

May 27, 2024

Stan Magidson, Chair

Canadian Securities Administrators

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Sent via email.

### **Urgent need for a modern, fair client complaint handling rule**

I am writing on behalf of the Canadian Association of Retired Persons (CARP). CARP members know that millions of Canadians are dependent on their investments for retirement income, so to the extent complaints are not fairly resolved, it is to that extent retirement can be impaired. Further, changing age demographics, increased longevity and the decline of Defined Benefits pension plans means that complaints that are not fairly resolved can be life-altering for those impacted. Competent and fair compliant handling is a cornerstone of investor protection.

The wealth management industry complaint handling process is complex, adversarial and puts an unsophisticated investor against a Firm's highly sophisticated complaint handling team. The power imbalance results in redress that is less than fair with investors receiving far less in compensation (or no compensation) than they should. For the vast majority of complainants, the cost of civil litigation is simply out of reach. The need for an impactful CSA complaint handling rule that will level the playing field is crystal clear.

The existing complaint rules defined in National Instrument 31-103 are outdated and lag other jurisdictions. The limited definition of complaint, the lack of a specified deadline to respond to complaints and soft record keeping requirements are just a few of the deficiencies that need to be addressed. In addition, there is no robust requirement to review complaints to identify systemic issues, ensure they are investigated, followed up, resolved and reported upon or for the firm to

use complaint data to improve rules, processes, disclosure or products. Abusive NDA's further aggravate complainants.

Poor complaint handling can result in serious financial, mental and physical health consequences for seniors and vulnerable clients. The securities industry complaint handling system is broken, to the detriment of ordinary Canadians. The lack of a modern complaint process is a socio- economic issue that must be addressed by regulators.

Retirees /seniors and vulnerable clients have complained about investing in high-risk investments, products with hidden fees, have found themselves holding illiquid investments, have run into trouble with tax planning advice and have experienced problems with joint accounts, beneficiary designations and Powers of Attorney. Financial losses resulting from unresolved disputes can have dire consequences for seniors, who often find themselves in vulnerable positions.

The OBSI Seniors report shed light on the challenges seniors face interacting with investment Firms. Over half of senior complainants report having household incomes below \$60,000. Approximately 38% of complaints to OBSI involve persons older than 60 years old, a figure disproportionate to the general population. Seniors are particularly impacted by low- ball settlements or rejections as they have limited time to recover losses. This underscores the pressing need for a better complaint system.

In February, 2024, [the Autorité des marchés financiers \(AMF\) issued a rule](#) to standardize how consumer complaints are dealt with by financial sector firms in Quebec . Firms will have increased **obligations in assisting clients in formulating complaints and will** have to provide clients with final responses within 60 days. The rule also establishes penalties for Firms that don't meet the standards set out in the new rule. *"The [new rule] is also intended to foster a culture of continuous improvement within the financial sector,"* the AMF said in a release, adding that *"it is crucial that businesses identify the causes common to the complaints they receive with a view to implementing solutions to address issues and ultimately improve their services to consumers."* The AMF rule has many characteristics that a modern CSA rule must contain.

The Australian Securities and Investments Commission [Guide 271 Internal Dispute resolution](#) (55 pages) is an excellent benchmark for a new CSA rule. [ISO 10002 internal complaint handling](#) is an international standard focussed on fair and impactful complaint handling.

CARP urge the Canadian Securities Administrators to introduce a complaint handling rule that is fair, efficient, effective, streamlined, transparent and easy to navigate. Such a rule would significantly improve retail investor outcomes, rebuild trust in the Canadian investment industry, reduce the number of complaints forwarded to the financial Ombudsman service and improve the investing landscape overall.

Please free to contact us if additional clarification or information is required.

Your truly,

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The Canadian Association of Retired Persons (CARP) is a national, non-partisan, non-profit organization that advocates for financial security and improved health care for Canadians as we age. With over 220,000 members and 25 chapters across Canada, CARP Canadians. CARP advocates on behalf of older Canadians with all levels of government and collaborates with other organizations on health, ageism, housing, and financial issues.

**[www.CARP.ca](http://www.CARP.ca)**