
What You Need To Know About Coercive Tied Selling

Scotiabank[®]

Why Did We Create This Booklet?

The *Bank Act* requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, Scotiabank has created this booklet explaining:

- › what coercive tied selling is;
- › what coercive tied selling is not; and
- › how to contact us if you have any questions, complaints or concerns.

What is Coercive Tied Selling?

Section 459.1 of the *Bank Act* prohibits banks from practicing coercive tied selling. More specifically, it is against the law for a bank to “*impose undue pressure on, or coerce a person to obtain a product or service from a particular person, including the bank and any of its affiliates, as a condition for obtaining another product or service from the bank.*” You cannot be unduly pressured to buy a product or service that you don’t want, from a bank or one of its affiliates, to obtain another bank product or service.

The following two examples will help to explain coercive tied selling and what is not allowed.

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.

Your bank’s officer tells you that you qualify for a Registered Retirement Savings Plan (RRSP) line of credit. However, you are also told that the bank will approve the line of credit only if you use the money to buy the bank’s investment products. You want the line of credit, but you want to invest the money somewhere else.

Both of the above practices are against the law. If you qualify for a product, a banking representative is not allowed to excessively pressure you to buy another unwanted product or service as a condition of obtaining the product you want.

What is Our Commitment to You?

We expect all employees at Scotiabank to comply with the law by not practicing coercive tied selling. We urge you to let us know if you believe that you have experienced coercive tied selling in any dealings with us. You can find out how to contact us at the end of this brochure.

What is NOT Coercive Tied Selling?

Most businesses, including Scotiabank, look for tangible ways to show their interest in your business and appreciation for your loyalty. Sales practices, such as *preferential pricing and bundling of products and services*, offer potential and existing customers better prices or more favourable terms. These practices should not be confused with coercive tied selling, as defined by the *Bank Act*. Many of these practices will be familiar to you in your dealings with other businesses.

What is Preferential Pricing?

Preferential pricing means offering customers a better price or rate on all or part of their business. For example, a printer offers a lower price for each business card if you buy a thousand cards instead of a hundred. A shoe store offers a second pair of shoes at half price.

Similarly, a bank may be able to offer you preferential pricing – a higher interest rate on investments or a lower interest rate on loans – if you use more of its products or services. The following two examples will help to explain preferential pricing in banks.

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.

After approving your application for an RRSP line of credit, your bank's officer offers you a lower interest rate if you use the line of credit to buy the bank's investment products.

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

What is Bundling of Products and Services?

Products or services are often 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 fast-food chain advertises a meal combination that includes a hamburger, 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.

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 a safety deposit box. 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 their 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.

You apply for a term 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 your business' cash flow and manage the risk associated with the loan.

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

How Can You Contact Us?

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

Talk to us at your Branch or Customer Contact Centre 1-800-4SCOTIA or 1-800-472-6842.

If the person you speak to at the branch/customer contact centre is not able to resolve your concern to your satisfaction, please speak directly to a management officer, who has the authority to resolve the majority of problems that arise.

If the management officer has been unable to resolve your complaint satisfactorily, a representative of the President & CEO will be pleased to assist you.

- › **E-mail** - mail.president@scotiabank.com
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 - › **Fax** - **1-877-700-0045**
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