

WHAT YOU NEED TO KNOW ABOUT COERCIVE TIED SELLING



Customer Information Sheet



Canada's Bank Act requires all banks to inform consumers in plain language, that coercive tied selling is an illegal practice. Under section 459.1 of the Bank Act, banks are prohibited from practicing coercive tied selling. In compliance with the Act, we created this information sheet to inform our customers on coercive tied selling.

What is Coercive Tied Selling?

Coercive tied selling can be defined as imposed undue pressure placed on a consumer to obtain a product or service from a bank or its affiliates, as a condition for obtaining another product or service from the bank. This means that as a banking consumer, you cannot be put in a position of undue pressure to purchase a product or service in exchange for being granted approval for another product or service.

An example of coercive tied selling is depicted below to better define this illegal practice:

Your bank's mortgage lender tells you that you qualify for a residential home mortgage loan. However, you are then told the bank will only approve the mortgage loan providing that you transfer all of your investments to the bank as well. You want the mortgage loan, but you do not want to transfer your investments.

The above scenario illustrates coercive tied selling and is against the law. If you qualify for a product your banking representative is not allowed to unduly pressure you to buy another unwanted product or service as a condition of obtaining the original product requested.

What is Not Considered Coercive Tied Selling?

Managing credit risk and certain sales practices aimed at showing appreciation for continued business may be confused with coercive tied selling. In fact, this practice is legitimate and is known as preferential pricing and bundling of products and services.

Preferential Pricing

Preferential pricing refers to offering customers a better rate on all or a portion of their dealings in appreciation for their ongoing business. For example, a bank may offer a higher rate on investments or a lower rate on loans, in exchange for the customer using one or more of their products or services.

An example of preferential pricing is depicted below:

After approving your mortgage application, your bank officer tells you the mortgage would be available at a lower interest rate if you transferred your investments to the bank as well.

The above practice is acceptable. The approval of the mortgage is not conditional on taking another bank product or service.

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.

An example of **bundling of products and services** is depicted below:

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

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

What is Credit Risk Management?

To ensure the safety of their depositors, creditors and shareholders, banks must carefully manage the risk on the loans and credit cards they approve. The law, therefore, 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.

An example of managing credit risk is depicted below:

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.

What is our Commitment to You?

As part of our commitment to uphold the law, we provide all Bridgewater Bank employees with information and training on acceptable sales practices. We expect all **Bridgewater Bank** employees to comply with the law by not participating in coercive tied selling. We urge you to let us know if you believe that you have experienced coercive tied selling in any of your dealings with us.

How to Contact Us?

Please let us know if you have any questions or concerns about your dealings with Bridgewater Bank:

Bridgewater Bank

P: 1.866.243.4301

E: customer.experience@bridgewaterbank.ca

Privacy Inquiries

P: 1.866.243.4308

E: privacy@bridgewaterbank.ca