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International Network of Financial Services Ombudsman Schemes (INFO Network) conference

If you have any questions or comments, please feel free to send us a message at publicaffairs@obsi.ca

This past October, OBSI took part in the [INFO Network](#) conference. Ireland's Financial Services and Pensions Ombudsman (FSPO) hosted the three-and-a-half day conference. The conference offered insight into the practices of financial services ombudsmen from five continents. Over 90 delegates attended the conference and shared their experiences, recent innovations and approaches to dispute resolution. Here are three key takeaways OBSI's ombudsmen took from the conference:

Build trust in the process

Dispute resolution is successful when both complainants and firms trust and understand the dispute resolution process; there must be a clear path to resolution. Participants don't have to trust each other but they must trust the process for it to be effective. An ombudsman must be patient, thoroughly explain the process to all participants and answer questions to instill trust.

Acknowledge past mistakes

When addressing a mistake, consider an approach that ensures both sides are treated with humanity, and are given a chance to tell their story and feel heard. Patient safety advocate, Margaret Murphy, who lost her son to a medical error, encouraged people

who have made mistakes to acknowledge them, listen to the story of the injured party, and understand that in doing so improvements can be made and both parties can begin to heal. An ombudsman's confidential process can facilitate this type of dispute resolution.

Better disclosure reduces confusion

Many consumers overestimate their understanding of financial products. Behavioural economist Dr. Pete Lunn shared studies showing that a significant number of well-educated consumers, who are motivated to understand financial services products, will still pick inferior products. An ombudsman can assist firms by identifying areas for improvement in product disclosure.

Update: Terms of Reference renewal project

The Terms of Reference (TORs) renewal project was named as a key initiative in OBSI's 2017-2021 strategic plan. The project was intended to make the TORs clear and logical. The update also aligns the TORs with our current practices and procedures.

In the spring of 2018, OBSI's Board of Directors reviewed and provisionally approved the updated draft TORs. OBSI then sought and received comments from banking and securities regulators. Their feedback was incorporated into a new draft. This draft was issued for public consultation in April 2018.

The 7-week public comment period ended in late May. We received submissions from 10 commenters. Public comments can be found on our [website](#). We considered each of the comments and have now made final changes to the TORs based on the feedback received.

The new TORs were formally adopted by the OBSI board effective December 5th, 2018. We look forward to releasing the newly updated TORs along with our public response to the comments received. Thanks again to all commenters.

We are confident that our new Terms of Reference will be clear, current and easy to use for all OBSI stakeholders.



OBSI Fiscal 2018 Statistics

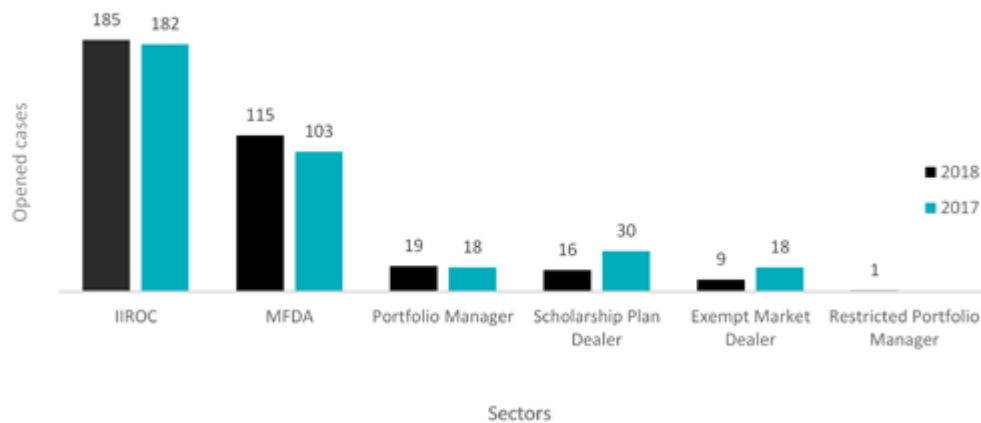
Below is a summary of the topline complaints data comparing fiscal years 2017 and 2018. For statistics on Q3 2018, [click here](#). For statistics on Q4 2018, [click here](#).

