FISCAL YEAR 2023/24

Protecting the Public

BCFSA Consumer Complaints and Investigations Report

CLASSIFIED: PUBLIC

BCFSA

Contents

1. Executive Summary

On behalf of BC Financial Services Authority ("BCFSA"), I am pleased to share BCFSA's first Consumer Complaints and Investigations Report.

This report provides a summary of the process that is followed when a consumer submits a complaint to BCFSA as well as information related to complaint and investigation themes and outcomes.

This report covers activities from fiscal year 2023/24 (April 1, 2023, to March 31, 2024).

BCFSA is a Crown agency of the Government of British Columbia and oversees B.C.'s financial services sector. BCFSA's mission is to instill confidence in the financial services sector by focusing on the safety and soundness of regulated entities and consumer protection. In support of this mission, BCFSA provides a wide range of services to regulated entities and consumers to ensure that they have the information and advice that they need to make informed decisions. BCFSA provides information related to regulatory requirements and standards of conduct as well as education, licensing, and registration.

An enquiry is a question submitted to BCFSA by consumers or industry participants that requires a response. An enquiry does not include an allegation of wrongdoing. In some cases, an enquiry requires a thorough review and comprehensive response from BCFSA. BCFSA generally receives over 6,000 enquiries per month.

BCFSA also responds to consumers regarding complaints related to the segments it regulates. Complaints differ from an enquiry in that they refer to an allegation of a breach of law, code of conduct, or public commitment that BCFSA may investigate. When consumers submit a complaint, BCFSA becomes aware of both existing and potential issues and is better positioned to maintain a high standard of conduct across its regulated segments and help protect consumers.

BCFSA handles complaints against regulated and unregulated individuals and entities in the following segments:

- Real estate services;
- Real estate development marketing;
- Mortgage services;
- Credit unions;
- Trust companies;
- Insurance companies; and
- Pension plans.

Complaint volumes in fiscal year 2023/24 were consistent with BCFSA's expectations, with complaints predominantly related to misrepresentation within the real estate services segment. The pensions segment and real estate development segment received a limited number of complaints. The numbers for those segments are not considered statistically significant and could result in inappropriate or incorrect conclusions. As such, they are not reflected in this report.

This inaugural BCFSA Consumer Complaints and Investigations Report is one of the steps BCFSA is taking to enhance transparency and reporting to consumers. The report will continue to evolve over time, with increased data, information, and trends observed year-over-year. While comparative figures and trends analysis from previous years are not included in this version, this data will be included in future reports.

Going forward, this report will be published following the fiscal year-end. We hope you find it informative and look forward to your feedback.

Blair Morrison

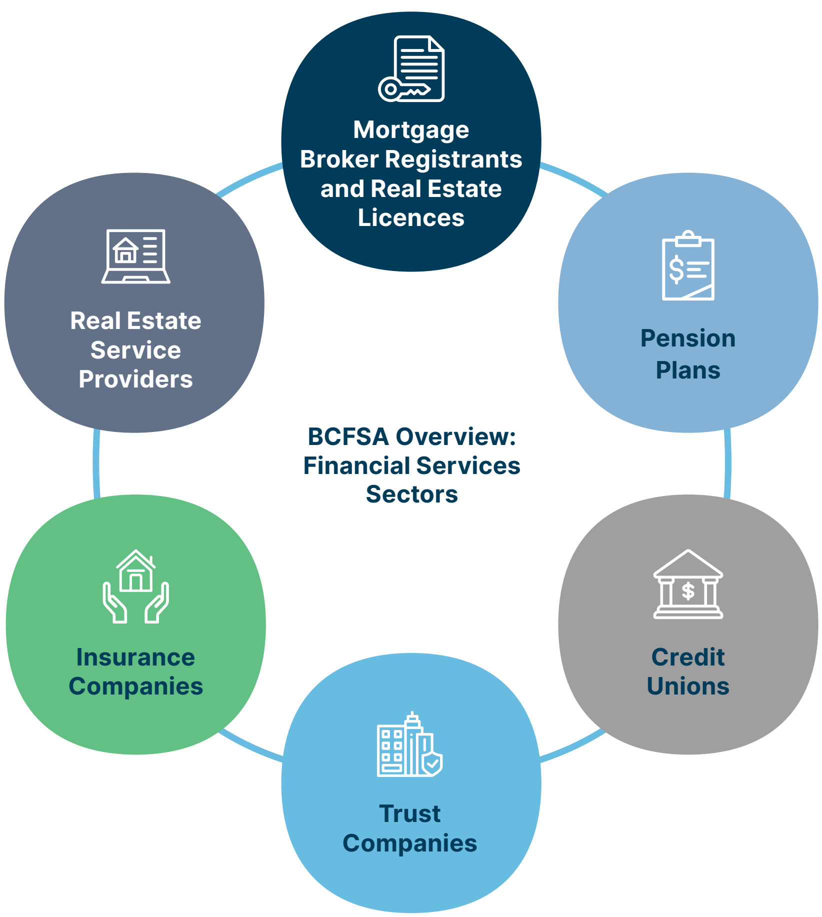
Chief Executive Officer and Chief Statutory Officer

