



Protecting Consumers Informing Canadians

Who We Are

The Financial Consumer Agency of Canada (FCAC) is an agency of the federal government, with an arms-length reporting relationship to the Minister of Finance. We have two overriding objectives: to protect consumers and to inform Canadians. Our role is to ensure that banks, as well as federally incorporated trust, loan and insurance companies, comply with specific consumer protection laws, and with their own voluntary codes of conduct and public commitments. We provide Canadians with accurate and objective information about financial products and services, and about their rights when dealing with financial institutions.

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Agency at a Glance

In 1996, the Minister of Finance formed an independent Task Force on the Future of the Canadian Financial Services Sector. In 1998, following a series of consultations, the task force issued its report, entitled *Change Challenge Opportunity*, containing 124 recommendations for change. After a year of reviewing the Task Force’s recommendations, the Government issued, in 1999, a paper entitled *Reforming Canada’s Financial Services Sector: A Framework for the Future*, that recommended a number of measures to improve Canada’s regulatory framework.

In addition to the Government’s policy paper, consultations and recommendations on the reforms were also undertaken by committees of Parliament.

The result was the implementation of Bill C-8, a new policy framework for Canada’s financial sector that included additional consumer protection measures and the creation of FCAC.

FCAC opened its doors on October 24, 2001. We have now been in operation for more than four years.

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FCAC has taken an innovative approach to maximizing efficiency in our organization. All of our financial administration, human resources, informatics, research and call centre services are shared with other government agencies or contracted out. Our budget of \$8.54 million (2006–07) is funded by direct assessments on the federally regulated financial industry.

FCAC is headed by a commissioner, appointed by the Governor in Council for a five-year term.

The first commissioner, Mr. Bill Knight, was appointed on November 1, 2001.

Our 39 employees are organized into four key areas: Compliance and Enforcement, Consumer Education and Public Affairs, Administration Services and Executive and Legal Services.

Protecting Consumers

Our role as regulator

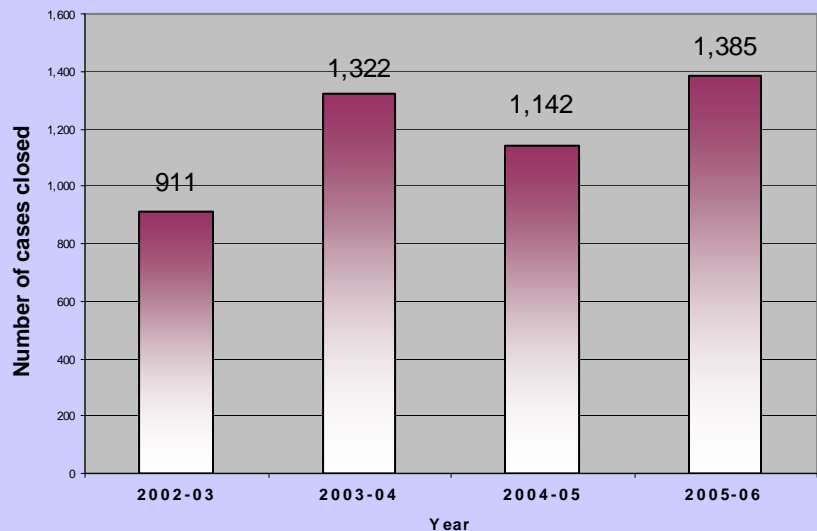
FCAC supervises financial institutions to ensure that they comply with the consumer provisions of the various federal acts relating to financial services, including the *Bank Act*, the *Insurance Companies Act*, the *Trust and Loan Companies Act* and the *Co-operative Credit Associations Act*. These provisions focus on important consumer protection issues, including:

- the timely and accurate disclosure of specific information to consumers, including information related to such matters as opening a bank account, branch closures, the cost of borrowing, coercive tied selling and how to make a complaint;
- ensuring that all Canadians have access to basic banking services, including the right to open a personal deposit account and to cash a Government of Canada cheque for free; and

- the oversight of branch closures.

FCAC also monitors financial institutions to assess whether they are following their own voluntary codes of conduct and respecting their public commitments.

Total number of FCAC compliance cases closed



Protection in action

Between October 2001 and March 31, 2006, FCAC's Commissioner identified 120 violations of the law by financial institutions and made 47 determinations of non-compliance with public commitments and codes of conduct.

In 100 per cent of the cases involving a violation, financial institutions took corrective measures to ensure future compliance with the consumer provisions.

