

## APRIL 3, 2013 ISSUE

### CONNOR FINANCIAL REFUSES OBSI COMPENSATION RECOMMENDATIONS

The Ombudsman for Banking Services and Investments (OBSI) today announced the refusal of Connor Financial Corporation ('Connor Financial') to compensate multiple retail investors in the amounts of \$93,030, \$54,109, \$189,878 and \$250 as recommended by OBSI after investigating the merits of their complaints.

Connor Financial is a mutual fund dealer based in Victoria. The clients' investment advisor, Mr. C, is the founder, president, and sole director, compliance officer, shareholder, and investment advisor of Connor Financial.

The first complainants, Mr. and Mrs. H, were a retired elderly couple who relied on their investments for income. Another complainant, Ms. B, was a 67-year-old semi-retired hairdresser. The third complainant, Ms. H (no relation to Mr. and Mrs. H), had Canada Pension Plan (CPP) disability payments as her only source of income. Connor Financial placed some or all of their portfolios in high-risk investments that were unsuitable given their personal and financial circumstances, investment objectives and/or risk tolerance.

Connor Financial is responsible for the unsuitable recommendations that led to the complainants' unsuitable investment portfolios at the firm. It has chosen not to fulfill its responsibilities to them by providing the compensation they are owed based on the facts of the case.

OBSI's recommended compensation amounts in these three complaints were arrived at by first calculating the difference between the amount the investors' accounts should have been worth had they been suitably invested and the actual value as of the date they removed their investments from the investment dealer. Interest was then added to compensate the investors for the loss of use of their money, calculated from the date they first complained to the firm.

After discussion with securities regulators, OBSI established a one-time method of independent review of certain cases that were headed towards refusals to compensate. These three Connor Financial complaints were among them. Firms were offered the opportunity to have former commissioners of the Ontario Securities Commission (OSC) provide an independent assessment of the files in question based on standards consistent with OBSI's Terms of Reference. If OBSI had unfairly considered the facts of the case or our investigation findings were objectively flawed, the reviewer would say so in their report on the matter. Connor Financial chose not to take up this offer.

In a fourth case the complainant, Ms. T, incurred tax penalties when Connor Financial inappropriately redeemed securities held in her RRSP to cover an investment loan. A settlement proposal of \$250 was rejected by Connor Financial.

Copies of OBSI's investigation reports for [Mr. and Mrs. H's complaint](#), [Ms. B's complaint](#), and [Ms. H's complaint](#) are 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 complainants. A full investigation report for Ms. T's complaint was not prepared given the low compensation amount and the lack of any probability of payment.

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. Refusals by firms to follow an OBSI recommendation mean that OBSI must publicize that refusal and the details of the complaint under Section 27 of OBSI's Terms of Reference. OBSI has taken [several](#)

[significant and extraordinary steps](#) to resolve these and other complaints that could not be resolved before resorting to announcing a refusal to compensate.

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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. Over 99.8% of the thousands of complaints brought to OBSI since the organization's inception have been successfully resolved.

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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## BACKGROUND

Since OBSI's inception, the overwhelming majority of complaints brought to our organization have been successfully resolved. Those complaints that end in refusals by firms to compensate their customers have historically been very rare.

The following table shows the number of investigations completed during each fiscal year compared to the number of refusals by firms to compensate their customers in response to an OBSI recommendation:

### **Fiscal Year\*Completed InvestigationsCompensation Refusals**

|             |     |   |
|-------------|-----|---|
| <b>2002</b> | 178 | 0 |
| <b>2003</b> | 222 | 0 |
| <b>2004</b> | 469 | 0 |
| <b>2005</b> | 292 | 0 |
| <b>2006</b> | 274 | 0 |
| <b>2007</b> | 447 | 1 |
| <b>2008</b> | 646 | 0 |
| <b>2009</b> | 787 | 0 |

|              |             |                            |
|--------------|-------------|----------------------------|
| <b>2010</b>  | 865         | 0                          |
| <b>2011</b>  | 901         | 0                          |
| <b>2012</b>  | 640         | 0                          |
| <b>2013</b>  | TBA         | 8<br>(as of April 3, 2013) |
| <b>Total</b> | <b>5721</b> | <b>9</b>                   |

\*OBSI's fiscal year runs from November 1 to October 31. Our 2013 fiscal year therefore started on November 1, 2012.