

## March 25, 2008 ISSUE

### FROM THE OMBUDSMAN'S DESK

Anyone involved in financial services knows that change is not only a daily reality, but that the pace of change is accelerating as well. Whether it's the marketplace, rules and policies from governments and regulators or the expectations of consumers, the world isn't standing still for anybody. That includes OBSI.

Last year OBSI reached agreement on a Framework for Collaboration with the provincial and federal regulators that, for the first time since we were established in 1996, detailed their expectations of how we would carry out our role as an independent dispute resolution service.

We also were reviewed by an independent firm to ensure we were offering the kind of effective, professional and impartial service that both consumers and firms have the right to expect. The review was positive, and made helpful suggestions for improvement.

Late last year, we issued draft revisions to our Terms of Reference that reflected the Framework's guidelines and asked for the feedback of our stakeholders. Several submissions were received, and are available on our website at [www.obsi.ca](http://www.obsi.ca) along with the Framework and the results of our independent review.

The Standards Committee of our Board of Directors will now review the submissions with a target date of completing the revisions in June.

We will keep you posted through this newsletter and our website on developments.

### OBSI OUTREACH

OBSI participated in two industry events in Toronto in January and used the opportunity to discuss recent changes in our service and the proposed changes to the Terms of Reference our service and the proposed changes to the Terms of Reference.

The first was a "roundtable" on resolving retail investor complaints sponsored by the Osgoode Hall law school's professional development department. The event drew together representatives of firms, regulators, the legal profession, investor advocates, the alternative dispute resolution community and the judiciary to discuss the various ways investor disputes are handled. While the routes and methods differed, there was remarkable consistency among all of us on the importance of getting to disputes faster, and to use facilitative and mediation techniques wherever possible to try to resolve problems.

The second, an IFIC-sponsored event, was an opportunity for the IDA, MFDA and OBSI to talk with representatives from the investment industry about the changes in complaint handling that each of us are proposing. The IDA and MFDA have proposed changes to their rules that are currently being considered for approval by the provincial securities regulators. More information from the event is available on the IFIC website at [www.ific.ca](http://www.ific.ca).

[To read the article from Investment Executive on the IFIC event, click here](#)



## OBSI'S 2007 ANNUAL REVIEW

Highlights of OBSI's 2007 Annual Review:

- Opened 468 new cases, an increase of more than 40 per cent from 2006
- More than doubled the number of facilitated settlements
- Continued growth in number of participating firms including scholarship plan dealers and more credit unions
- Completed a successful independent review, with all standards of service met
- Approved the Framework for Collaboration with federal, provincial and territorial regulators
- Suitability continues to be the most frequent complaint in investment cases; fraud – particularly card fraud – is the most common banking services complaint
- Increased outreach initiatives to our stakeholders with an electronic newsletter, a new complaint brochure and OBSI Contact seminars

If you would like to receive a printed copy of the Annual Review, please contact us at [publicaffairs@obsi.ca](mailto:publicaffairs@obsi.ca) or 1.888.451.4519. [Please click here to view the Annual Review](#)



## CASE STUDY- A REWARDS PROGRAMME PAST ITS PRIME

When shopping for a credit card in 1993, the client was attracted to one of his bank's cards which included a reward programme for first-time homeowners. The more spent with the card, the more he accumulated reward "dollars" which could be credited toward an undiscounted (i.e. posted rate) mortgage from the bank.

However, by the time the client was in a position to use the reward "dollars" for a mortgage, 10 years had gone by and much had changed in the mortgage market. Banks and other mortgage lenders were now offering discounts off the posted rates to virtually anyone who asked. In fact, the bank no

longer offered the mortgage "dollars" reward – but didn't end the programme for existing cardholders.

When the client tried to cash in the accumulated reward "dollars" (he had spent nearly \$68,000 on his credit card over the years), he found that the discount on the bank's mortgage rate that had been arranged through a mortgage broker was a much better deal than his alternative of paying the posted rate of interest and crediting his accumulated reward "dollars" toward the mortgage.

The client complained that the bank was taking advantage of cardholders by – in effect – undercutting the value of its own reward programme by offering better value through discounted interest rates. After considering the complaint, the bank offered to convert his reward "dollars" into another points programme or to give him cash equal to about 0.5 per cent of what he had spent on the card over the years.

OBSI investigated the case, and found that the rewards programme documentation was clear – cardholders could not combine the reward "dollars" with any other offer including discounted mortgage rates. In the particular circumstance, it was evident to us that the client couldn't get both the attractive discounted rate negotiated by his mortgage broker and the reward "dollars" credited toward the mortgage.

However, we also saw the client had a point – the reward programme no longer had any value in the marketplace and it was easy to see how clients would feel they had lost an opportunity to accumulate valuable rewards in another card programme.

We looked at alternative cards that the client could have used and found that the bank's offer to convert his points to another programme was fair, as was the other alternative offered, a cash-back equivalent of 0.5 per cent, was an industry standard reward benefit for a no-fee card.

We recommended that the client accept the bank's offer.

## **OBSI IN THE MEDIA**

Recent articles on OBSI. Please click on title to view.

[Firms should welcome a more robust ombudservice](#) (Investment Executive, March 2008 )

[Good luck to you, Mr. Hockin](#) (Financial Post, March 2008)

[OBSI is the wrong target](#) (Investment Executive, March 2008)

[OBSI aims for expanded powers](#) (Investment Executive, March 2008)

[En dernier recours ...\(in French\)](#) (Protégez-vous, January 2008)

## **UPCOMING OSGOODE EVENT- MANAGING INTERNAL AND REGULATORY INVESTIGATIONS**

Rob Paddick, Senior Deputy Ombudsman, Investments at OBSI will be participating in this 2nd annual event as a presenter.

Thursday, April 24, 2008 8:45 a.m. - 4:15 p.m.

Osgoode Professional  
Development Centre  
1 Dundas St. W., 26th Floor  
Toronto, ON

[For more information](#)