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Octogenarian loan applicant gets boost from ombudsman

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Article

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Wendy Knight, RBC ombudsman, likes to talk about the challenges of an aging population.

Seniors are living longer and becoming more educated, forcing bankers to think outside of the box.

For example, a man in his late 80s went into a branch and asked to take out a five-year mortgage. He was in good physical and mental health, but the bank refused to commit him to a five-year loan that had a penalty for early termination.

The client complained to the ombudsman's office.

Knight's advice to the bank? Go ahead with the mortgage, as long as some key conditions were met:

It was done in the context of estate planning.

The bank provided full information to the client.

The bank and the client both documented everything clearly.

The story has an interesting footnote, she told a meeting of the Canadian Centre for Ethics and Corporate Policy last week.

Although the client is still alive, the future estate beneficiaries have already approached RBC to say they didn't think the deal should have been done.

Canada's largest bank appointed its first ombudsman in 1993 as an independent mediator of small business complaints.

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Today, small business complaints are only 10 per cent of the total. They're overshadowed by complaints from individuals about banking, credit, travel insurance and investments.

It's no surprise to hear that investment complaints are up sharply since the stock market crash of last year.

Knight sees herself as a catalyst for change – to identify gaps, propose solutions and equip staff to resolve conflicts. So, she's having meetings with staff at RBC Dominion Securities (the full-service brokerage) and branch staff licenced to sell mutual funds.

Under law, investment advisers have to know their clients. This means asking questions and filling in a form that outlines the client's experience, sophistication, risk tolerance and investment objectives.

Knight talks to advisers about making sure the investor profile is correct. "Did they have the conversation the client was looking for? What was the depth and breadth of that conversation? How did the client validate that understanding?" she says.

She's worked with the bank to make improvements in the communication of mortgage penalties – another area where complaints are soaring since the recession began. Clients who have to sell their homes to free up cash flow are told that a penalty may be charged – but not always told how high the penalty can be or how it can eat up their equity.

In her annual reports and conversations with clients, she also talks about common ways to avoid trouble. Don't share your personal identification number with others, for example.

"Senior citizens often give their debit card to a grandchild who does their banking. They should talk to the bank about other ways to withdraw or deposit cash without exposing their PIN."

Knight, who's held the job since February 2005, finds her work fascinating as an insight into human behaviour. As a bank ombudsman, she's "the ultimate inside outsider and outside insider," she says.

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RBC clients can appeal her investment decisions to a higher level, the Ombudsman for Banking Services and Investments (OBSI).

However, RBC pulled out of OBSI for banking complaints a year ago and appointed its own mediator, ADR Chambers.

For more information, search Ombudsman at www.rbc.com.

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