



OMBUDSMAN
for Banking Services and Investments

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Visit our website at www.obsi.ca

OBSI is Accessible Independent Fair

OBSI is a national independent dispute resolution service for consumers and small businesses with a complaint they can't resolve with their financial services firm.

An alternative to the legal system, we work informally and confidentially to find fair outcomes to disputes about banking and investment services and products. OBSI may recommend compensation up to a maximum of \$350,000.

Our services are free to consumers of our 650 participating firms.

For more details about our work, visit our website at www.obsi.ca.

Highlights

2007 Highlights

Opened

468 new cases, an increase of more than 40 per cent from 2006

More than doubled

the number of facilitated settlements

Continued growth

in number of participating firms including scholarship plan dealers and more credit unions

Completed

a successful independent review, with all standards of service met

Approved

the Framework for Collaboration with federal, provincial and territorial regulators

Suitability

continues to be the most frequent complaint in investment cases; fraud – particularly card fraud – is the most common banking services complaint

Increased outreach initiatives

to our stakeholders with an electronic newsletter, a new complaint brochure and OBSI *Contact* seminars

Message from the Chair

2007 was truly a watershed year for the Ombudsman for Banking Services and Investments. We marked two major accomplishments: our first-ever independent review and the approval of the Framework for Collaboration with the investment and banking services regulators.

While the Board of Directors has always set high standards for OBSI in quality and service excellence, we also determined that we could best meet our commitments to accountability and transparency to our stakeholders through an independent and external review of OBSI.

I am pleased that the results were very positive. After a thorough review, the report concluded that OBSI is both a professional and effective ombudsman service. All 11 of the Standards set by the Board were achieved. In addition, the reviewers made a number of helpful recommendations to assist in continuing to improve our service.

In 2006, the Board adopted a new and more comprehensive set of standards for OBSI and challenged ourselves to meet them. While we based the 11 standards on the emerging complaint-handling work of the International Standards Organization, or ISO, we also went beyond to set standards in other areas, such as independence, which are vital to our service.

The review process was led by the Standards Committee of the Board of Directors. We started with a search for qualified suppliers in Canada and abroad. We engaged The Navigator Company of Australia because of its

extensive experience in dispute resolution and financial services, having reviewed several Australian ombudsman services.

Navigator's work started with an exhaustive document review and then an on-site visit that included stakeholder interviews, meetings with staff, more document reviews and, most importantly, client interviews. The lead reviewer and principal of Navigator, Phil Khoury, presented his report to the Board of Directors in September and it was accepted in its entirety.

Brief excerpts from the Navigator Report can be found in this Annual Review and the entire report is available on our website at www.obsi.ca.

A successful review is the product of much hard work, and I am grateful to the Board of Directors for its support and guidance in the governance of OBSI. We are fortunate to have a strong and committed group of directors from across Canada.

The Board also appreciates the leadership of the Ombudsman and the contributions of the staff, whose dedication and commitment to integrity and impartiality did much to ensure a successful review. The review's positive outcome reflects on the quality of employees we have at OBSI and the work they do.

During the review, we also successfully concluded discussions with the Joint Forum and Finance Canada, representing federal, provincial and territorial regulators, on the Framework for Collaboration (also available on our website). The Framework is an

important document that defines our role in consumer protection in financial services and our relationship with the regulatory community. The guidelines in the document will provide a useful benchmark against which we will be assessed in future reviews.

We are encouraged by the overall positive findings of the independent review and helped by the practical advice provided by the recommendations. With a strong relationship with the regulators and our stakeholders, we are well-positioned to continue to pursue our vision of building "the premier Ombudsman office in Canada, renowned for its independence, fairness and integrity in resolving disputes in financial services."



Peggy-Anne Brown
Chair



Message from the Ombudsman

This past year has seen great progress and innovation on many fronts for OBSI.

Perhaps the highlight of the year was the successful independent review, which is discussed in the letter from Dr. Brown, Chair of the OBSI Board of Directors. We were delighted that the review found we achieved the quality standards set for our service. As well, the review team brought useful perspectives on ways to continue to improve our work, and we are now busy implementing the recommendations.

Regretfully, 2007 also saw the first-ever refusal by a participating firm to follow an OBSI recommendation to compensate a client. Financial Architects Investments Inc., a member of the Mutual Fund Dealers Association, refused to compensate an elderly client whose portfolio was unsuitably invested in an overly risky strategy. Fortunately, this was a solitary event and the rate of acceptance of our recommendations by both clients and firms remains excellent.

As our statistics section in this Annual Review makes clear, it was a busy year. We have expanded our consumer contact centre and case assessment teams, providing excellent assistance to thousands of consumers each year. We have more than doubled the number of facilitated settlements, resolving disputes more quickly through a mutually agreed-upon solution.

Our increased caseload may reflect in part our focus on building awareness about OBSI among consumers. This past year we launched our electronic

newsletter, distributed to more than 3,000 people through email quarterly. We also have revised and updated our “How we can help” brochure, which is used by firms and consumer referral points.

Around the country, in 2007 we met with dozens of government ministers and officials, regulators, consumer groups, industry representatives and firms, raising OBSI’s profile and helping key stakeholders understand our process. We continue to work closely with the regulators and self-regulatory organizations to give a higher profile to the complaint-handling process, including the development of new complaint-handling rules for the investment industry. With new communications requirements and timelines for firms, access to OBSI will be improved. Our goal is to make sure every consumer who has a complaint with a financial institution knows they have the right to an independent alternative to the legal system.

