

# OCTOBER 31, 2013 ISSUE

## UNION SECURITIES REFUSES OBSI COMPENSATION RECOMMENDATION

The Ombudsman for Banking Services and Investments (OBSI) today announced the refusal of Union Securities Limited ('Union Securities') to compensate a senior investor in the amount of \$325,122 as recommended by OBSI after investigating the merits of his complaint.

Union Securities is a British Columbia-based investment firm. It has applied for resignation from the Investment Industry Regulatory Organization of Canada (IIROC) but the application has not yet been approved.

Mr. S is an unsophisticated investor who relied entirely on the advice and recommendations of his Union Securities advisor. He is retired, has no private pension plan, and had been counting on income from his investments to fund his retirement.

Mr. S's advisor at Union Securities first recommended that he invest all of his money in a single stock that was the subject of an uncertain takeover bid. That takeover bid later failed, resulting in a significant decline in the stock's value. The advisor also recommended a margin account that was entirely unsuitable for Mr. S and made unauthorized trades in the account. The advisor never informed Mr. S of the risks of the recommendations or that he could potentially lose substantial amounts of money. By the time Mr. S closed his account with Union Securities he had lost almost all of the money he had invested.

OBSI finds that Union Securities is responsible for the losses incurred by Mr. S as a result of the unsuitable investment portfolio he held at the firm. It has chosen not to fulfill its responsibilities to him by providing the compensation he is owed based on the facts of the case.

IIROC staff took enforcement action in this matter. Following the hearing, the panel found that the Union Securities advisor failed in his suitability obligations to Mr. S and engaged in unauthorized trading in his account.

OBSI's recommended compensation amount was arrived at by first calculating the difference between the amount Mr. S's account would have been worth had he been suitably invested and the actual value as of the date he closed his accounts at Union Securities. Interest was then added to compensate Mr. S for the loss of use of his money, calculated from the date he first complained to the firm.

A copy of OBSI's investigation report for [Mr. S'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.

Where a complaint is found to have merit, OBSI makes a recommendation for compensation where it would be fair to do so, taking into account all of the facts and circumstances of the case. A refusal by a participating firm to follow a recommendation means that OBSI must publicize that refusal and the details of the complaint under Section 27 of our Terms of Reference.

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OBSI is Canada's national 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: debit and credit cards; mortgages; stocks, mutual funds, income trusts, bonds and GICs; loans and credit; fraud; investment advice; unauthorized trading; 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.

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