Each case we close can potentially impact hundreds or thousands of consumers. Since its creation, FCAC's work is estimated to have benefited millions of Canadians.

FCAC is also improving communication between financial institutions and the consumer. To date, the Commissioner has ordered 17 public branch closure meetings between banks and communities where there had not been adequate consultation during the closure process. In some cases, banks left behind ABMs, provided training for Internet banking or provided transportation for seniors to the receiving branch. In two communities, a credit union moved in to fill the void left by the bank.

Commissioner's decisions

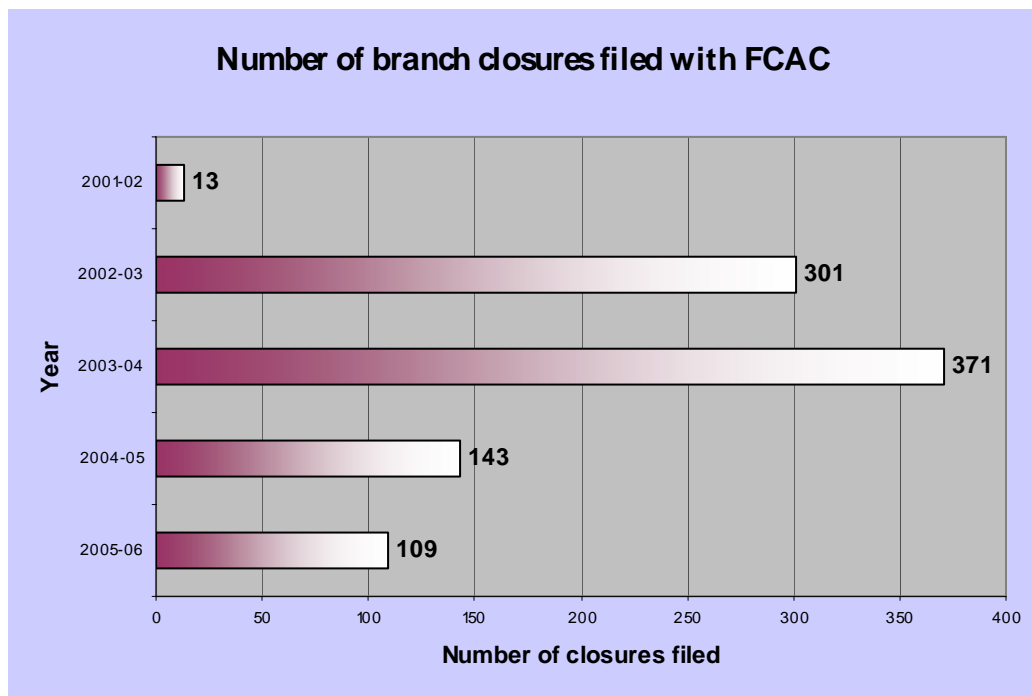
In order to help inform consumers and to promote compliance with the consumer provisions, summaries of all of the Commissioner's decisions are available to the public on FCAC's Web site.

The following examples provide a cross-section of the kinds of decisions the Commissioner made over the last three fiscal years.

Cost of borrowing — Failure to disclose interest rates and fees

The clauses in the mortgage disclosure statements of several banks — concerning the penalty calculation when paying off a closed mortgage before the stated terms — were determined to be inadequate.

FCAC entered into agreements with the industry to improve the clarity of these documents. As a result, mortgage documents relating to prepayment clauses have improved industry-wide, to the benefit of millions of consumers.



Failure to disclose mortgage prepayment rights

Two consumers contacted the Agency regarding a prepayment charge levied by a trust company for the payment in full of their respective mortgage loans prior to the maturity date.

In both cases, a trust company requested payment of the total amount of interest due for the remainder of the mortgage term in order to pay out the mortgage. The consumers reported that the prepayment charge had not been disclosed in their mortgage documents.

An investigation revealed that the trust company failed to disclose whether the borrower had the right to repay the amount borrowed before the maturity of the loan, as required by the regulations. A notice of decision was issued with two violations against the financial institution, with an Administrative Monetary Penalty of \$30,000.

The trust company has since corrected its mortgage documents.

Failure to disclose the nature and amount of a non-interest fee

A loan company did not fully disclose, in writing, the nature and amount of its non-interest fee for changing the frequency of mortgage payments. Instead, the initial disclosure that consumers received referred only to the existence of a fee for this service. The Commissioner imposed an Administrative Monetary Penalty of \$50,000 against the loan company for not clearly disclosing the amount of the fee to be charged, as required by the regulations. The loan company also provided customers with an up-to-date fee schedule.