In 2007 we continued to welcome new participating firms, including several Alberta credit unions, GE Money and the members of the RESP Dealers Association of Canada, also known as scholarship plan dealers. We will continue to work to ensure that no customer or client of a banking service or investment firm is denied access to an independent dispute resolution service.

The Framework for Collaboration document with the regulators, released in 2007, is an important foundation to our work going forward. Not only does the Framework recognize our role

in consumer protection, but it provides helpful guidance on the expectations of the regulators for the complaint-handling system in financial services.

We start a new year excited by the opportunities and challenges ahead. Many thanks are due to our dedicated and talented staff for continued excellence and our Board of Directors for consistently strong support of our work.



David Agnew
Ombudsman



OBSI – Who We Are

The Ombudsman for Banking Services and Investments, or OBSI, is a national independent dispute resolution service for consumers or small businesses with a complaint they can't resolve with their financial services firm.

Established in 1996, we work informally and confidentially to find fair outcomes to unresolved disputes about banking and investment services and products. We are an alternative to the legal system, with its often costly and lengthy procedures, and are free to consumers.

We may recommend compensation up to a maximum of \$350,000, and non-financial remedies such as an apology. We are funded by a levy on the 650 banking services and investment firms participating in OBSI.

OBSI is independent of industry and government. We are governed by a board with a majority of independent directors and strong safeguards for our independence and impartiality.

How OBSI Works

We look at complaints about banking and investment services and products, such as errors in accounts, poor disclosure and inappropriate advice.

If we find the firm has caused a loss, we will recommend a settlement that aims to make the customer whole. We also may recommend compensation for inconvenience in the appropriate circumstance, or non-financial actions such as correcting a credit record. If we find the firm has acted appropriately, we will write to the customer to explain why we came to that conclusion.

When we receive a complaint, our assessment team looks at the file to make sure it falls within our mandate.

For instance, the firm has to be one of our 650 participating banks, credit unions, investment dealers, mutual fund dealers and managers and scholarship plan dealers.

Depending on our assessment, we might try to settle the dispute with a facilitated settlement between the client and firm that aims to address the complaint quickly and fairly. We may use a more formal mediation. Or it could be a full investigation.

with our conclusions, they are free to pursue their case through the legal system, subject to limitation periods.

Our service standard is to complete more than 80 per cent of files within 180 days. In 2007 we exceeded that standard. Complex cases may take longer to resolve.

Our full Terms of Reference and guides for both consumers and participating firms are available on our website at www.obsi.ca.

After reviewing the facts of the case, OBSI will make a decision based on “fairness in the circumstances” to both the client and the firm.

After reviewing the facts of the case, OBSI will make a decision based on “fairness in the circumstances” to both the client and the firm. We take into account laws, industry standards and practices as well as any standards established by regulatory bodies, professional associations or the individual firm involved.

OBSI is not a court or a regulator, and we do not fine or discipline firms or individuals. Our recommendations are not binding on either party, but we have an excellent record of acceptance of our recommended settlements from both firms and clients.

Our services are free to consumers. While we do not handle matters that have been through a court or an arbitration process, if a client is not satisfied

Complaint comes to OBSI

Participating Firms

All banking services and investment firms regulated by the federal or provincial governments are eligible to become a participating firm in OBSI.

Current participating firms include:

- Domestic and foreign-owned banks
- Some credit unions
- Investment Dealers Association of Canada (IDA) member firms
- Mutual Fund Dealers Association of Canada (MFDA) member firms
- Investment Funds Institute of Canada (IFIC) member companies
- RESP Dealers of Canada (RESPDAC) member firms
- Federal trust and loan companies and other deposit-taking organizations