2. About BCFSA

BCFSA is the province's regulator for the financial services sector that helps to protect British Columbians during some of the most important financial decisions of their lives.

BCFSA protects the rights of British Columbians by promoting high standards of conduct within the financial services segments it regulates. As a modern, effective, and efficient regulator, BCFSA is committed to providing oversight that ensures fair, transparent processes that benefit consumers.

To that end, BCFSA investigates complaints and proactively monitors the marketplace to identify areas of risk. BCFSA has a wide range of regulatory tools to enforce conduct requirements to ensure that consumers of financial services in British Columbia are protected.



3. Definitions

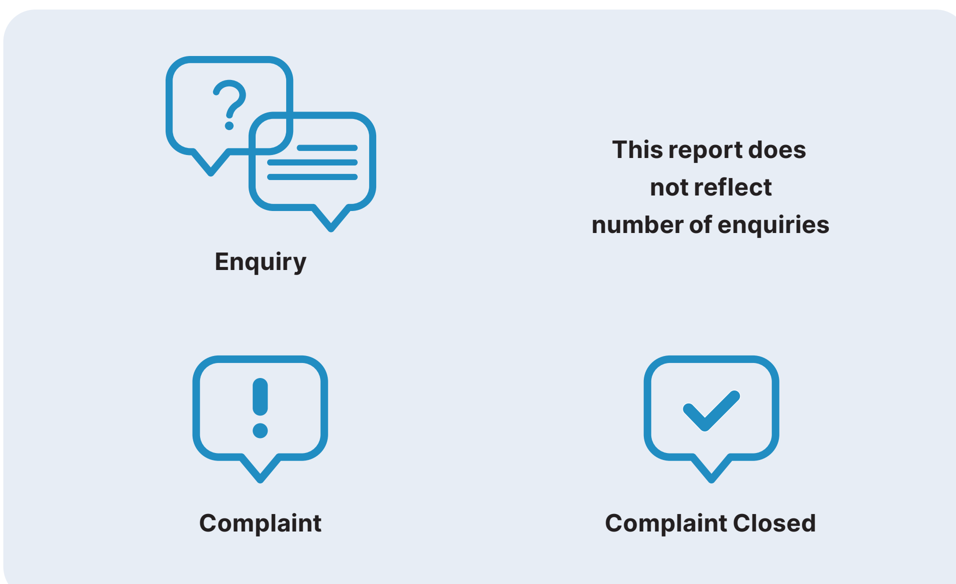
BCFSA uses the following definitions for a complaint and an enquiry.

This report provides an overview of complaints received by BCFSA in fiscal year 2023/24. It does not reflect the number of enquiries.

Enquiry – An "enquiry" is a question that requires a response by BCFSA. Enquiries can be related to education, licensing, registration, regulatory or practice standard requirements (e.g., mandated disclosures), financial service products review, and legal interpretation/application.

Complaint – A "complaint" is an allegation of a breach of law, code of conduct, or public commitment that BCFSA may investigate.

Complaint closed – A complaint is closed when no further action in relation to the complaint is taken by BCFSA. This may mean that there were no findings of contraventions within BCFSA's authority, the complaint was referred to another appropriate regulatory body, or that BCFSA took regulatory action, either informally or formally, to resolve the complaint.



