

SBI Canada Bank

Coercive Tied Selling

What is Coercive Tied Selling?

Section 627.04 of the Bank Act states that, an institution shall not, in its dealings in Canada with its customers and the public,

- a) impose undue pressure on a person, or coerce a person, for any purpose, including to obtain a product or service from a particular person — including the institution and any of its affiliates — as a condition for obtaining another product or service from the institution,
- b) take advantage of a person, or
- c) engage in any prescribed conduct.

Examples of Coercive Tied Selling

- A bank's representative advises you that you qualify for a residential mortgage; however, the bank will approve your residential mortgage only on the condition that you would purchase a RRSP from the bank. You desire the residential mortgage, but you do not want to purchase the RRSP.
- A bank's representative tells you that you qualify for Home Equity Line of Credit (HELOC); however, he will approve the HELOC only if you invest the loan proceeds in bank's non-redeemable GICs. You want the HELOC, but you do not want to invest in GICs.

The selling practices in the above-mentioned examples are against the law. If a customer qualifies for a product or service, the bank (or its employees or representatives) is not allowed to pressurize the customer to buy another unwanted product or service as a pre-condition for obtaining the desired product or service.

What is NOT Coercive Tied Selling?

Many businesses adopt selling practices to show interest in their customer's business and appreciate customer's loyalty. Some sales practices, like "preferential pricing" and "bundling of products and services", may offer customers better prices or improved terms. These practices do not amount to coercive tied selling, as defined by the *Bank Act*.

Examples of Preferential Pricing

- A customer buys a pair of shoes from a shoe store. The store offers the second pair at half the price and the third pair at quarter the price.

- A customer obtains internet services from a service provider. The service provider offers a discounted rate if the customer takes a “bundle package” that includes internet, cable, and phone.

Similarly, if a customer utilizes more of its products and services, a bank may offer “preferential pricing” in the form of a higher interest rate on investments or a lower interest rate on loans or lower fee for product and services.

Examples of Bundling of Products and Services

- After providing approval for a residential mortgage at 3.5%, a bank’s representative offers 3.3% interest rate if the customer transfers his GIC investments to the bank.
- After providing approval for a Home Equity Line of Credit (HELOC), a bank’s loan officer offers the customer a better rate if the customer places a part of the loan proceeds as non-redeemable GICs with the bank.
- A savings account has no monthly fee but charges \$1.00 for each transaction. If desired by the client, an ABM card could be issued for an annual fee.
- A premium saving account charges a maintenance fee of \$25.00 but offers unlimited number of transactions, a debit card with no annual fee, and offers a discount on other products and services offered by the Bank.

The approval of the residential mortgage and the approval of the HELOC loan were not conditional to buying any other product or service. The bank offered better pricing only to encourage the customer to give more business to the bank. Bundling products is permitted because the customer has the choice of buying the items individually or in a package. This practice does not amount to Coercive Tied Selling, as defined by the *Bank Act*.

SBIC may offer its customers bundled financial services or products so that the customers can take advantage of packaged prices that are less than the sum of the individual items. For example:

SBIC might require its clients to meet certain requirements and agree to certain terms and conditions for obtaining credit products such as mortgages or personal loans. In such cases, the Bank will ensure that the eligibility requirements and the terms and conditions would only be obligatory to the extent necessary for the Bank to manage its credit risk.

Complaint and Concerns

- If a customer believes or experiences that he is being unduly pressurized by an employee of SBIC for buying an unwanted product or service, the customer can raise his/her concerns or submit a complaint.
- SBI Canada Bank encourages its customers to raise their concerns about coercive tied selling with the concerned Branch or office where they conduct their business. The

Branch Head is a senior functionary who is equipped to deal with most of the customer concerns.

- If the customer's concern regarding coercive tied selling is not resolved to the satisfaction of the customer at the Branch level, the customer can escalate the concern to Bank's Complaints Handling Officer. Please refer to the *Complaints Resolution Brochure* available on Bank's website for more information about the process implemented by the Bank for resolving customer complaints and how to contact the Complaints Handling Officer: <https://ca.statebank/regulatory-disclosures>
- If despite the Bank's best efforts, the concern about coercive tied selling remains unresolved to the satisfaction of the customer, the customer can contact the *Ombudsman for Banking Services and Investments* (OBSI). Please refer to the *Complaints Resolution Brochure* available on Bank's website for more information and how to contact OBSI: <https://ca.statebank/regulatory-disclosures>
- If, after contacting the Bank, the customer remains concerned about a possible breach of legislation, the customer may also contact the *Financial Consumer Agency of Canada*. Please refer to the *Complaints Resolution Brochure* available on Bank's website for more information and how to contact FCAC: <https://ca.statebank/regulatory-disclosures>

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