OBSI's Commitment to You

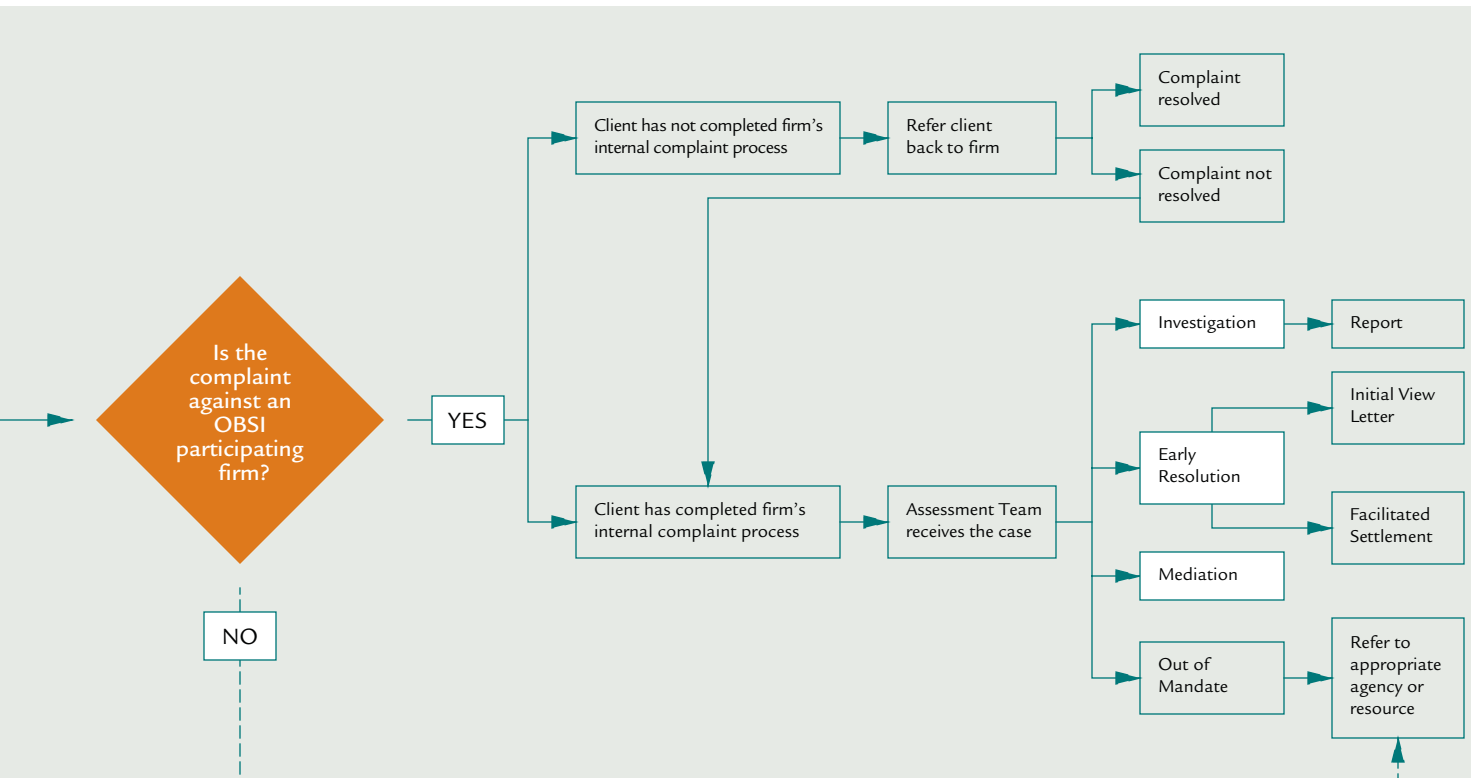
The Ombudsman for Banking Services and Investments is committed to achieving excellence in our dispute resolution service. Our standards are designed to ensure a high-quality, independent and fair dispute resolution process for consumers of financial services in Canada.

Our Code of Practice commits us to achieving high standards of excellence in 11 separate areas of our operation and governance including accessibility, fairness and independence, timeliness and competence. These standards were based in part on emerging international complaint-handling standards through the ISO. An independent and external review in 2007 found we were meeting all of our standards.

We are committed to regular independent reviews of our operations.

Please visit our website at www.obsi.ca for more information on our Code of Practice and the 2007 independent review.

How the Process Works



Review

2007 Year in Review

Last year we opened 468 case files, an increase of 43 per cent from the previous year. This represents the highest number of cases opened in a year by OBSI. Of the total, 181 went to full investigation after assessment. The number of early resolution files, where we are able to quickly review the case and respond promptly to the client, more than doubled from 2006 to 278.

In 2007, 53 per cent of the total opened files involved banking services and 47 per cent involved investments. However, we opened 107 investment and 74 banking services investigations.

During the year, we closed 447 files compared to 263 last year. In 2007, 169 of the closed files were investigations and 278 were early resolutions. We completed 85 per cent of those files within 180 days, exceeding our service standard to close 80 per cent in 180 days.

Small Business

We received nine complaints from small businesses in 2007. Four of the five investment complaints from small business clients were about suitability

and one was about unauthorized trading. On the banking services side, two of the four small business cases involved loans, one was about a transaction account and the other was about credit card services.

Banking Services

The products and issues involved in banking services investigations opened in 2007 are listed below, with the comparative number for 2006. The “other” category includes a number of products where we received only one or two complaints.

Investigations – Products

	2007	2006
Loans	22	9
Transaction accounts	13	20
Debit cards	10	19
Credit cards	8	13
Term Deposit/GIC	3	2
Other	18	21
Total	74	84

Investigations – Issues

	2007	2006
Fraud	25	27
Service issues	19	10
Collection activity	5	4
Unauthorized transactions	4	11
Credit rating	3	2
Transactional error	3	3
Other	15	27
Total	74	84

Commentary

Last year’s spike in the number of debit and credit card cases has abated somewhat, and loans were the products attracting the most complaints in 2007. The loan category includes several kinds of loan products, with the largest group being loans for investment purposes. While often these complaints are settled as part of an investment investigation, several complaints against lenders came to OBSI in 2007. Card-related fraud continues to be a major issue, reflecting the continuing involvement of criminals using duplicate or stolen cards to get cash.

Another significant increase we observed in 2007 was in the number of Internet or email payment scams.



Opened Cases %

- Banking Services 53
- Investments 47

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These scams typically lure people in by offering them generous commissions for cashing cheques for the foreign-based “company” using a personal bank account. The fraudsters then ask their victim to transfer the cheque proceeds – minus the commission – to a third party. When the cheque is discovered to be fraudulent, the victim is then called upon by the bank to repay the lost funds. The dispute usually focuses on whether the bank should or could have spotted the fraud, and what level of responsibility is borne by the bank’s customer.

Investments

More than half of investigations opened by OBSI in the year were complaints related to investment issues.