The following statistics cover the period from the creation of the Agency (in October 2001) to March 31, 2006.

Violations found:	120
Administrative Monetary Penalties total:	\$117,000
Letters of non-compliance regarding public commitments and codes of conduct:	47
Public meetings ordered:	17

Informing Canadians

FCAC is a source of objective information for Canadians. The number of consumers looking to us for support is increasing every year. In 2005–06, we heard from 39,818 consumers, an increase of 38 per cent over the previous year.

FCAC responds to consumers' concerns and provides reliable and credible financial information through our publications, national Consumer Contact Centre and Web site, as well as by speaking to the media, appearing at trade shows and participating in other outreach initiatives.

Our publications

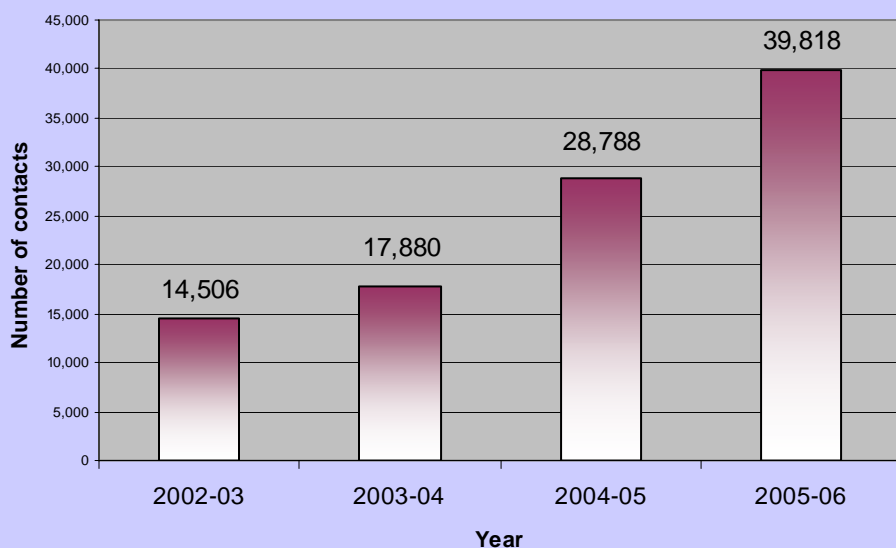
Since inception, FCAC's focus has been to address information gaps including, for the first time in the financial marketplace, providing information about the rights of consumers who deal with federally regulated financial institutions. We have also focused on developing user-friendly information on key financial products and services that enable consumers to comparison-shop quickly and effectively.

The Agency's popular publications *Credit Cards and You* and *Cost of Banking Guide* compare the cost and benefits of different banking and credit card packages across the country, helping consumers choose the product that best suits their needs. Additional FCAC publications include:

- *Cashing your Government of Canada Cheque for Free*
- *Opening a Personal Bank Account*
- *Low-Cost Accounts*
- *The Cost of Payday Loans*
- *Understanding your Credit Report and Credit Score*
- *What you Should Know if your Branch Closes*
- *ABC's of Mortgages*

All of FCAC's publications are available on our Web site, or in print format. Canadians can request these products by mail, by e-mail, or by telephone.

Total FCAC contacts



Our Consumer Contact Centre

One of the most popular ways that consumers contact FCAC is through our national Consumer Contact Centre. The Centre provides direct contact, toll-free, with an FCAC representative.

The Agency conducted a survey in 2003 to assess consumer satisfaction with the Centre. Of those contacted, 72 per cent indicated that they were satisfied with the overall outcome of the contact with FCAC and 86 per cent said they would recommend FCAC to someone else who had an issue with the banking industry. This survey will be repeated in 2006.

Our Web site

Canadian consumers also increasingly use FCAC's Web site as a trusted source of information. There have been over 1.7 million visits to the Agency's Web site since October 2001. In 2003–04, there were 255,000 visits (700 per day), a 93 per cent increase from the previous fiscal year. In 2004–05, that number increased to 450,000 visits (1,200 per day), an increase of 76 per cent over the previous year. In 2005–06, there were 760,000 visits (2,000 per day), a 69 per cent increase over the previous year.