Total Cases Opened: 2017 vs. 2018



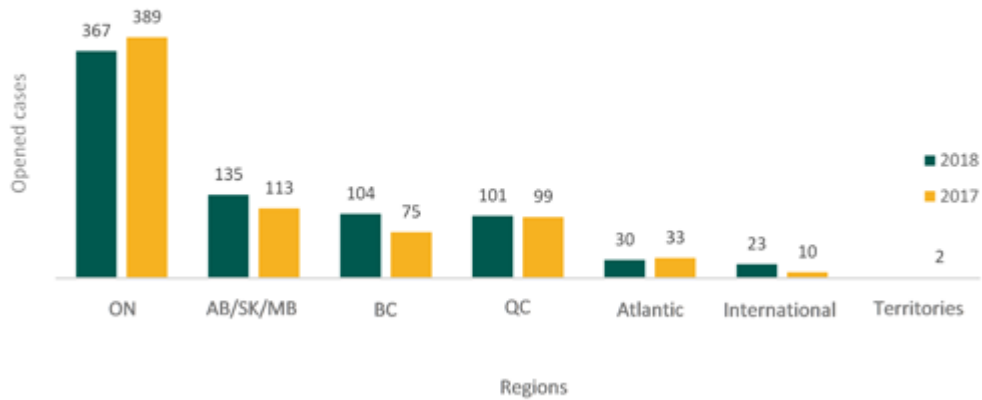
In 2018, OBSI saw an increase in cases opened, from 721 in 2017 to 760 in 2018, representing a 5% increase. Investment complaints decreased from 351 cases opened in 2017 to 345 in 2018. Banking cases opened continued a multi-year trend, increasing from 370 in 2017 to 415 in 2018, a 12% year-over-year increase.

Cases Opened by Investment Sector: 2017 vs. 2018



There were moderate variations in the number of cases opened in IIROC, portfolio manager and restricted portfolio manager sectors in 2018. MFDA cases increased by 12%, rising from 103 in 2017 to 115 in 2018. Scholarship plan dealer cases and exempt market dealer cases decreased.

Cases Opened by Region: 2017 vs. 2018



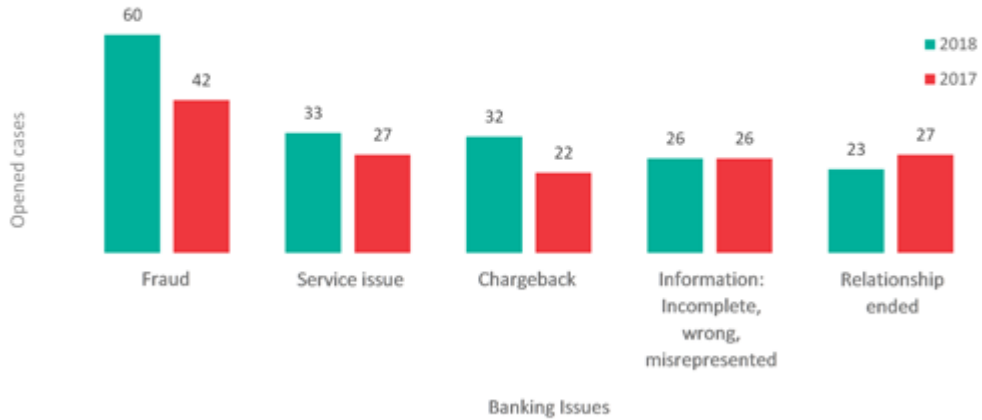
Ontario continues to be the province producing the greatest number of complaints despite a decrease of 6% in cases opened. Cases opened in the Western provinces rose by 19%. Cases in Quebec and the Atlantic provinces were relatively flat. International cases increased to 23 in 2018, up from 10 in 2017.

