

What you need to know about coercive tied selling

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, National Bank has created this booklet, which explains:

- > 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 practising 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." Consequently, it is not allowed for National Bank to create a situation where you are unduly pressured to buy a product or service that you don't want, from the bank or one of its affiliates, to obtain another bank product or service.

The following examples will help explain why coercive tied selling 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 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 investment products. 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 pressure you unduly 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 National Bank to comply with the law by not practising coercive tied selling. National Bank has informed its employees accordingly in order to make sure that each one of them complies with this requirement. 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 National Bank, look for tangible ways to show their interest in your business and their 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 store offers a second product at a better price, e.g., “Buy one and get the second 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.

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 loan, your bank’s credit officer offers you a lower interest rate if you use the loan to buy the bank’s investment products.

The above practices are acceptable. The approval of your mortgage and RRSP loan is *not conditional* upon 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 soft 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 explain the bundling of bank products and services.

You plan to open a bank account that charges you for individual transactions. The bank 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 bought each part of the package separately.

Bundling products in this way is permitted because you have the choice of buying the items individually or as 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 explain how banks 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 company's operating account at the bank allows your bank to assess possible risks associated with your company's cash flow and manage the risk associated with the loan.

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

Complaint settlement

If you have a complaint, please refer to our *Complaint Settlement* brochure, which is available at any branch or on our website at nbc.ca by going to *About Us > Our Organization > Complaint Settlement > Complaint Process*.

❖ Should you have any questions or comments, do not hesitate to contact us.

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