OBSI’s participating firms involved in investments come from three major groups. Full-service investment firms are regulated by the Investment Dealers Association of Canada (IDA) and client accounts may include stocks, bonds, mutual funds and other investment products. Mutual fund dealers are regulated by the Mutual Fund Dealers Association of Canada (MFDA) and are limited to dealing in mutual funds

and other exempt products. Members of the Investment Funds Institute of Canada (IFIC) include the companies that create, manage and market mutual funds.

Investigations – Products

	2007	2006
Mutual Funds	50	62
Securities	32	29
Securities & Funds	12	19
Segregated Funds	2	1
Investment Counsel	0	1
Other	11	1
Total	107	113

Investigations – Issues

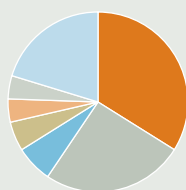
	2007	2006
Suitability	41	55
Fees	11	8
Leverage	7	8
Service issues	8	3
Poor performance	7	9
Misrepresentation	7	6
Other	26	24
Total	107	113

Commentary

The distribution of complaints was similar to past years. We again observe that many disputes involve the failure to disclose important information to clients. Whether a dispute about suitability, fees or leverage (loans taken out to make investments), we are finding in the cases that clients are not properly or fully informed by their advisor about the underlying strategy, the risks of a product or approach, or the fees that will be charged.

The efforts by regulators across Canada to standardize and simplify point-of-sale disclosure for mutual funds and segregated funds are evidence that more effort needs to be put into disclosing the risk, features and fees of investment products – in a way investors will understand. We fully support these efforts.

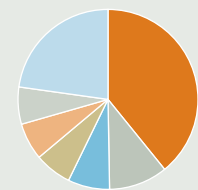
While we do not gather statistics on birthdates, we know from our case files that we see a disproportionately high number of files from senior citizens and retired people. With the demographic shifts taking place in Canada increasing the number of older people, combined with a decrease in defined benefit



Banking Services

● Fraud	25	● Credit Rating	3
● Service	19	● Transactional Error	3
● Collection Activity	5	● Other	15
● Unauthorized Transactions	4		

Complaint issues in 2007



Investments

● Suitability/KYC	41	● Poor Performance	7
● Fees	11	● Misrepresentation	7
● Service	8	● Other	26
● Leverage	7		

2007 Year in Review

pension plans, we continue to pay close attention to the quality of communications in the advisor-client relationship.

We have been working with the self-regulatory organizations on their new complaint-handling rules that will introduce timelines and more communications requirements in firms' internal processes. OBSI's Terms of Reference are currently under review to reflect these changes as well for all our participating firms. Once in place, we believe these changes will start to make a difference in awareness about OBSI and the complaint-handling process.

Compensation

During the year, OBSI closed 169 investigations, 65 in banking services and 104 in investments. In investment cases, we recommended compensation in 61 per cent of cases, while in banking services we recommended compensation in 25 per cent.

Overall, we made recommendations for compensation to the client in 79 cases, upheld the firm's finding in 89

and one file was withdrawn. We also facilitated settlements in a total of 23 files this year, up from nine last year.

Unfortunately this year saw our first-ever refusal to follow a recommendation. The firm, Financial Architects Investments Inc., refused to compensate an elderly client who was unsuitably invested in a risky strategy. However, in general, we had excellent acceptance of our recommendations for compensation by both firms and clients in the year.

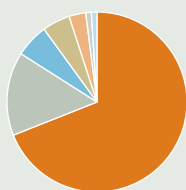
Where Do Our Complaints Come From?

Complaints come to OBSI from across the country, and from outside Canada as well. The table on the right compares the percentage of complaints received by OBSI by province or territory compared to its percentage of the population of Canada. The proportionately lower number in Québec reflects that the caisses populaires do not participate in OBSI at the banking services level. About two per cent of files overall are from outside Canada, and many of those are from Canadians living abroad temporarily.

	Complaints*	Population*
Alberta	6%	10.9%
British Columbia	15.7%	13.2%
Manitoba	1%	3.6%
New Brunswick	1%	2.3%
Newfoundland & Labrador	1.2%	1.5%
Nova Scotia	2.7%	2.8%
Nunavut	0.2%	.1%
Ontario	55.7%	38.9%
Québec	13.9%	23.6%
Saskatchewan	2.4%	3%
Yukon	.2%	.1%

While the telephone is still the most common way of contacting OBSI with an inquiry or complaint, other channels of communication are growing, particularly email. Phone calls represent about 70 per cent of the approximately 11,000 contacts fielded by our Consumer Assistance Officers in 2007. Email followed at 15 per cent, facsimile was six per cent and mail was five per cent. Our website complaint form, introduced in 2007, is being used on average once a day to register a complaint.

Our website traffic continues to grow steadily. The two most popular areas are the complaints process and the participating firm directory.



Being Accessible %

Phone	69	Website	3
Email	15	Courier	1
Fax	6	Walk-ins	1
Mail	5		

69%

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In 2007

our website complaint form was introduced, and is being used, on average, once a day to register a complaint.

