

What you need to know about coercive tied selling



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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 explain coercive tied selling.

- **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 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.**

Both of the above practices are against the law. If you qualify for a product, a banking representative is not allowed to unduly 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 our employees at RBC Royal Bank® to comply with the law by not practicing coercive tied selling. As part of our commitment to uphold the law, we provide our employees with training 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. You can find out how to get in touch with us on pages 7 to 9 of this brochure.

What is not coercive tied selling?

Managing credit risk and certain sales practices may be confused with coercive tied selling. Below, we offer an explanation of these practices and how they differ from coercive tied selling.

How do we manage our credit risk?

To ensure the safety of our depositors, creditors and shareholders, we must carefully manage the risk related to the loans and credit cards we 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 we manage such risk.

- 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's operating account at the bank allows your bank to assess possible risks associated with your business's cash flow and manage the risk associated with the loan. At RBC Royal Bank, our requirements for borrowers will be reasonable and consistent with our level of risk.

Sales practices such as bundling and preferential pricing

Most businesses, including ours, 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 individual customers a better price or rate on all or part of their business. 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 at 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 one of its affiliates.
- You apply for an RRSP loan and are approved. The funds you are approved for must be invested in your RRSP. Your bank's credit officer offers you a lower interest rate if you use the loan to buy mutual funds offered through the bank.

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 being 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 (i.e. “bundled”) 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 the total price you would have to pay if you bought each product separately. 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 purchasing traveller's cheques. 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 can you contact us?

Please let us know if you have any questions, complaints or concerns about your dealings with us. While most questions can be answered by your branch staff or by calling 1-800-769-2511, for complaints or concerns, it is preferable to follow the process outlined on page 8.

1. Gather your facts

Before you call or come in with a complaint, put together any relevant paperwork. Try to pinpoint the date when the problem arose. Get the names of any staff members involved. And finally, get a clear picture in your mind of what the circumstances were — and what you'd like us to do.

2. Start where the problem started

It's easiest to check facts and make corrections at the place where the problem started — your branch, your Business Banking Centre, our call centre, a credit card centre — wherever the issue started out, make that your first call.

3. Escalate the complaint

If the employee you approach can't help you resolve things, ask to speak to the manager or area executive. They have the authority to solve most problems right away. If you're still not satisfied, get in touch with our Client Care Centre.

Contact for all RBC[®] business units, excluding RBC Insurance[®] and RBC Dominion Securities Inc.:

Client Care Centre

Royal Bank Plaza

PO Box 1

Toronto, Ontario M5J 2J5

Toll-free: 1-800-769-2540, option 2

Fax: 416-974-3561

4. Take it to the Ombudsman

When all else fails, you still have options. You can take your complaint to our Ombudsman. The Ombudsman provides an appeal process for unsolved problems and makes sure everyone gets a fair hearing. If your concern is still unresolved, you can contact ADRBO for banking issues and OBSI for investment issues (see next page).

General contacts

General inquiries

Tel: 1-800-769-2511

Insurance Service Centre

PO Box 213

Tel: 1-888-728-6666

Station A

Fax: 1-888-844-3331

Mississauga, Ontario L5A 4N9

feedback@rbcinsurance.com

Client Care Centre (complaints)

Royal Bank Plaza

English only

PO Box 1

1-800-769-2540, option 2

Toronto, Ontario M5J 2J5

Fax: 416-974-3561

clientcarecentre@rbc.com

Ombudsman for RBC

Royal Bank Plaza

Tel: 1-800-769-2542

PO Box 1

Fax: 416-974-6922

Toronto, Ontario M5J 2J5

ombudsman@rbc.com

Contacts for banking and investment complaints

Contact for banking complaints:

ADR Chambers Banking Ombuds Office

31 Adelaide Street East, PO Box 1006

Toronto, ON M5C 2K4

Toll-free telephone: 1-800-941-3655

Toll-free fax: 1-877-803-5127

contact@bankingombuds.ca

www.bankingombuds.ca

Contact for investment complaints:

Ombudsman for Banking Services

and Investments (OBSI)

401 Bay Street, Suite 1505, PO Box 5

Toronto, ON M5H 2Y4

Toll-free telephone: 1-888-451-4519

Toll-free fax: 1-888-422-2865

ombudsman@obsi.ca

www.obsi.ca

For a complete list of contacts with more comprehensive information on the process, please refer to the *How to make a complaint* brochure, available at our branches, or visit www.rbc.com/customer-care.

Regulatory issues

The Financial Consumer Agency of Canada (FCAC) supervises all federally regulated financial institutions to ensure that they comply with federal consumer protection provisions. It also educates consumers and monitors industry codes of conduct and public commitments designed to protect consumer interests.

These consumer protection provisions cover a variety of operating practices that directly affect our customers. For example, financial institutions are required by law to provide consumers with information about their fees, interest rates and complaint-handling procedures.

Specific complaints made in writing will be assessed by the FCAC on a case-by-case basis to determine whether a federal consumer protection issue exists, and if so, what necessary action should be taken.

Regulatory complaints should be submitted in writing:

Financial Consumer Agency of Canada
Enterprise Building, 6th Floor
427 Laurier Avenue West
Ottawa, ON K1R 1B9
Toll-free: 1-866-461-3222
www.fcac-acfc.gc.ca

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, Royal Bank of Canada (RBC Royal Bank®) has created this brochure explaining the following:

- What coercive tied selling is
- What coercive tied selling is not
- How to contact us if you have any questions, complaints or concerns

For more information on RBC products and services, contact 1-800-769-2511 or visit our website at www.rbc.com.

TTY/teletypewriter users only, call 1-800-661-1275. This publication is also available in formats suitable for people who are living with vision loss.



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