



BACKGROUND

2004-05 FCAC Mystery-Shopping Results

Context

Mystery shopping is a proactive tool¹ FCAC uses to gather information about compliance issues in the federally regulated financial services sector. FCAC periodically undertakes a mystery-shopping exercise to determine how banks are performing with respect their obligations to consumers under the law, as well as with their own codes of conduct and public commitments.

The main purpose of this mystery-shopping exercise was to gather information and identify any issues related to compliance with the new regulations designed to facilitate access to basic banking services. These regulations, introduced on September 30, 2003, apply to banks and allow Canadians to cash a federal government cheque for less than \$1,500, free of charge, and to open a basic retail account, with no minimum deposit.

Objectives

The objectives of the exercise were to assess the following:

- the customer's ability to open a retail deposit account, upon presentation of proper identification; and
- the customer's ability to cash a federal government cheque for less than \$1,500, with proper identification.

Methodology

Mystery shopping is a standard qualitative research approach often used by the retail sector. It involves the anonymous observation and gathering of specific information on a particular transaction.

The study involved in-person visits to randomly selected branches of 17 of Canada's banks, in 13 urban centres, across eight provinces. The branches were selected in proportion to the number of branches that each bank had across the country, and were randomly selected within each urban centre.

Approximately 100 shoppers, representing Canada's diverse population, were involved in the mystery-shopping activity. The shoppers only visited each branch once during the exercise. All of the visits involved dealing with a representative of a bank, either to cash a cheque or to open an account. Mystery shoppers were trained to collect data through observation, as well as in written form. They relied on a standardized post-visit questionnaire to compile this information systematically.

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¹ Compliance activities can also include: reviews of reports, literature and surveys; inquiries related to consumer complaints; analysis of reporting by financial institutions; on-site examinations; and other consumer surveys.



Overview of the results

Mystery Shopping 2004-05 — Summary of Results				
Opening accounts				
Total number of attempts	Number of unsuccessful attempts	Success rate in opening an account	Minimum deposit required	Number of written notices of refusal issued
292	48	84%	30	5
Cashing federal government cheques				
Total number of attempts	Number of unsuccessful attempts	Success rate in cashing a federal government cheque	Fee required to cash a federal government cheque	Number of written notices of refusal issued
212	20	91%	2	1

Key findings

Of particular note in this study, is the low success rate attained by banks when it came to providing shoppers with a written notice of refusal, as required by the Regulations. Only six of the 68 branches that refused to open an account or cash a cheque complied with this aspect of the Regulations by providing them with a written notice of refusal, either at the time of the transaction or afterwards, by mail.

Notices of Refusal			
Service	Number of instances when shoppers were refused these services	Number of written notices of refusal issued	Number of instances when shoppers did not receive written notices of refusal
Cashing a federal government cheque	20	1	19
Opening an account	48	5	43





The *Access to Basic Banking Services Regulations* clearly state that banks must inform consumers in writing when refusing to open an account or to cash a federal government cheque. In addition, consumers are entitled to receive, in writing, a notice of refusal providing instructions on how to contact the Agency if they wish to report their situation.

With respect to cheque cashing and the opening of a basic retail account, the main reason why shoppers were refused these services appears to be due to uncertainty on the part of bank employees, about identification requirements. In a number of instances, the branches did not accept the identification provided by the consumer, which, according to the Regulations, should have been accepted. Branch representatives were often unwilling to accept the minimum identification allowed under the Regulations and asked for photo identification or additional identification in the vast majority of cases where shoppers were refused².

How FCAC uses the results

Mystery shopping is a qualitative research tool utilized by FCAC to evaluate the performance of financial institutions with respect to the legislative requirements and to promote the use of “best practices”. When FCAC identifies particular weaknesses, it can make use of these results as a basis for future investigations of specific institutions.

A research firm compiled the mystery-shopping results and presented them to the Agency. FCAC then provided each financial institution — in meetings with them — with the overall results of the mystery-shopping exercise in aggregate form, as well as with a detailed breakdown of their respective results. FCAC is now in discussions with banks to resolve issues identified by the exercise.

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FCAC publications: *(available on-line or in print)*



Cashing your Government of Canada Cheque for Free

Opening a Personal Bank Account

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² In certain circumstances, banks have a right to ask for a photo ID. If they have reasonable grounds to suspect that the individual is misrepresenting their identity, based on their verification of the circumstances set out in paragraph 3(1)(a) to (d) of the *Access to Basic Banking Services Regulations*.