

Consumer Complaints about Banking Services and Investments Growing Rapidly

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TORONTO – Complaints about the financial industry have reached record levels, according to new figures released today by the Ombudsman for Banking Services and Investments (OBSI).

OBSI looked into 990 banking and investment consumer complaints in 2009, representing a 48 % increase over 2008 and a more than tripling of the number of case files in just three years. OBSI also processed over 12,400 individual inquiries from consumers and small businesses in 2009.

As in recent years, OBSI saw more investment cases (599) than banking cases (391). Investment complaints continue to drive much of the overall increase in complaint volumes OBSI deals with. While banking sector complaints were up 21%, investment complaints were up a staggering 73%.

“The global economic crisis, coupled with sharp declines in financial markets, gave rise to much of the increase in complaints we saw,” said Douglas Melville, Ombudsman for Banking Services and Investments. “However, despite the improvement in the markets over the last year, complaint volumes remain high. We expect this to continue.”

OBSI looks into complaints about most banking and investment products and services 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.

“On the banking side, many of the complaints we saw dealt with mortgage prepayment penalties, rates on lines of credit, or fraud,” said Melville. “On the investment side, the vast majority of cases were related to the suitability of investment advice. Investment advisors need to fulfill their “know your client” obligations as well as explain the risks and characteristics of the products they are recommending.”

In 2009, consumers received compensation in 28% of cases reviewed by OBSI. The rate of compensation was 20% for banking complaints and 35% for investment complaints.

The Ombudsman for Banking Services and Investments (OBSI) is the 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.

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