Opened Investigations by Sector and Firm

Banking Services

2	Amex Bank of Canada
2	Bank of Montreal
1	Bridgewater Bank
2	Canadian Tire Bank
10	CIBC
2	HSBC Bank of Canada
1	JP Morgan Chase Bank N.A.
3	Laurentian Bank of Canada
8	National Bank of Canada
7	RBC Financial Group
21	Scotiabank
15	TD Bank Financial Group
74	

IDA Member Firms

1	Acumen Capital Finance Partners
2	Assante Capital Management
1	ATB Securities
1	Berkshire Securities Inc.
1	BMO Investor Line
10	BMO Nesbitt Burns
1	Canaccord Capital Corp
3	CIBC Investor Services
6	CIBC World Markets
2	Desjardins Securities
2	Dundee Securities Corp
2	E*TRADE Canada Securities Corp
7	Edward Jones
1	Global Securities Corp
1	Investors Group Securities
2	National Bank of Canada
1	Peregrine Financial Group
2	Questrade
1	Raymond James
4	RBC Dominion Securities
3	Scotia Capital
8	TD Waterhouse Canada
3	Wellington West Capital
65	

MFDA Member Firms

1	ASL Direct
1	Assante Financial Management
2	Berkshire Investment Group
1	BMO Investments
4	Dundee Private Investors
3	FundEX Investments
1	Investia Financial Services
7	Investors Group Financial Services
4	IOCT Financial
3	IPC Investment Corp
1	Keybase Financial Group
2	Manulife Securities International
2	PFSL Investments Canada
2	Portfolio Strategies Corp
2	Quadrus Investment Services
1	W.H. Stuart Mutuals
2	WFG Securities of Canada
39	

IFIC Member Firms

1	AGF Funds
1	Altamira Investment Services
2	

Investment Other

1	RBC Private Counsel
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Customer Service Survey

We track client satisfaction through a post-investigation survey of all clients, regardless of outcome of the case. Last year the response rate was 28 per cent. While satisfaction tends to correlate with outcome – clients who receive a recommendation for compensation are usually more satisfied than those who don't – three-quarters of all clients said we gave excellent or good service. The rest said fair or poor.

Unfortunately, more than half of those surveyed, or 53 per cent, said they did not hear about us from their firm. We believe this reflects the need for improved communications by firms about the complaints process, including informing clients at both the beginning and the end of the internal firm process of their right to refer an unresolved complaint to OBSI.

Review

OBSI's Independent Review

Last year marked OBSI's first-ever independent, external review of its operations. The review found OBSI is meeting all 11 service standards, and described the service as both professional and effective.

The review, commissioned by the Board of Directors, was done by The Navigator Company of Melbourne, Australia. Headed by Phil Khoury, Navigator has reviewed several Australian ombudsman services as well as consulting to a variety of public and private enterprises.

The report contains 24 recommendations to enhance various areas of OBSI's operations, and the Board of Directors has accepted the report in its entirety. Below is a brief excerpt from the executive summary. The entire report can be found on OBSI's website at www.obsi.ca.

Excerpt from the report:

Overall, our review found a professional and effective ombudsman operation at OBSI, albeit one in which some aspects of its performance are just reaching their potential. We found an organization that is experiencing a period of significant change – growing in size, sophistication and professionalism – and finding a level of maturity and self-confidence which was pleasing to see.

Our pre-review briefing had set out some of the changes that have occurred at the OBSI – and that is exactly what we found. To some extent, the findings of a review of any changing organization are a function of the timing of the review. Had we reviewed the scheme two years ago, we would have had some question marks about its delivery and if we had been asked to review it another year into the future, we are confident that we would have had rather less to suggest.

Few of the areas for improvement that our Review identified will be of any surprise to the OBSI management or Board. They are highly consistent with OBSI's own priorities for improvement. The key areas in which we have recommended improvement are:

- a) Increase the scope of its operations to include more early settlement and the ability to act on systemic issues*
- b) Building awareness and referrals*
- c) Improve liaison and information-sharing with stakeholders*
- d) Strengthening peer and other review processes internally to improve quality and consistency*
- e) Continue efforts to increase early resolution of files and speed overall timeframes*

OBSI Client Comments

“Just a quick note to thank you so much for all your work regarding the issues with my parents and X. Your help and due diligence on our behalf was very much appreciated as I was so close to giving up.”

Regulators

Framework with the Regulators

In August of 2007 the financial services regulators released the Framework for Collaboration, setting out their relationship with Canada's three financial ombudservices, including OBSI. Included in the Framework are guidelines for the standards of service for the ombudservices.

The Framework was the product of discussions among the Joint Forum of Financial Markets Regulators, Finance Canada and the Financial Services OmbudsNetwork, or FSON. FSON is comprised of OBSI and the two insurance ombudservices – the Canadian Life and Health Insurance OmbudService and the General Insurance OmbudService.

The role of the ombudservices is recognized in the Framework as vital to the consumer protection system in Canada, offering an independent and accessible dispute resolution service at no cost to the consumer. The Framework is also an important message to consumers that the ombudservices have the confidence of regulators.

OBSI's Board of Directors approved the Framework, and is moving ahead to align the Terms of Reference to the Framework. Here are some excerpts from the Framework:

An accessible and effective complaint-management system is vital to the integrity of the Canadian financial services market and is an important public policy objective of both provincial and federal governments.

Regulators consider effective complaint resolution through independent OmbudServices such as CLHIO, GIO and OBSI, collaborating as the FSON, to be an important component of a well functioning consumer protection policy framework. As impartial services, they offer an alternative to the legal system in a confidential informal setting that is free to the consumer.

Regulators have concluded that the FSON and its constituent entities, independent of industry and at arm's length from government, offer an appropriate foundation to achieve effective third party complaint resolution. The structure in this paper is designed to ensure the FSON continues to maintain the confidence of regulators.

