

## 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 business's operating account at the bank allows your bank to assess possible risks associated with your business's cash flow and manage the risk associated with the loan.

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

## What is our Commitment to You?

We expect all employees at Equitable Bank to comply with the law by not practicing coercive tied selling. We provide our employees with information and training programs on acceptable sales practices.

We urge you to let us know if you believe that you have experienced coercive tied selling in any dealings with us. We would also be happy to answer any questions you may have about tied selling, or our sales practices in general.

### Contact us by:

**Email:** *customerservice@eqbank.ca*

**Telephone:** In Toronto at 416-515-7000

Toll-free at  
1-866-407-0004 (Central Canada)  
1-866-940-1201 (Western Canada)

**Toll Free Fax:** 1-866-407-5859

**Toronto Fax:** 416-515-7001

**Mail:** **Equitable Bank**  
30 St. Clair Avenue West, Suite 700  
Toronto, Ontario, M4V 3A1

For more information, or to view our **Customer Complaint Handling Procedures**, please visit our website at [www.equitablebank.ca](http://www.equitablebank.ca).

# Coercive Tied Selling

Information for our  
Customers

## Why are we providing you this information?

The Bank Act requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, and our own commitment to consumer disclosure, Equitable Bank is providing you with this information explaining:

1. What is coercive tied selling?
2. What is not coercive tied selling? and;
3. What to do if you have a complaint or question related to coercive tied selling?

## What is Coercive Tied Selling?

Coercive tied selling is 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, in order for the bank to agree to provide another bank product or service to you.

The following example 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.

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

## What is not Coercive Tied Selling?

Most businesses, including Equitable Bank, 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. Reasonable Credit Risk Management practices may require a borrowing customer to open an operating account. 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 fast food outlet offers a \$0.99 hamburger if you buy a large fries and a drink. 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 than one of its products or services.

The following example will help 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.

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.