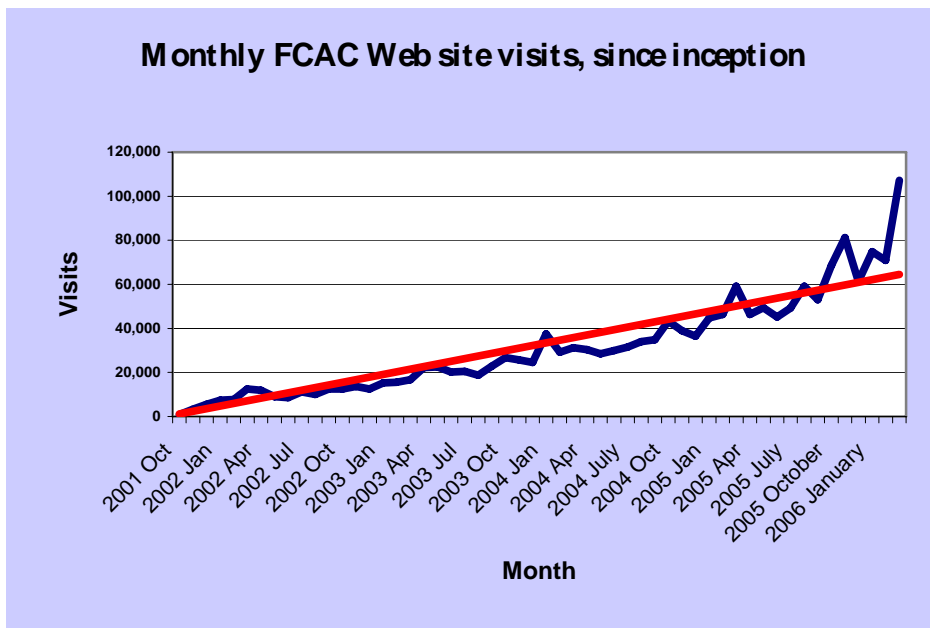
International initiatives

In January 2003, FCAC took the initiative to put in place an International Forum on Financial Consumer Protection and Education, in order to gather and share information between countries on consumer protection and consumer awareness of the financial services sector at the international level. The Forum now has more than 35 member countries and organizations, including the United Nations and the Organization for Economic Co-operation and Development. FCAC served as the Secretariat for this Forum and was pleased to host the first meeting of the organization, in Canada, in February 2003. In October 2004, FCAC visited Ireland, which hosted the second meeting of the Forum. The Forum's third meeting took place in Malaysia in 2005.

Our outreach initiatives

To better inform and protect consumers across the broadest possible economic, social and geographic spectrum, FCAC forges strategic partnerships with other federal departments, provincial ministries, and not-for-profit organizations, such as credit counsellors and immigration support groups, that serve similar clients.

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In 2004–05, we were able to reach 7.5 million consumers by establishing partnerships with the Canada Revenue Agency and Human Resources and Skills Development Canada. Through these partnerships, FCAC was able to distribute important information about consumers' right to a bank account, access to low-fee accounts and the option of direct deposit for federal government cheques. This information was sent out with all GST rebate, Child Tax Benefit, Old Age Security and Canada Pension Plan cheques issued in October and November 2004. As a result of FCAC's insert, more than 230,000 Canadians have moved to direct deposit for their GST and Child Tax Benefit cheques, which reduces the cost to taxpayers and provides a safer and faster means of getting money to these Canadians. This same initiative was repeated in 2005–06, distributing important information to millions of Canadians.

In addition to this initiative, in 2005–06 we worked closely with a number of other departments and agencies including: Service Canada, Veterans' Affairs Canada, Public Works and Government Services, Social and Enterprise Development Innovations and Policy Research Initiative.

FCAC also speaks directly to thousands of consumers through community-based information sessions, trade shows, schools and conferences.

Conclusions

By giving FCAC both the powers of a regulator and the mandate to inform Canadians about their rights when dealing with federally regulated financial institutions, Parliament has put in place a unique catalyst that is having an impact on the Canadian financial marketplace.

FCAC's consumer education and outreach initiatives have a considerable role to play in the financial industry. Given the importance of informed consumers in supporting a fair and competitive marketplace, FCAC will continue to work to become a familiar, reliable and credible source of information for all Canadians.

The Agency will also continue to ensure effective and efficient oversight of market conduct regulation at the federal level. FCAC will work with federally regulated financial institutions to ensure that they meet their obligations to consumers.

Finally, we will maintain our commitment to transparency and strive to improve our visibility throughout Canada. FCAC will continue to make all of the Commissioner's decisions available to Canadians through the Web site, and will continue to build partnerships with other organizations to reach all Canadians, regardless of geographic location or literacy level.





How to contact FCAC

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