4. BCFSA's Consumer Complaints Process

BCFSA helps to protect consumers by holding those working in the financial services industry to the highest standards of practice. When a complaint is received, BCFSA may investigate and take disciplinary action depending on the circumstances. BCFSA often receives complaints that relate to matters that cannot be resolved by BCFSA including complaints that are not within BCFSA's jurisdiction (e.g., disputes between a tenant and a landlord), or complaints where there is no evidence to support the complaint.

BCFSA has the authority to investigate and to take enforcement action in relation to the conduct of all regulated entities, which includes mortgage broker registrants, real estate licensees, real estate developers, insurance providers, trust companies, and credit unions. BCFSA also has the authority to investigate and take enforcement action if an unregulated individual or entity is conducting activities or providing services that require a licence or a registration in B.C.

BCFSA uses a risk-based approach to investigation and enforcement activities that assesses and prioritizes complaints in accordance with the level of risk that the potential misconduct may pose for consumers. While there are a wide range of enforcement actions that can be taken to resolve complaints, any enforcement actions that can be taken must be proportionate with the risk of contravention to consumers and the public.

The governing legislation for each segment regulated by BCFSA may provide for different tools and authorities for BCFSA in relation to complaint handling. Given the differences in the overarching regulatory authorities, complaint handling processes may vary across BCFSA's segments. The following section generally describes the steps BCFSA takes in receiving, investigating, and resolving a complaint.

BCFSA's General Complaints Process

BCFSA CONSUMER COMPLAINTS INTAKE AND INVESTIGATIONS PROCESS

Generally, providers of financial services are expected to establish effective and transparent complaint resolution processes for their consumers.

Insurance and credit unions have this requirement embedded into their legislation, and BCFSA expects consumers to submit their complaint to their insurance or credit union provider before escalating to BCFSA.

While this same requirement doesn't currently exist for the mortgage broker, real estate professional, and trust company segments, it is good practice for consumers to attempt to resolve their complaint with their provider before submitting a complaint to BCFSA.

The subject of a complaint or other witnesses may be contacted by a BCFSA compliance officer or investigator. Despite having different titles, BCFSA compliance officers and investigators are both responsible for reviewing complaints and collecting information and evidence to determine if a contravention has occurred.

Receiving a Complaint

RECEIVING A COMPLAINT

When a complainant submits a complaint to BCFSA, they receive a letter from BCFSA confirming receipt of the complaint. A BCFSA investigator will then review the allegations included in the complaint and may contact the complainant to gather more information to determine if BCFSA has the authority to resolve the complaint.

If the complaint is within BCFSA's authority, it is assessed for risk and assigned a priority. The risk assigned depends on many factors including, but not limited to:

- Potential harm to consumers and the number of consumers impacted;
- Whether the complaint relates to an isolated incident or broad conduct or practice in the market; and
- Previous history of non-compliance by the regulated entity or licensee.

During the review of the allegations, the investigator collects information and evidence to determine if the allegations represent a breach of legislation, regulation, or codes of conduct. As the investigator assesses the complaint, the complaint's risk and priority assigned during the triage process might change.

More serious complaints are escalated to an investigations process to gather more evidence and information to determine if enforcement actions are required.

What happens when BCFSA receives a complaint?

STEP 1 Complainant submits a complaint to BCFSA.

Complainant receives letter of confirmation.

STEP 2 Investigator may need to gather more information and evidence to determine if the complaint is within BCFSA's authority.

The complainant may be contacted for more information.

The subject of a complaint or other witnesses may be contacted for more information.

STEP 3 If complaint is within BCFSA's authority, it is assessed for risk and assigned a priority.

Potential risk factors may include:

- Potential harm to and the number of consumers impacted
- If complaint relates to an isolated incident or broad conduct or practice in the market
- Previous history of non-compliance

STEP 4 Investigator reviews allegations, collects information and evidence, and makes a decision. More serious complaints are escalated to an investigation process.

Do allegations represent a breach of any of:

Legislation ✓ Regulation ✓ Codes of Conduct ✓

An investigation file is opened if the complaint is:

Within BCFSA's Authority ✓ Supported by Evidence ✓

Investigating a Complaint

INVESTIGATING A COMPLAINT

If a complaint is within BCFSA's authority, is high-risk, and supported by sufficient evidence, BCFSA opens an investigation to assess the alleged contravention.

