

NOVEMBER 7, 2013 ISSUE

KEYBASE REFUSES OBSI COMPENSATION RECOMMENDATION

The Ombudsman for Banking Services and Investments (OBSI) today announced the refusal of Keybase Financial Group Inc. ('Keybase') to compensate a retail investor in the amount of \$73,884 as recommended by OBSI.

Keybase is a mutual fund and exempt market dealer based in Markham, Ontario, with offices across the country. The complainant, Mrs. O, is an unsophisticated investor from Alberta who trusted and relied heavily on her Keybase advisor.

Mrs. O's Keybase advisor placed her in two mortgage investments that were subsequently lost, the second of which was made without Mrs. O's authorization. Both investments were made without Keybase's knowledge ("off-book"). Despite this, our investigation found that the firm missed important red flags and had several opportunities to prevent both mortgage investments from ever happening. Keybase is therefore responsible for the actions of its representative in this case.

While OBSI finds that Keybase is mostly responsible for the losses incurred by Mrs. O as a result of the two mortgage investments, OBSI also finds that Mrs. O bears some responsibility for her losses, as does a firm not party to this complaint. The recommended compensation amount has been reduced accordingly. Despite this, Keybase has chosen not to fulfill its responsibilities to Mrs. O by providing the compensation she is owed based on the facts of the case.

OBSI's recommended compensation amount was arrived at by first calculating Mrs. O's direct losses from the two mortgage investments. OBSI also calculated the gains Mrs. O's account would have realized had the second mortgage investment not been made, up to the date Mrs. O complained to Keybase. These compensable losses were reduced by certain percentages to account for the responsibility of Mrs. O and the other firm. Finally, interest was then added to compensate Mrs. O for the loss of use of her money, calculated from the date she first complained to the firm.

A copy of OBSI's investigation report for [Mrs. O'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.

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.

For more information, contact:

Tyler Fleming

Director, Stakeholder Relations and Communications

publicaffairs@obsi.ca

416-218-4244