

# MARCH 15, 2012 ISSUE

## OBSI UPDATE – MARCH 15, 2012

This note is one in a series of newsletters updating you on what's happening at the Ombudsman for Banking Services and Investments (OBSI).

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### 1) House of Commons Standing Committee on Finance

OBSI was honoured to be invited to testify recently before the House of Commons Standing Committee on Finance (FINA). On Tuesday, March 13, 2012 Ombudsman Doug Melville spoke about the important issues facing public policy makers at this critical time for Canada's financial consumer protection and dispute resolution framework.

The *Globe and Mail* [reported on his appearance](#):

*"Banks now want the government or parliament to 'lock-in' their own chosen private providers of dispute resolution to resolve complaints with their customers," Douglas Melville, the chief executive officer of OBSI, told the House committee Tuesday, according to a copy of his prepared remarks. "It is difficult to see how this is anything but a giant step backward for consumer protection in Canada."*

*"The public policy question is this: should banks be permitted to choose their own provider of dispute resolution?" he said. "In essence, hire and pay for the organization that will judge and rule on their market conduct?"*

*He asked the committee members to consider what banks would do if, hypothetically, they were given the choice of being regulated by the Department of Finance or by a private company of their own choosing.*

Investment Executive also [covered the committee meeting](#):

*Melville argued that "the independent investigation of consumer complaints cannot be credibly handled by a private for-profit supplier chosen and paid for by the bank," noting that this represents a*

clear conflict of interest. "The service will know who it is they need to please in order to keep the business, and it's not the individual making the complaint," he said.

Finally, today's *Financial Post* has a [front-page column](#) that delves into the issue further:

*Sources say the Canadian Securities Administrator (CSA), which represents 13 provincial and territorial watchdogs, and the self-regulating bodies for the brokerage and mutual-fund industries, will reject the multi-platform system expected to be advocated by the federal government that would allow banks, investment dealers and mutual-fund companies to hire their own mediators to sort out disputes with aggrieved clients.*

*"We're not going with that multi-platform in securities so we're going to have an issue," said a senior regulator who asked not to be named. "It's a shame. There's no question that investors require something straightforward and predictable."*

The *Post* [continues](#):

*"Banks are opting out because they can, and that is jeopardizing the model," says a financial industry participant. "We really need Jim Flaherty to close the barn door."*

The Ombudsman's prepared remarks can be read in their entirety on our [website](#).

Transcripts and recordings of the meeting will be posted on the [Finance Committee's website](#).

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