The Bank *Act* requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, RFA is providing information below explaining:

- 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?

Coercive tied selling is illegal and prohibited under Section 459.1 of the *Bank Act*. 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 example 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.

The above practice is against the law. If you qualify for a product, a banking representative is not allowed to unduly pressure you into buying another unwanted product or service as a condition of obtaining the product you want.

What is not Coercive Tied Selling?

Most businesses, including RFA, 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 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.

The following example will help explain preferential pricing in banks:

- After approving your application for a home mortgage, 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.

The above practice is acceptable. The approval of your mortgage is not conditional on your 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 drink. The overall price is lower than if you bought all 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:

- A banking representative offers you a package of services that includes a bank account, a credit card, and a mortgage. The total price for the package is less than if you purchased each package item separately.

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

How do we manage credit risk?

To ensure the safety of their depositors, creditors and shareholders, banks must carefully manage the risk on the loans 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 to 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 RFA, our requirements for borrowers will be reasonable and consistent with our level of risk.

What can you expect from us?

You can expect all RFA employees to comply with the law by not practicing coercive tied selling. RFA provides its employees with information and training programs on acceptable sales practices. We urge you to let us know if you believe you have experienced coercive tied selling in any dealings with us.

Contact Us

If you have any questions or concerns about your dealings with RFA, you may bring them to our attention as follows:

Mail:

RFA Bank of Canada	**Toll-free:** 1.877.416.7873
145 King Street, Suite 300	**Telephone:** 647.259.7873
Toronto, Ontario, M5H 1J8	**E-mail:** customerservice@rfabank.ca