The subject of the complaint will be notified that an investigation has been opened and may be asked to provide documentation or further information related to the complaint. The investigator may also reach out to other parties or witnesses to gather additional evidence.

If there is sufficient evidence of a regulatory contravention, the investigation will be complete, and the file will be referred for enforcement action.

How does BCFSA investigate complaints?

STEP 1 BCFSA opens an investigation to assess the alleged contravention.

The subject of a complaint is notified of the open investigation.

STEP 2 Investigator may gather additional evidence.

Complainant may be asked to provide documentation or further information.

Other parties or witnessess may be contacted to gather additional evidence.

STEP 3 Investigation file is informally resolved, closed with no further action, or referred for enforcement action. Complainant is notified of the outcome.

Investigator prepares an investigation report and makes a recommendation.

RESOLVING A COMPLAINT

If an investigation concludes that a contravention has occurred, BCFSA may take appropriate and proportionate enforcement actions. Enforcement actions may include formal or informal methods, as outlined below.

Informal enforcement actions may include the following actions:

Action	Description
Letter of advisement or warning letter	A letter of advisement or warning letter that advises the subject of the investigation that there is a potential contravention. It serves as a documented record of potential misconduct and is used as evidence in the event further disciplinary action is required.
Undertaking or voluntary compliance agreement	An undertaking or voluntary compliance agreement is an agreement between BCFSA and another party that binds a person or a business entity to carry out, or to cease carrying out, a certain activity.

Formal enforcement actions may include the following actions:

Action	Description
Monetary penalty	A monetary penalty can be imposed on individuals or entities who fail to comply with the requirements of legislation, regulation, or rules. Monetary penalties are generally used to resolve more serious contraventions and can be used in combination with other enforcement actions such as the suspension or or cancellation of a licence, registration or revocation of business authorization.
Business authorization revocation or licence or registration suspension or cancellation	In cases of egregious misconduct, BCFSA can suspend, cancel, or revoke the business authorization or licence of an individual or a business entity. This action is generally used in circumstances where there is high risk to the public, or the contravention is related to systemic or repeated misconduct. BCFSA can also place restrictions and conditions on a business authorization or a licence.
Urgent order	An urgent order is used when there are reasonable grounds to believe that the length of time it would take to complete an investigation or hold a hearing would be detrimental to the public interest. BCFSA can use an urgent order to suspend or impose restrictions on a licence, or to require a person or business entity to stop carrying out a certain activity.
Order	An order is used to require a person or business entity to follow specific instructions to prevent, alter, or stop carrying out certain activities.

All complainants, regardless of the outcome of the complaint, will be notified of the outcome of their complaint through a closing letter.

How are investigation files resolved?

STEP 1 Decision of enforcement action. Has a contravention occured?

NO

Complainant will receive a closing letter identifying that the file has been closed.

YES

Possible Enforcement Actions

Informal Enforcement Actions

- Letter of advisement or warning letter
- Undertaking or voluntary compliance agreement

Formal Enforcement Actions

- Monetary penalty
- Business authorization revocation or licence or registration suspension or cancellation
- Urgent order
- Order

STEP 2 Complant closed.

Complainant will be notified of outcome through a closing letter.

All complaints are retained and may be used to monitor trends and risks.

WHAT TYPE OF COMPLAINTS DOES BCFSA NOT HANDLE?

Examples of complaints that do not fall within BCFSA's authority include:

- Real estate segment disputes between licensees related to commissions;
- Matters related to the decisions of a strata council;
- Landlord and tenant matters; and
- Insurance claim settlement disputes.

Regardless of the outcome, all complaints received by BCFSA are retained and may be used to monitor trends and risks in the financial services sector.

5. Fiscal Year 2023/24 in Review

BCFSA received 1,711 complaints and closed 2,184 complaints in fiscal year 2023/24. Over this period, BCFSA continued to reduce the total inventory of complaints across all segments by closing 473 more complaints than received.

The number of files closed in fiscal year 2023/24 was driven by BCFSA's focus on real estate segment complaint files that existed prior to August 1, 2021. On that date, BCFSA integrated the Real Estate Council of BC and the Office of the Superintendent of Real Estate to become the single integrated regulator of B.C.'s financial services sector. As a result, BCFSA inherited an inventory of complaint files from both organizations from the preceding years. Over the past three years, BCFSA has reduced its overall inventory of real estate complaints from 1,538 in August 2021 to 609 open complaints as of March 31, 2024.

