



# What You Need to Know About Coercive Tied Selling

## Why Did We Create This Document?

The Bank Act requires Canadian chartered and authorized foreign banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, U.S. Bank Canada, an authorized branch of U.S. Bank National Association, has created this document 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?

Sections 459.1 and 576.1 of the Bank Act prohibit Canadian chartered and authorized foreign banks from practicing coercive tied selling. More specifically, it is against the law for an authorized foreign bank to “impose undue pressure on, or coerce a person to obtain a product or service from a particular person, including the authorized foreign bank and any of its affiliates, as a condition for obtaining another product or service from the authorized foreign bank.” You cannot be unduly pressured to buy a product or service that you do not want, from a bank or one of its affiliates, to obtain another bank product or service.

The following two examples will help to explain coercive tied selling and what 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 mutual funds. 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 excessively pressure you 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 U.S. Bank Canada to comply with the law by not practicing coercive tied selling. 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 U.S. Bank Canada, 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 printer offers a lower price for each business card if you buy a thousand cards instead of a hundred. A shoe store offers a second pair of shoes 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 two examples will help to explain preferential pricing in banks.

**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 mutual funds.**

The above practices are acceptable. The approval of your mortgage and RRSP loan 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 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 to explain the bundling of bank products and services.

**You plan to open a bank account that charges you for individual transactions. The banking 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 purchased each part of the package 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 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 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 business' operating account at the bank allows your bank to assess possible risks associated with your business' cash flow and manage the risk associated with the loan.

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

## How Can You Contact Us?

Please let us know if you have any questions, complaints or concerns about your dealings with U.S. Bank Canada.

Complaints regarding products and services offered by U.S. Bank Canada can be made in writing to U.S. Bank Canada at 120 Adelaide St. West, Toronto, Ontario M5H 1T1. Such complaints will be replied to in a timely manner

Alternatively, customers may contact us directly at: 1 800-588-8065 and request to speak to the Manager of Customer Service, or via e-mail at [usbankcanadacommercialcards@usbank.com](mailto:usbankcanadacommercialcards@usbank.com).

If still not satisfied, the complainant may then contact a third party complaints resolution organization, if any, of which U.S. Bank Canada is a member as identified by U.S. Bank Canada at the time a complaint is made, and finally a complainant may contact the Financial Consumer Agency of Canada at <http://www.fcac-acfc.gc.ca> or 6th Floor, Enterprise Building, 427 Laurier Ave. West, Ottawa, Ontario K1R 1B9.