

# CONSUMER PROTECTION

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## REGARDING THE SALE OF FINANCIAL PRODUCTS

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2017-18 BANK ACT REVIEW

### Consumer Protection Principles

Advocis strongly believes that all of the following consumer protection principles must be upheld in the distribution of financial products, services and advice:

1

**Consumers must be protected from the pressures that arise in the context of tied selling when the financial institution is also providing credit**

- The consumer's ability to choose a life and health insurance product freely must not be lessened by tied selling practices

2

**Consumers must be protected from potential harms and privacy violations in situations where a consumer's financial and health information is contained within the same financial institution and where it may be accessed and shared**

- Health information should never be commingled with a consumer's financial and other personal information within the institution, since it could prevent the consumer from obtaining credit, such as mortgages and business loans

3

**Consumer complaints and redress**

- Consumers must have access to an effective consumer redress system to ensure they have adequate recourse

4

**A regulatory level playing field must be preserved**

- A level playing field is one where life insurance advice is being provided by a qualified, licensed insurance agent in the same manner and under the same regulatory framework as other participants in the industry

# CONSUMER PROTECTION

UNDER THE BANK ACT

THE FEDERAL BANK ACT INCORPORATES  
CONSUMER PROTECTION MEASURES THAT ADDRESS  
SOME OF THESE CORE PRINCIPLES

## TIED SELLING PRESSURE

**Banks are not permitted to impose undue pressure on, or coerce, a person to obtain a product or service as a condition for obtaining another product or service from the bank.**

This is known as the coercive tied selling restriction. The coercive tied selling restriction prevents overt excessive pressure and coercion but does not protect consumers from more subtle pressures of tied selling – a bank strongly recommends that an applicant for a loan should also purchase insurance at the point of sale, for example.

## COMBINING HEALTH AND PERSONAL / FINANCIAL INFORMATION

**Banks are not permitted to sell, promote or market life insurance through their bank branches,** with a few exceptions (e.g., credit insurance on mortgages and loans, which are authorized insurance products). This restriction is in place in part to protect consumers from banks making an adverse credit decision based on access to a customer's health information as part of the insurance underwriting process. It would be difficult to monitor bank activities without this restriction.

## LEVEL PLAYING FIELD

**Banks are permitted to wholly own life insurance companies as subsidiaries.** must distribute life insurance in the same manner and under the same licensing and market conduct rules set by Provincial Insurance Acts. This allows banks to be full participants in the life insurance business while the Bank Act restrictions protect consumers from potential privacy violations and certain types of tied selling practices, a balance that must be maintained.

## MAINTAINING STRONG CONSUMER PROTECTION MEASURES

As the government reviews the Bank Act under its statutory five year review period now underway (by 2018), Advocis wishes to work with the government to ensure that consumers continue to have significant consumer protection measures, while all participants in the life insurance business play by the same rules. At a minimum, **these consumer protection measures must be maintained if not strengthened.**



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