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## **Re: Financial Institutions Act & Credit Union Incorporation Act Review – Preliminary Recommendations**

The Ombudsman for Banking Services and Investments (OBSI) is pleased to provide our comments to the British Columbia Ministry of Finance as part of its review of *the Financial Institutions Act* and the *Credit Union Incorporation Act*.

As Canada's national, independent dispute resolution service for banking services and investments related complaints, OBSI applauds the direction of the Ministry's policy recommendations. Greater transparency in the financial services sector, increased financial literacy, and enhanced protections for consumers are all positive steps towards a strong, stable financial services sector which holds the public's confidence and trust.

Our comments in this submission focus on Recommendation #32 of the second consultation paper, *Financial Institutions Act & Credit Union Incorporation Act Review: Preliminary recommendations*. If this recommendation is adopted, credit unions would be required to have in place internal complaint resolution procedures and any complaints not resolved internally could be taken by the consumer to an ombudservice administered by Stabilization Central.

We support the central principle of this recommendation. As noted in the preliminary recommendations, credit unions in British Columbia have evolved from community organizations that provide basic financial services into dynamic financial institutions, while international standards and best practices for financial institutions have increasingly focused on market conduct. In this shifting credit union landscape, we agree that a modern, efficient and effective credit union system requires consumer access to an external, independent and impartial financial ombudsman.

### **Ombudservices benefit the entire credit union system**

Growth, consolidation and increased interconnectivity have increased the complexity of British Columbia's credit union system as well as the financial services and products they offer. Ensuring that an independent and effective financial ombudsman is available to British Columbia's two million co-operative members<sup>i</sup> can help strengthen their confidence and participation in the province's dynamic credit union system. As the World Bank has reported,<sup>ii</sup> the existence of a single financial ombudsman provides benefits for all actors in the marketplace: financial services firms, consumers and regulators.

For the credit unions, an independent financial ombudsman offers a means to resolve consumer complaints in a fair, consistent and cost-effective manner. When the conduct or practices of a credit union or its representative are the subject of unresolved complaint, or where trust between a credit union and their member has deteriorated, the independent investigation of an ombudsman can help clarify for the member if the credit union is in the right, and can help to frame reasonable expectations and facilitate a fair settlement if that is appropriate in the circumstances. Financial ombudsmen are also in a unique position to offer participating institutions insights into their consumer-facing practices and suggest possible best practices and service improvements based on our observations of the broader industry.

For credit union members, a financial ombudsman provides an alternative to the court system and access to justice in circumstances where many will not have legal representation and may be disadvantaged in their ability to understand and exercise their own rights and obligations. Members also benefit from the consistent approach and ease of access provided by a single point of contact when seeking redress provided by an independent financial ombudsman. We also develop and publish consumer-facing awareness materials on topics that are the subject of common complaints and misunderstandings.

Regulators also benefit when an independent financial ombudsman is part of the financial services system. In addition to the consumer protection and consumer confidence offered by a dedicated financial services ombudsman, the information collected by the ombudsman can be aggregated to offer regulators independent insights based on the trends and emerging issues the ombudsman observes. A financial ombudsman can also identify and report emerging systemic issues to regulators for investigation, freeing scarce resources and enabling governments and regulators to focus on prudential, public policy and systemic issues.<sup>iii</sup> These benefits are especially important if a financial institution or sector experiences unexpected stresses.

### **Ombudservices are a nationally and internationally recognized standard**

Ombudservices have become a recognized best practice in the financial services sector in Canada and around the world. Federal regulation requires Canadian banks and federal credit unions to be members of a recognized ombudservice and, since 2002, securities regulators have required all investment firms in Canada to offer OBSI services to their clients. Provincially, Saskatchewan's credit union system voluntarily joined OBSI in 2006 to provide their 500,000 members with access to our services and, since 2007, we have provided our independent and impartial dispute resolution services to almost half of Alberta's credit unions. Our services reinforce the credit union system's commitment to a consumer-oriented approach to complaint handling which includes accessibility, timeliness, courtesy, clarity, accuracy and consistency.<sup>iv</sup>

Internationally, The G20 *High Level Principles on Financial Consumer Protection*<sup>v</sup>, endorsed by G20 finance ministers and central bank governors, have identified the importance of access to complaint handling and redress mechanisms that are "accessible, affordable, independent, fair, accountable, timely and efficient" for financial services consumers. Alternative dispute resolution is one of the ten core principles designed by G20 members to assist the effort to enhance financial consumer protection.

### **OBSI: Over 20 years of experience**

For over 20 years, OBSI has provided Canadians in all provinces and territories with accessible, fair and independent financial dispute resolution services. OBSI currently offers these services to bank and securities firm clients in British Columbia and would be pleased to extend these services to British Columbia's credit union members. Acting as a single-access point and implementing a consistent approach

to resolving disputes across the entire deposit-taking and investment sector, we can help to reduce confusion amongst consumers about who they can turn to when faced with an issue they are unable to resolve with their financial services provider. We offer British Columbia's credit unions, consumers and regulators our proven record as a cost-effective alternative to the courts in cases that typically involve disputes of limited monetary value and involve parties with quite different levels of sophistication, knowledge and access to resources.

OBSI is uniquely positioned to offer British Columbia's government and regulators a formal dispute resolution process to which they can direct consumer complaints. Over 1,400 participating firms from across Canada, including 58 credit unions and caisses populaires in four different provinces, participate in OBSI's dispute resolution process. Last year, we helped approximately 5,500 Canadians, and opened over 700 formal investigations, approximately half of which were related to banking products and services such as credit cards, loans, and personal transaction accounts. As demonstrated by our recorded average of 50 days to complete a banking investigation, we have the experience, expertise and knowledge required to efficiently and effectively manage a large number of consumer inquiries and complaint investigations. Our participating banks, credit unions and investment firms also benefit from our ability to effectively aggregate and report on emerging issues, best practices, and systemic issues that have the potential to adversely affect system stability.

## **Conclusion**

OBSI commends the excellent work the Ministry has conducted in gathering and delivering the preliminary recommendations. We would like to express our interest in working with British Columbia's Stabilization Central to deliver ombudsman services for unresolved disputes from the province's credit union customers as part of a strong financial consumer protection framework that will maintain public confidence and trust into the future.

We hope our comments and suggestions contribute to the discussion around improving financial services for consumers in British Columbia and welcome future discussions on complaint handling in the province's financial services sector. We would be pleased to provide further information and answer any questions.

Sincerely,

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Ombudsman & CEO  
Ombudsman for Banking Services and Investments (OBSI)

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<sup>i</sup> CCUA. (2017). National Sector results: Fourth quarter, Retrieved from: <https://www.ccu.com>

<sup>ii</sup> World Bank. (2012). Resolving disputes between consumers and financial businesses: Fundamentals for a financial ombudsman. Available at: <http://bit.ly/28qw8A7>

<sup>iii</sup> International Network of Financial Ombudsman. (2017) Guide to setting up a financial ombudsman. Retrieved from: [www.networkfso.org](http://www.networkfso.org)

<sup>iv</sup> SaskCentral (2013). Market code handbook.

<sup>v</sup> OECD. (2011). G20 High Level Principles on Financial Consumer Protection. Available at: [ht://bit.ly/1vCn7NO](http://bit.ly/1vCn7NO)