Due to this backlog of real estate segment complaints, and the level of complexity involved in some cases (particularly for high-risk matters that proceed to formal enforcement actions and require significant procedural requirements before they can be closed), many complaints closed in the fiscal year 2023/24 reporting period may have been carried over from a prior year. Generally, low risk complaints that can be resolved using informal measures, such as a letter of advisement or a warning letter, are resolved faster than complex or high-risk complaints.

Below is a breakdown of the complaints that BCFSA received and closed for fiscal year 2023/24, by segment.

Segment	Complaints Received	Complaints Closed
Real Estate	1,234	1,690
Mortgage Services	86	91
Trust Companies	18	19
Credit Unions	86	91
Insurance Companies	287	293
Total	**1,711**	**2,184**

BCFSA reports on key performance indicators in relation to complaint handling in its Annual Service Plan Report.

6. Complaints by Segment

BCFSA categorizes complaints according to the theme of the complaint to help monitor market behaviour and industry compliance. The top complaint themes BCFSA closed during fiscal year 2023/24 for some of the segments it regulates include:

Segment	Top Complaint Themes
Real Estate	Misrepresentation This includes providing inaccurate or incorrect information about a property (e.g., incorrect measurements, or incorrect information about land use or zoning, or respecting tenancy or a property).
Mortgage Services	Market conduct This includes a wide range of conduct, including failure to verify the accuracy of information or submitting documents with falsified information.
Credit Unions	Dissatisfaction with the quality of service or decisions made.
Trust Companies	Dissatisfaction with the quality of service or decisions made.
Insurance Companies	Dissatisfaction with insurance claim outcomes and settlement processes, or quality of service.

REAL ESTATE SERVICES

BCFSA licenses, educates, and holds individuals and entities working in the real estate segment accountable. This includes all real estate licensees, which consumers may know as real estate agents, real estate brokers, property managers, or strata managers. BCFSA can also investigate and take action if an unlicensed person or company is performing real estate activities that require a licence in B.C.

BCFSA sets and enforces standards of conduct under the *Real Estate Services Act* and protects consumers from unlicensed real estate services activity. Individuals and brokerages providing real estate trading or management services must be licensed with BCFSA unless otherwise exempted.

The top complaint theme for real estate services was “misrepresentation,” which may include complaints in which inaccurate information with respect to a property is provided by a licensee.

Real Estate Complaint and Investigation Themes – Fiscal 2023/24

Complaint and Investigation Themes*	Percentage	Description
Misrepresentation	20%	Includes a wide range of misconduct, including failure to verify the accuracy of information or submitting documents with falsified information.
Deceptive/Conduct unbecoming	17%	Includes a wide range of misconduct, including bringing the real estate industry into disrepute, undermining public confidence in the real estate industry, and acting in a manner that is contrary to the public interest.
Unlicensed activity	17%	Includes providing services without a licence or providing services or receiving remuneration outside of a brokerage.
Duties to clients	15%	Includes contraventions related to the failure to maintain the confidentiality of clients, acting outside the scope of authority, or failure to discover relevant facts and to disclose material information.
Disclosure	8%	Includes contraventions related to the failure to disclose information to BCFSA including criminal records or bankruptcy.
Licensee responsibilities	8%	Includes contraventions related to the failure to submit documents to the brokerage, or to keep the managing broker informed of services.
Conflicts of interest	7%	Includes contraventions related to dual agency, or failure to avoid conflicts and to act in the best interests of the client.
Other	8%	Includes contraventions related to the responsibilities of the managing broker, including contraventions related to record keeping, and trust accounts.

*Many complaints received by BCFSA cannot be actioned because the complaint does not include sufficient information, or BCFSA does not have the authority to resolve the complaints. These complaints are not included in the table above.

