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Media release: Consumer voice lost without independent OBSI, council worries

The Consumer and Investor Advisory Council of the Ombudsman for Banking Services and Investments (OBSI) is extremely disappointed in comments attributed to the Minister of Finance Jim Flaherty indicating that alternative dispute resolution in the Canadian banking sector will not mandate that all banks work with OBSI. A system of multiple providers for banking dispute resolution has now apparently been sanctioned by these comments.

This is a shame. Canadian banking consumers will in all likelihood be left in the cold in this new system. As many have noted, allowing banks to choose their own umpire in resolving disputes gives all the power to the bank and none to the consumer.

Over the last year, the Council has heard from consumer and advocacy groups, financial institutions and government regulatory bodies, who all quite sincerely have expressed their commitment to everyday Canadian consumers. However, with this decision to move away from a not-for-profit, public interest independent ombudsman for banking complaints, there appears to be a significant gap created around banking consumer protection.

Rather than using the framework of a not-for-profit, public interest ombudsman, who traditionally balances power and supports substantive access to justice for individual citizens, the proposed regime appears to embrace a narrower private company fee-for-service alternative dispute resolution model instead, with the banks and not the consumer as clients.

In this, many aspects of consumer protection are lost. Canadian banking consumers who have suffered a loss or who are in conflict with their bank, either individually or collectively in systemic situations, will no longer have independent recourse. The Council has called for a robust binding statutory authority in this field.

In this time of fiscal challenge, and with the rapidly aging population, the Council believes that there is a greater-than-ever need for an organization or initiative which ensures support for both individual complainants as well as for the broad Canadian consumer banking issues.

The Council will review the proposed regulations as they become available and is committed to supporting a constructive multi-stakeholder dialogue, including Department of Finance officials, to ensure that the future evolution of bank consumer protection appropriately balances the interests of all stakeholders, including consumers. This is particularly important for consumers who would otherwise not be sufficiently represented in this dialogue. At this watershed moment, all parties must come to the table to work together to ensure that the consumer has a voice in the design of this new system.

The Council will continue to support consumer interests in these developing situations. We are actively seeking discussions with all parties to promote a positive exchange of ideas to benefit all Canadian consumers of banking and investment services. The Consumer and Investor Advisory Council of OBSI is an independent council which advises the Board of Directors on issues related to consumer issues.

Council members sit in their individual private capacities and do not represent organizations to whom their members may belong.

Note: Comments may be attributed to Laura Watts, Chair.

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