently released the report of its independent review by Lord Hunt.

The report is titled *Opening Up, Reaching Out and Aiming High*, and focuses on improving accessibility and enhancing excellence in the service. To read the full report, please [click here](#).

### AUSTRALIAN MERGER

Australia is merging its three principal financial ombudsman services into one. "It is intended the new scheme will provide dispute resolution services for over 90% of all the disputes which arise in relation to the provision of financial services in Australia," says a recent press release.

Colin Neave, the current banking ombudsman, will be heading up the new scheme as Chief Ombudsman. It is set to start operating July 1, 2008. For more information, please [click here](#).

### WORLD-WIDE NETWORK

Financial ombudsman services from around the world recently formed a new association, *The International Network of Financial Services Ombudsman Schemes*. For more information on this new entity and to read news from the dispute resolution services, [please click here](#).



## CASE STUDY- MITIGATION AND MINIMIZING LOSSES

A Canadian couple living in the UK had RRSPs with a Canadian investment firm. While visiting Canada, they met their advisor to discuss their accounts. They were upset because the advisor had kept their money in cash for almost a year and were also upset because for two months the money had only earned .25% interest.

The advisor explained that he was waiting for the right time to invest and that the money had not been invested in a higher interest account because of an administrative error. He discussed some potential stock picks.

The couple was still dissatisfied and decided to transfer to another investment firm, but did not tell their advisor. That same day, their advisor purchased several stocks in the couple's RRSPs. The accounts were transferred to their new firm about two weeks later.

When the couple returned to the U.K. and checked their mail they saw the stock purchases. They immediately contacted the firm to complain that they did not consent to the stock purchases and about the low interest rate on their savings.

The firm acknowledged the delay in investing into a higher interest account and offered \$1,500 in compensation.

However, it said that their advisor had discussed the stocks and assumed that the couple wished to start building their investment portfolios. The firm also said the trades could not be reversed as the accounts had been already transferred out. The clients brought their complaint to OBSI.

OBSI agreed that there was an unreasonable delay in investing into a high interest account and calculated lost interest of \$1,275. We also concluded that the trades were not authorized because the advisor had not discussed the specific date, timing and price of the stock purchases before buying them. The clients acted appropriately in immediately informing the firm of the unauthorized transactions, but there was no way for the firm to reverse the purchases. We then turned to the subject of whether the clients had experienced losses because of the stock purchases.

Our general view is that clients must act promptly to limit losses when they realize that there is a problem. In this case, we thought it was reasonable to give the couple a month to determine what to do with the stocks, and any loss or gain after that date was their responsibility. In fact, when the couple received their final response from the firm they could have sold the stocks for a \$17,000 profit. However, when OBSI received the complaint the stocks were worth less than the purchase price. Had they sold within a month their total loss, including commissions, would have been \$200. When \$200 is added to the lost interest we calculated they were owed, the result is close to the firm's original offer of \$1,500.

The couple did not feel that it was fair to receive only \$200 in compensation for the stocks purchases when the advisor earned \$1,600 in commissions on the unauthorized trades. We explained that

OBSI's role is to recommend compensation for losses, but we do not assess punitive damages. We discussed the situation with the firm and it agreed to pay the clients \$2,000 to resolve the matter.

## OBSI OUTREACH

- Marie Claude Roy, Senior Investigator, Banking Services gave a presentation of OBSI, its role and services to more than 100 consumer advisers at a recent training session organized by l'Union des Consommateurs in Québec City.
- On April 24, 2008, Rob Paddick, Senior Deputy Ombudsman, Investments presented at the 2nd Annual Managing Internal and Regulatory Investigations Program at Osgoode Hall. On a panel with senior members of the IDA and MFDA, Rob discussed and answered questions on OBSI's internal complaint-handling processes including our process for facilitating settlements.
- We distributed OBSI's brochure to several conferences and consumer shows in the last few months. If you think a consumer or industry group or meeting would be interested in receiving our brochure, please let us know. Drop us a line at [publicaffairs@obsi.ca](mailto:publicaffairs@obsi.ca).

## OBSI IN THE NEWS

- "Listening to retail investors" James Langton. [Read article](#) from Investment Executive, May 2008
- "ABCP mess highlights flaws" Glorianne Stromberg. [Read article](#) from Investment Executive, May 2008
- David Agnew was interviewed on BNN on March 31st on the role of OBSI in the ABCP issue.