Real Estate Complaint and Investigation Enforcement Actions – Fiscal 2023/24

Formal Enforcement Actions		Informal Enforcement Actions		Other Outcomes	
Monetary penalty with suspension or cancellation	1	Letter of advisement	248	No authority	374
Monetary penalty without suspension or cancellation	20	Undertaking	2	Insufficient evidence	895
		Voluntary compliance	27	Withdrawn or abandoned	62
				Other	61
Total	**21**		**277**		**1,392**

MORTGAGE SERVICES

BCFSA protects consumers and enhances the mortgage services industry's integrity by enforcing mortgage broker suitability requirements and reducing and preventing market misconduct under the *Mortgage Brokers Act* and Regulations. BCFSA does not generally intervene in individual disputes about business decisions, claim disputes, service quality, legal, civil, and/or contractual matters.

In November 2022, the *Mortgage Services Act* ("MSA") received Royal Assent. Once brought into force, the MSA will modernize the regulatory framework for the mortgage broker segment and support the alignment of compliance and enforcement tools with the *Real Estate Services Act*.

The top complaint type for mortgage services was related to market conduct. Market conduct may include a wide range of contraventions, including the failure to take steps to verify the accuracy and authenticity of information and documents.

Mortgage Services Complaint and Investigation Themes – Fiscal 2023/24

Complaint and Investigation Themes	Percentage	Description
Market conduct	64%	Includes a wide range of contraventions including providing false or inaccurate information to mortgage lenders.
Unregistered activity	35%	Includes contraventions related to carrying on the business as a mortgage broker without being registered to do so.
Contractual matter	1%	Includes disputes between mortgage broker registrants, or between a consumer and a registrant regarding the amount for commissions or fees.

Mortgage Services Complaint and Investigation Outcomes – Fiscal 2023/24

Formal Enforcement Actions		Informal Enforcement Actions		Other Outcomes	
Monetary penalty with suspension or cancellation	8	Letter of advisement	12	Insufficient evidence or no authority	62
Monetary penalty without suspension or cancellation	3			Other	6
Total	**11**		**12**		**68**

CREDIT UNIONS

BCFSA supervises credit unions to ensure they meet their financial obligations to credit union members and ensures credit unions treat consumers fairly in compliance with the law. This includes new legislative requirements for credit unions to comply with the Code of Market Conduct in effect June 30, 2022 (B.C. Credit Union Market Code of Conduct | BCFSA).

The top complaint type for credit unions in fiscal year 2023/24 related to credit union member dissatisfaction with the quality of services received or the decisions made by the credit union.

Credit Union Complaint and Investigation Themes – Fiscal 2023/24

Complaint and Investigation Themes	Percentage	Description
Quality of service received, and decisions made by the credit union	83%	Includes dissatisfaction with a broad range of the credit union services, or disagreement with the decisions made by the credit union.
Business practices	7%	Includes dissatisfaction with credit union's business processes. For example, increase in service fees, closing of an account without advance notice or explanation, refusal to accept Power of Attorney documents without notarization, and others.
Regulatory affairs and compliance	3%	Includes non-compliance with the legislation. For example, contraventions related to the credit union's annual general meeting related processes, the credit union code of market conduct, and others.
Corporate governance	1%	Includes member's concerns related to rules, practices, and processes used to direct and control the credit union. For example, concerns related to the credit union merger and voting process, annual general meeting related processes, conflict of interest, and others.
Contractual dispute	1%	Includes disagreement over the terms and conditions of the credit union member's contract.
Other	5%	Includes various types of complaints that do not fall under other themes.

Credit Union Complaint and Investigation Outcomes – Fiscal 2023/24

Formal Enforcement Actions		Informal Enforcement Actions		Other Outcomes	
		Warning letter	1	Referred to the credit union for resolution	59
				Referred to an external authority	10
				Insufficient evidence	8
				Withdrawn or abandoned	4
				Contractual or civil dispute	2
				Other	7
Total	**0**		**1**		**90**

TRUST COMPANIES

BCFSA is responsible for ensuring B.C. incorporated trust businesses are appropriately authorized and able to meet their financial obligations.

BCFSA is also responsible for market conduct oversight of all trust companies authorized to conduct business in B.C. This includes enforcement of legislation against unauthorized trust or deposit-taking activities.

BCFSA generally receives a limited number of complaints related to this segment. In fiscal year 2023/24 the top complaint theme related to client dissatisfaction with the quality of services provided or decisions made by the financial institution.