Top Banking Products: 2017 vs. 2018



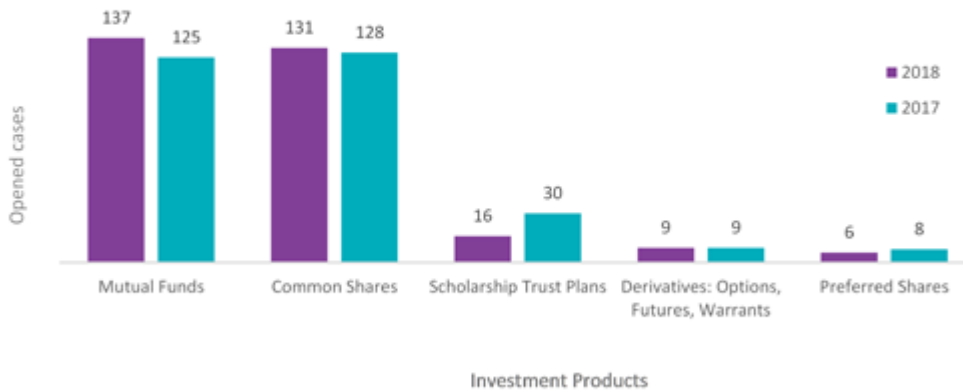
In 2018, the top five banking products continued to follow trends from 2017. Credit card complaints led overall once again. Mortgage loan complaints rose from 67 in 2017 to 89 in 2018, representing a 33% increase. Personal transaction account complaints rose 25%. Cases involving cheques fell in 2018, decreasing to 9 cases from 16 in 2017.

Top Banking Issues: 2017 vs. 2018



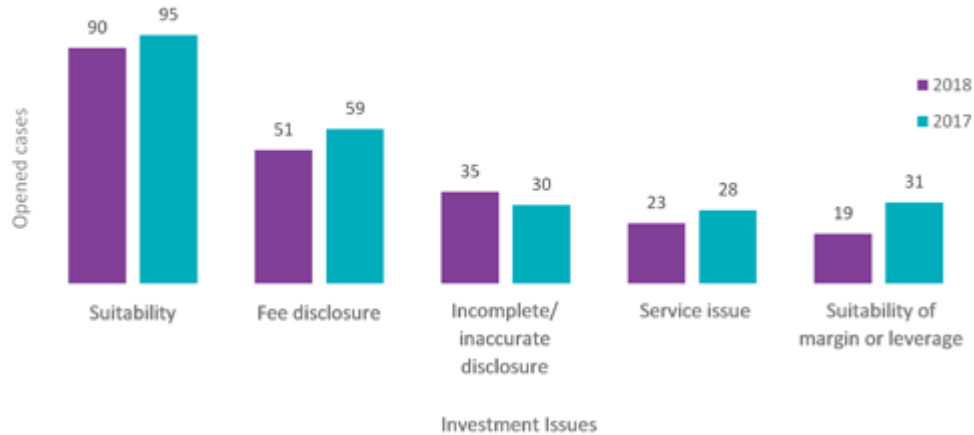
Fraud was the most reported banking issue increasing 43%, up from 42 cases in 2017 to 60 cases in 2018. Service issues became the second most reported issue based on a 19% increase. Issues related to chargebacks rose 46% compared to 2017.

Top Investment Products: 2017 vs. 2018



Complaints related to mutual funds replaced common shares as the top investment product with a 10% increase. Scholarship trust plans fell from 30 cases in 2017 to 16 cases in 2018.

Top 5 Investments Issues: 2017 vs. 2018



Compared to 2017, there were decreases reported in the top investment issues in 2018 in all categories except incomplete/inaccurate disclosure, which rose 17%. Cases related to suitability of margin or leverage decreased 39% compared to 2017.

Case Study: The bank is responsible for correcting issues arising from their own administrative errors

In early 2016, Mr. and Mrs. J noticed that their bank had not taken the regularly scheduled mortgage payments from their account. The couple had diligently paid their mortgage on time for the past 5 years. When they noticed the discrepancy, they immediately contacted the bank to address the issue.

The couple advised the bank of the missed mortgage payments. The bank investigated and discovered that it had used the incorrect account number. The bank apologized for the error. It then arranged to take three separate payments. The second of these three payments was not processed. Mr. J contacted the bank immediately. The bank informed Mr. J they would deal with the issue appropriately.

The bank then attempted to take undisclosed payments from the account. It did so without first speaking to Mr. and Mrs. J. This sent the couple's account over their \$500 overdraft limit. They incurred an NSF charge as a result. During the next year, the couple's finances were subject to numerous additional fees resulting from NSF charges. These additional costs totalled well over \$900.

Key Learnings

Administrative errors are the bank's responsibility. But the customer must show evidence that they took reasonable steps to resolve any issues.

The bank is responsible for non-financial harm placed on the customer because of the bank's action/inaction.



From early 2016 until spring 2018, the couple's credit bureau score reported the payment history on the mortgage as late. This led to further charges. There were also indirect costs connected to their car insurance and car payments. The couple faced legal expenses and stress as they were confronted with the threat of losing their home.

[Click here](#) to continue reading the rest of this case study.

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