

Coercive Tied Selling

What do you need to know?

The Bank Act requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, China Construction Bank has created this booklet to explain:

- 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?

Coercive tied selling is illegal and 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 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 do not want from a bank to obtain another bank product or service.

What is not Coercive Tied Selling?

Most businesses, including China Construction 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. 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.

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.

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.

Risk Management

To ensure the safety of their depositors, creditors and shareholders, banks must carefully manage the risk on the loans and credit cards they approve. The law, therefore, 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 China Construction Bank, Toronto Branch, our requirements for borrowers will be reasonable and consistent with our level of risk.