Trust Companies Complaint and Investigation Themes – Fiscal 2023/24

Complaint and Investigation Themes	Percentage	Description
Quality of service received, or decisions made by the trust company	72%	Includes dissatisfaction with a broad range of trust business services.
Regulatory affairs and compliance	28%	Includes non-compliance with the legislation. For example, contraventions related to carrying on a trust business without being authorized to do so.

Trust Companies Complaint and Investigation Outcomes – Fiscal 2023/24

Formal Enforcement Actions		Informal Enforcement Actions		Other Outcomes	
		Warning letter	4	Referred to the trust company for resolution	10
				Referred to an external authority	2
				Insufficient evidence	2
				Contractual or civil dispute	1
Total	**0**		**4**		**15**

INSURANCE COMPANIES

BCFSA is responsible for ensuring B.C. authorized insurance companies are managing their financial affairs in such a way that they can meet financial obligations with policyholders.

BCFSA is also responsible for market conduct supervision of the B.C. insurance sector. BCFSA prevents and takes action against unauthorized or unlicensed insurance business and when it identifies harmful business practices. BCFSA also ensures insurers treat consumers fairly and comply with the relevant legislation, including a new legislative requirement of compliance with the Insurer Code of Market Conduct established by BCFSA and in force April 1, 2024 (B.C.'s Insurer Code of Market Conduct | BCFSA).

The insurance segment generally generates the second highest number of complaints to BCFSA. This remained consistent in fiscal year 2023/24. Most of the complaints received were related to policyholders' dissatisfaction with:

- The outcome of insurance claims and settlements, including denial of claims or the claim payout amounts;
- The insurance company's process and procedures, including the complaint process or claim settlement leading to delays; and
- The insurance policies, including renewals, terminations, or exclusions.

Insurance Companies Complaint and Investigation Themes – Fiscal 2023/24

Complaint and Investigation Themes	Percentage	Description
Insurance claim decisions and settlements	27%	Includes policyholder's dissatisfaction with the denial of the insurance claim or the value of the claim settlement.
Quality of service received	21%	Includes policyholder's dissatisfaction with a broad range of services, including claim delays and untimely communication.
Business practices	18%	Includes dissatisfaction with business processes. For example, dissatisfaction with the insurance policy cancellation process, claims adjusting process, claim submission process, inability to purchase additional insurance coverage, and others.
Insurance policy or contract	15%	Includes dissatisfaction or concerns over the terms and conditions of the insurance policy or contract. For example, increase in the premium or deductible, policy cancellation fee, and others.
Regulatory affairs and compliance	14%	Includes non-compliance with the legislation. For example, contraventions related to carrying on an insurance business without being authorized or conducting insurance activities without being licensed to do so, and others.
Contractual dispute	2%	Includes disagreement over the terms and conditions of the insurance policy or contract.
Other	3%	Includes various types of complaints that do not fall under other themes.

Insurance Companies Complaint and Investigation Outcomes – Fiscal 2023/24

Formal Enforcement Actions		Informal Enforcement Actions		Other Outcomes	
Order	1	Warning letter	14	Referred to the insurance company for resolution	132
		Voluntary compliance agreement or undertaking	5	Referred to an external authority	43
				Insufficient evidence	35
				Withdrawn or abandoned	20
				Contractual or civil dispute	19
				Other	24
Total	**1**		**19**		**273**

7. Conclusion

As part of BCFSA's vision to be a modern, effective, and efficient regulator of the B.C. financial services sector, it aims to provide consumers with resources that support consumer protection and increase transparency.

The BCFSA Consumer Complaints and Investigations Report is intended to provide insight and awareness of BCFSA's complaints and investigations process, and increased information sharing related to the trends and themes that emerge from the data that BCFSA collects.

BCFSA is committed to publishing this report annually, following the fiscal year-end. BCFSA will work to evolve this report over time to reflect ongoing learnings and any changes in the financial services sector. Future publications will include comparative figures and trends analysis from previous years, and other data and information that may support consumer education and awareness.

For more information on reporting a concern to BCFSA, please visit BCFSA's website at: Report a Concern | BCFSA.

If you have any questions about the BCFSA Consumer Complaints and Investigations Report, please contact BCFSA Communications at: communications@bcfsa.ca.

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