A copy of the Framework is available on OBSI's website at www.obsi.ca.

“Skilled, professional, knowledgeable and a good listener... Addressed me and my concerns as a person and not as a number.”

“I would like to take this opportunity to express my sincere appreciation for the professional, thorough and considerate attention I received...”

What Are Facilitated Settlements?

In the past year OBSI has resolved a number of complaints through facilitated settlement. OBSI will propose a facilitated settlement when we believe we have enough information to suggest a fair resolution for both client and firm without a full investigation. Examples are when:

- the amount in dispute is low;
- the complaint is not overly complex; and/or
- the parties agree there is an issue, but not on the amount of compensation.

Neither the firm nor the client is obliged to accept a facilitated settlement. However, firms and clients who have participated in facilitated settlements have told us they like the approach. Clients are pleased to have a timely and fair outcome. Firms appreciate that facilitated settlements are less formal and less time-consuming than full investigations while leading to acceptable resolutions.

Most facilitated settlements have been for amounts of a few hundred to a few thousand dollars. However, as this example illustrates, this is not always the case.

Facilitated Settlement

The clients, a retired couple in their early 70s, were approached by an advisor who had been referred to them by a friend. The advisor recommended that they take out a \$90,000 home equity line of credit and use the money to invest in various equity mutual funds. The couple had \$15,000 in retirement savings and had only fair investment knowledge. Their income came from government and company pensions. Since they did not have adequate income to cover monthly interest payments on the loan, the advisor set up a regular withdrawal to be taken from the investment account.

The couple's investment declined rapidly, but their advisor continuously reassured them that it was a market correction and that they would soon recover their losses. After four years the advisor moved to another firm. The investments were worth about \$40,000 and the couple still owed \$90,000 on the line of credit. Over the next three years their account was transferred to three different advisors who were concerned about the advice the first advisor had provided, but did not advise them on what to do about the investment loan. The couple complained to the firm and eventually brought the complaint to OBSI.

We interviewed the clients, reviewed various file documents provided by the firm and interviewed employees who had dealt with the couple. Overall we found that the strategy of borrowing to invest was far too risky for retired clients with only limited to fair investment knowledge and almost no savings. The strategy did not meet any of the guidelines established by the firm for leveraged investing and it was not clear why the advisor recommended it. A senior advisor with the firm agreed that the strategy was inappropriate.

The couple was eager to resolve the complaint because they wanted to sell their home and purchase a condominium, but did not have enough money to pay off the home equity line of credit. We calculated that the couple had lost a total of \$60,000 – including losses on the investment plus interest on the investment loan – and provided the firm with a summary analysis. Given this information, the firm felt it was fair to compensate the couple for their losses and agreed to pay \$60,000 to resolve the complaint. By accepting the facilitated settlement, the firm significantly reduced the investigation time and the couple got their money promptly.



Investment Case Studies

By accepting the facilitated settlement, the firm significantly reduced the investigation time and the couple got their money promptly.

Investment Case Studies

The income on one of the trusts stopped within three months of purchase and sometime thereafter the advisor informed the client she was mistaken about the other income trust being guaranteed at maturity.



Income Trusts

In early 2002 a client sold a rental property for \$175,000. He asked his accountant if there was an investment product that would guarantee his capital and provide him with a regular income. His accountant suggested income trusts. Through an advisor referred to him by his financial institution, he invested in income trusts recommended by the advisor. However, the distribution from the trusts soon reduced to a trickle. Even though the capital was guaranteed, the client was not happy and looked for an alternative.

The client then got in touch with another advisor who, after checking with an income trust specialist, recommended some income trusts that she said were guaranteed at maturity and provided a regular income. The new advisor also said the client would make up the \$40,000 loss he would incur when selling his investments at the other firm since she could buy the trusts at a discount. The client happily agreed to transfer his account and she bought two income trusts for him.

The income on one of the trusts stopped within three months of purchase and sometime thereafter the advisor informed the client she was mistaken about the other income trust being guaranteed at maturity. Not only would the client not recuperate the \$40,000 he lost when he transferred his account to the new advisor, but he also stood to lose approximately \$30,000 on the income trust that was not principal guaranteed. He had also lost the opportunity to earn any income on the other income trust as it was locked in for several years.

OBSI concluded the advisor did not properly describe the investments to the client and that they were not appropriate for this conservative investor. We recommended the client sell the trusts and be compensated for \$98,000.

Segregated Funds

An 89-year-old widow was subsidizing her retirement income from her life savings by making monthly withdrawals. To make the savings last as long as possible her daughter, on her behalf, met with an advisor to develop a strategy. The advisor recommended investing in aggressive international equity segregated funds having a 10-year maturity guarantee. The advisor told the daughter withdrawals would reduce the maturity guarantee on a proportionate basis without providing her further explanation. The daughter had no questions and understood the maturity guarantee would be reduced equally for each dollar withdrawn. She invested her mother's entire savings into the recommended segregated funds and immediately began withdrawing money on a monthly basis. She believed the maturity guarantee protected the remaining balance of her mother's savings from any market risk.

The funds declined significantly and units were continually sold at a loss to provide for the withdrawals. Over time, the daughter reduced the monthly withdrawals and eventually eliminated them to protect the remaining savings. After the withdrawals stopped, the daughter learned that the remaining maturity guarantee was only one quarter of the original value even though just half of the savings had been withdrawn.

