

Peoples Bank of Canada (PBC): Coercive Tied Selling – What you need to know

What is Coercive Tied Selling?

Section 459 of the Bank Act prohibits a bank from coercive tied selling, which is defined as imposing undue pressure on, or coercing, a person to obtain a product or service from a particular person, including the bank or any of its affiliates, as a condition for obtaining another product or service from the bank. You can therefore not be pressured to engage in a product or service in order to obtain another product or service.

The following two examples of illegal practices help to explain coercive tied selling:

1. Your bank's mortgage specialist tells you that you qualify for a home mortgage. However, you are also told that the bank will approve your mortgage only if you transfer your investments to the bank or its affiliates. You want the mortgage, but you do not want to move your investments.
2. Your bank's credit officer tells you that you qualify for a Registered Retirement Savings Plan (RRSP) loan. However, you are also told that the bank will approve the loan only if you use the money to buy the bank's mutual funds. You want the loan, but you want to invest the money somewhere else.

What is our commitment to you?

At Peoples Bank of Canada (PBC), we expect all of our employees to comply with the law by not practicing coercive tied selling. We provide our employees with information and training programs on acceptable sales practices. We urge you to let us know if you believe that you have experienced coercive tied selling in any dealings with us.

What is not Coercive Tied Selling?

As with any business, we look for ways to show interest in your business and appreciation for your loyalty. In order to achieve this, there are sales practices that offer potential and existing customers better prices or more favourable terms. This includes preferential pricing and bundling of products and services. These practices do not amount to Coercive Tied Selling as defined by the Bank Act. To clarify:

A bank may offer a product or service to a person on more favourable terms or conditions than the bank would otherwise offer, where those favourable terms or conditions are offered on the basis that the person will obtain another product or service.

An affiliate of a bank may offer a product or service on more favourable terms or conditions than the affiliate would otherwise offer, on the condition that the person obtain another product or service from the bank.

Preferential Pricing

Preferential pricing means offering customers a better price or rate on all or part of their business. For example, a book store offers a second novel at half price, or a restaurant offers a drink for \$2 when you order a main meal. A bank can also do this if you use more of its products or services. The following two examples will help to explain preferential pricing in banks:

1. After approving your application for a home mortgage from the bank, your bank's mortgage specialist tells you that this mortgage would be available at a lower interest rate if you transferred your investments to the bank or its affiliates.
2. After approving your application for a loan to make a contribution to your Registered Retirement Savings Plan (RRSP) your bank's credit officer offers you a lower interest rate if you use the loan to buy the bank's mutual funds.

The above practices are acceptable. The approval of your mortgage and RRSP loan is not conditional on your taking another bank product or service. Rather, you are offered preferential pricing to encourage you to give the bank more business.

Bundling of Products and Services

Products or services can be combined to give consumers better prices, incentives or more favourable terms. By linking or bundling their products or services, businesses are often able to offer them to you at a lower combined price than if you bought each product on its own. For example, a restaurant advertises a meal combination that includes a burger, fries and a drink. The overall price is lower than if you bought the three items separately.

Similarly, banks may offer you bundled financial services or products so that you can take advantage of package prices that are less than the sum of the individual items.

The following example will help to explain the bundling of bank products and services.

1. You plan to open a bank account that charges you for individual transactions. The banking representative offers you a package of services that includes a comparable bank account, a credit card with no annual fee and a discount on purchasing travel insurance. The total price for the package is less than if you purchased each part of the package separately.

Bundling products in this way is permitted because you have the choice of buying the items individually or in a package.

How do we manage our credit risk?

To ensure the safety of our depositors, creditors and shareholders, banks must carefully manage the risk on the loans and credit cards they approve. Therefore, the law allows us to impose certain requirements on borrowers as a condition for granting a loan – but only to the extent necessary for us to manage our risk.

The following example will help to explain how banks manage such risk.

1. You apply for an operating loan for your business. To manage the risk associated with the loan, your bank requires your business to have an operating account with the bank as a condition for obtaining the loan.

The above example is legal and appropriate. Having your business operating account at the bank allows your bank to assess possible risks associated with the cash flow of your business and manage the risk associated with the loan.

At PBC, our requirements for borrowers will be reasonable and consistent with our level of risk.

Why did we create this brochure?

The Bank Act requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, PBC has created this brochure to explain what coercive tied selling is, what coercive tied selling is not, and how to contact us if you have any questions, complaints or concerns.

How can you contact us?

Please let us know if you have any questions, problems or concerns about your dealings with PBC.

On our website: Peoplesbank.ca/en/about-us/resolvingyourconcerns	Complaints Officer Peoples Bank of Canada Suite 1400 – 888 Dunsmuir St. Vancouver, BC V6C 3K4 Toll-Free: 855-683-2881 Fax: 604-331-2245 Email: complaintsofficer@peoplesbank.ca
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