

Opening remarks by Sarah Bradley, Ombudsman and CEO, OBSI
to the Senate Banking, Trade and Commerce Committee

November 20, 2018

Thank you, Mr. Chair and good afternoon, Honourable Members of the Committee.

About OBSI and who we serve

The Ombudsman for Banking Services and Investments is Canada's independent and not-for-profit dispute resolution provider for banking and investment complaints.

When we began operations in 1996, the country's largest banks were our first participating firms.

Since then, over 100,000 Canadians have contacted us seeking help with their financial services disputes and we have opened nearly 10,000 investigations.

The people we help come from across Canada:

- 42% are over 60 years old
- 60% are working - either employed or in their own small business, and
- the average user of OBSI's service has a total household income of less than \$80,000 per year.

In other words, these are Main Street, middle class Canadians that we are serving every day.

In the past year, over 5,300 Canadians contacted us with inquiries about complaints – and we opened 760 investigations – more than half of which concerned retail banking complaints.

OBSI provides a valuable public service that supports confidence in the financial services sector. We take our public service mandate seriously.

This is why we have the support of consumer organizations such as PIAC, CARP, the Canadian Consumer Council and FAIR Canada, as well as the Canadian Federation of Independent Business.

This why, since 2012, Provincial securities regulators have required all investment firms in Canada to use OBSI – about 1,300 firms from across the country. Notably - this includes all investment subsidiaries of Canada's big banks.

Bill C-86 offers meaningful improvements

Turning to the Consumer Protection Framework set out in Part 4, Division 10 of Bill C-86 -

I'll begin by saying that the Government's commitment to improving financial consumer protection for Canadians is commendable.

The provisions in the bill aimed at strengthening FCAC are an important step towards establishing FCAC as a true market conduct regulator for Canada's federal financial services sector – This is an important advancement towards an important goal.

In particular, the consolidation of the consumer protection measures, and the provisions giving FCAC the mandate to issue directions and conduct special audits hold great promise for increasing the Commission's ability to conduct effective systemic investigations and provide improved protections for Canadian bank customers.

Combined with the whistleblower provisions and additional sanctioning powers added in the FCAC Act, the groundwork is laid for FCAC to step forward with greater visibility and vigour -- and for Canadians' confidence in FCAC and their financial institutions to be strengthened accordingly.

Bill does not resolve Ombudsman system problem

Unfortunately, however, Bill C-86 does not go far enough in the protection of Canadian consumers.

Despite the clearly expressed concerns of many consumers, consumer advocates and leading media, Bill C-86 does not address the issue of Ombudsmanship for Canada's bank customers.

Under the current legislation, the Canada's government allows banks to choose the ombudsman who will investigate and decide on their customers' complaints – and the consumer has no choice in this matter.

Bill C-86, as it stands today, continues to support this model and in doing so it lets Canadian consumers down.

Independent dispute resolution for financial consumers is a recognized standard by the *G20 High Level Principles on Financial Consumer Protection* and a single financial services ombudsman has been mandated by many comparable countries with progressive financial sectors such as the United Kingdom, Ireland, Australia, and others.

The competitive ombudsman model ignores this international best practice.

The fundamental problem with the competitive model is that it creates an inherent conflict of interest. It puts ombudsman services in the position of having to compete for banks' business, and it puts banks in the position of choosing their own referee. Whose interests are advanced by this system?

A competitive dispute resolution model leads consumers to rationally question the impartiality and independence of the system. And this perception of conflict of interest can undermine public confidence in the financial sector.

The only way to remove any potential conflict of interest is to legislate a single, independent, not-for-profit ombudsman dedicated to the public interest.

We believe the Government's Bill needs to be amended to establish a single, not-for-profit, ombudsman dedicated to accessibility, openness, transparency, independence, fairness, and efficiency for consumers and banks. Now is the time.

Retail banking is core to Canada's social and economic development and touches the lives of every Canadian. Yet our banking consumer protection framework – even with the improvements proposed in this Bill – is still falling behind modern best practices for consumer protection.

Canada has a strong banking system - one that is founded on principles of trust and fairness. A just and effective complaint handling system is essential to maintain that trust.

Thank you – I would be pleased to take any questions you may have.