OBSI's investigation concluded that the effect of withdrawals on the maturity guarantee was not adequately explained by the advisor or understood by the daughter. OBSI recommended the client sell her segregated funds as well as be reimbursed for the difference between the current value of the perceived maturity guarantee and the segregated fund's current market value. The client was compensated \$20,800.



She believed the maturity guarantee protected the remaining balance of her mother's savings from any market risk.

To view more case studies please go to www.obsi.ca



Mortgage

A client was solicited by a bank mortgage broker for a mortgage for his new house. They discussed the Home Buyer's Plan (HBP) option, a government sponsored program that allows consumers to withdraw up to \$20,000 from their RRSP without penalty to buy or build a home.

The client, who had participated years ago in the same program, asked the representative if he could qualify again. He verified that he had not owned a house in the last five years and said that he was eligible. The client then withdrew funds from his RRSP to make the down payment.

A year later, the client received a notice from the government stating that he must remit income tax on the RRSP withdrawal because he had not finished paying back the funds he withdrew from the RRSP the first time he used the HBP. OBSI concluded the client had been badly advised by the bank representative. However, we also attributed partial responsibility to the client who had an opportunity to review the conditions of the program when he was filling out the application forms. After we intervened in the case, the bank loaned the client funds to put money back in his RRSP. The bank also reimbursed him for his interest loss as well as compensated him for inconvenience.

Banking Case Studies

The client still owed the bank the balance of the line. We therefore made no recommendation for compensation for financial loss.

Credit Card

While on a business trip, the client met two women at a bar. The women indicated that they were staying at the same hotel as the client and they agreed to share a cab back to the hotel. On the way the cab stopped at a bank ABM to allow the client to withdraw cash. At the hotel the client took the women to his room and left his jacket (containing his wallet) unattended. The next day, the client realized that his wallet containing cash and two credit cards was missing. He phoned the bank to report his card stolen and learned that the thieves had withdrawn \$1,000 at an ABM in a convenience store. The client's PIN had been entered correctly at the first attempt. The client believes that the women were the culprits, and had learned his PIN by "shoulder surfing" him while he was at the bank ABM. The client filed a police report.

The bank considered that the client was not careful in protecting his PIN and card as set out in the cardholder agreement signed by the client upon receiving the credit card.

OBSI's investigation concluded that the client was careless in leaving his jacket and wallet unattended in his hotel room while two people whom he had just met were present and that the client did not take appropriate precautions to protect his PIN. OBSI did not recommend that the bank compensate the client for the loss.

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Line of Credit

The client and his now ex-wife had a joint unsecured line of credit with \$8,800 owing when their marriage ended. Neither was willing to make any payments on the line. Before long, the bank's collection centre contacted the client. He told them to contact his ex-wife and said that he would not be making any payments.

Two months later, the client's ex-wife paid about 50 per cent of the outstanding balance and the bank removed her name from the line of credit. A few months after, the collection centre contacted the client to collect the balance. At that time, the client learned that his ex-wife had reached a settlement with the bank and her name had been removed from the line. He complained that the bank had favoured his ex-wife in their dispute.

In the client's opinion, the bank chose sides in their dispute and chose an arbitrary amount for which his ex-wife should be responsible. He also felt the bank should have informed him of the terms of his ex-wife's settlement. The bank argued that when the collection centre contacted the client and he refused to make any payments, it attempted to limit its losses by collecting a partial payment from

the ex-wife. The bank also argued that it is entitled to collect 100 per cent of the joint debt owed from either party as stated in the bank's Personal Credit Agreement.

OBSI's investigation focused on whether the client suffered financial harm as a result of the bank's action. We found that, given the client's repeated refusal to make repayment arrangements, the bank acted reasonably when it approached the ex-wife for payment and accepted her payment of 50 per cent in settlement of her obligation under the debt.

The bank did acknowledge that it made an error when her name was removed from the line of credit. However, while we found the bank's treatment of the ex-wife's responsibility for repayment unusual, we could find no direct financial loss suffered by the client as a result. The client still owed the bank the balance of the line. We therefore made no recommendation for compensation for financial loss.

However, OBSI concluded that the bank's error had a non-financial impact on the client, causing him inconvenience. OBSI recommended that the bank pay him \$250 in compensation.



Governance

The Ombudsman for Banking Services and Investments is governed by a nine-member Board of Directors. To protect our independence, the Board has a majority of six independent directors not affiliated with the financial services industry or government.

The independent directors have special powers to safeguard the independence of the Ombudsman and staff. They review and recommend candidates for Ombudsman, act as the nominating committee for the independent directors, and review and recommend the budget to the Board. The Chair of the Board must be an independent director.

While responsible to the Board for the management of the organization, the Ombudsman does not consult directors on specific complaints. Through the Chair, the Board deals with complaints clients might have about how they were dealt with at OBSI, but not about the substance of the complaint.

The final decision concerning complaints rests with the Ombudsman. There is no appeal to the Board on Ombudsman decisions, nor can the Board influence the decisions of the Ombudsman.

The independent directors are chosen to reflect Canada's geographic and demographic diversity and are selected as individuals who are known and respected on a regional or national basis. Directors normally are elected for three-year terms and can be re-elected. Terms are staggered to ensure Board continuity and gradual turnover.

The other three members of the Board come from the financial services industry. The Canadian Bankers Association and the Investment Dealers Association each name one director to the Board. The Mutual Fund Dealers Association and the Investment Funds Institute of Canada jointly nominate a director.

The Board meets at least quarterly. Board committees include Audit, Compensation, Nominations, Independent Directors and Standards. A not-for-profit corporation, OBSI is funded by a levy on each participating firm that represents its share of our expenses. The levies are calculated on a formula that reflects each sector's share of our complaint volume and the size of the individual firm.

Board of Directors

Independent Directors

Dr. Peggy-Anne Brown, Chair
Vancouver

Dr. Brown is President and Co-owner of Brown Crawshaw, a Vancouver-based company specializing in employee and family assistance programming, critical incident response and wellness training. Dr. Brown, a psychologist, is an active major shareholder in two other human resources consulting firms.

Adrian Burns
Ottawa/Calgary

Ms. Burns currently serves as Vice-Chair of the National Arts Centre Board of Trustees and is a member of the board of directors of Shaw Communications Inc. Ms Burns is a past full-time commissioner of the CRTC as well as a former director of the Copyright Board of Canada. Ms. Burns also serves on the boards of several business and community organizations, including Banff Center National campaign, Carthy Foundation, Ottawa Art Gallery and the RCMP Heritage Center.

Len G. Flett
Winnipeg

Mr. Flett is a retired executive with The North West Company, the leading retailer in northern markets. He is currently Chair of the National Aboriginal Achievement Foundation, past-president of Me-Dian Credit Union, past-chair of Aboriginal Business Development Corporation (Winnipeg) and past director of Winnipeg 2000 (City of Winnipeg Development Corporation). He is also a member of the Order of Canada.

Daniel F. Gallivan
Halifax

Mr. Gallivan is the Chief Executive Officer and Managing Partner of Cox & Palmer, an Atlantic Canadian law firm. He specializes in corporate commercial, energy and securities law. Mr. Gallivan is also a former director of the Bank of Canada and a former Vice-Chair of the Nova Scotia Securities Commission.

James R. Savary
Toronto

Dr. Savary is Associate Professor of Economics Emeritus at York University in Toronto, specializing in financial institutions and markets and in monetary theory and policy. He is also Chair of the Board of Directors of the Canadian Motor Vehicle Arbitration Plan, and member and past chair of the Stakeholder Advisory Council of the Canadian Payments Association. He is an active participant in the work of the Standards Council of Canada.

Denise Verreault
Les Méchins, QC

Ms. Verreault is President and CEO of Groupe Maritime Verreault, a marine company based in the Gaspé with subsidiaries in shipbuilding, ship conversion and ship repair. She sits on the boards of several corporations and organizations. Ms. Verreault is a companion of the Order of Québec and a member of the Order of Canada.

Director Emeritus

The Hon. Lincoln Alexander
Chancellor of the University of Guelph
Hamilton

Industry Directors

Daniel W. Brintnell
Executive Vice President
Co-Head, Retail Division
Dundee Wealth Management

Wendy Hannam
Executive Vice President
Domestic Personal Banking
and Distribution
Bank of Nova Scotia

Ed Legzdins
Senior Vice-President and
Head of Retail Investments
BMO Financial Group

Ombudsman and Staff

Ombudsman

Our office is headed by David Agnew, the Ombudsman since 2005. The Ombudsman is appointed by the Board of Directors, and must be independent of both industry and government.

The appointment of the Ombudsman is made on the recommendation of the Independent Directors Committee for a renewable term of up to five years. The Ombudsman cannot have been a government employee or have worked for or been closely associated with a participating firm for five years prior to appointment.

OBSI's Staff

Our staff is drawn from a variety of fields and disciplines. Their commitment to resolving disputes is evident in the dedication they bring to their work.

In addition to our customer contact and administration staff, we have two teams of assessment staff and investigators, one for Banking Services and the other for Investments, each headed by a Senior Deputy Ombudsman. Each team is composed of highly qualified professionals with a wide range of experience in financial services, dispute resolution and investigations.

OBSI Staff

Sabine Adam
Vance Bauman
Diane Bélanger
David Borenstein
Brigitte Boutin
Richard Bright
Brian Brooks
Karen Budden
Claudia Carnevale
Marc Cheney
Pierre-Alexandre Despatis-Dupont
Soybu Dieng
Michael-John Di Rocco
Harsha Gupta
Michael Hamilton
Al-Karim Kassam
Juliette Koffi
Marjolaine Mandeville
Doug Melville
Parham Nasser
Jo Anne Olafson
Rob Paddick
Rosalind Pell
Anik Robillard
Julie Rochette
Marie-Claude Roy
Cheryl Shkurhan
Shanti Suppiah
Doug Weber

Financial Services

OmbudsNetwork (FSON)

OBSI is one of three independent dispute resolution services that make up the Financial Services OmbudsNetwork.

The two insurance services are the Canadian Life and Health Insurance OmbudService for life and health insurance and the General Insurance OmbudService for auto, home and business insurance.

Canadian Life and Health Insurance OmbudService (CLHIO)

Tel: 1-888-295-8112
Fax: 416-777-9750
Email: information@clhio.ca
Website: www.clhio.ca

General Insurance OmbudService (GIO)

Tel: 1-877-225-0446
Fax: 416-299-4261
Email: info@giocanada.org
Website: www.giocanada.org

How to Reach Us

How to Reach Us:

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