

# Model Code of Conduct for Bank Relations with Small- and Medium-Sized Businesses

## Preamble

Canada's chartered banks recognize the important role that small and medium-sized enterprises (SMEs) play in Canada's economy. The chartered banks also recognize that they have an important and unique role to play in fostering the growth of SMEs in Canada.

In the interest of promoting a healthy and effective relationship between SMEs and the banking community, the Canadian Bankers Association and its members, the Chartered Banks of Canada have developed this model code of conduct which will serve as a minimum standard for bank dealings with SMEs. The key elements of this model code of conduct will be incorporated into individual bank codes. This model code of conduct and the individual bank codes will not limit the legal rights of any customer or bank.

## Individual Bank Codes

Each bank will apply its own bank code to the business activities it has with its small and medium-sized business customers.

Individual bank codes will contain the four major points outlined in this industry model code of conduct, which are:

- Openness
- Accountability
- Credit Process
- Complaint Handling

### Openness

- Banks will make their codes available to their customers at branches where commercial business is conducted.
- Banks will provide the customers with documents, including contracts that are written in clear and understandable language.
- Banks recognize the need for open communications with their customers. Banks will outline the joint responsibilities that are part of the customer-bank relationship to help make sure that open communications takes place.

### Accountability

- Each bank will identify a senior officer at the national level who is responsible for making sure the code is implemented and followed by bank employees.
- Managers and account managers of each bank will carry out the principles of its code.
- Each bank will file a copy of its code with the Financial Consumer Agency of Canada.

### Credit Process

#### *Applications for Credit*

Banks will make the following information available to each customer for the purposes of obtaining business credit:

- Directions on how to apply for credit
- An explanation of the requirements needed to obtain bank credit (such as collateral security)
- Guidelines on how to prepare a business plan
- An estimate of how long it will take before a credit decision will be made.

#### *Credit Approval*

- Each credit application will be judged on its own merits.

- When an application for credit is approved, the bank will inform the customer about the terms and conditions of the financing including the information and documentation needed by the bank both before and after the loan is granted. This information will be provided in writing should the customer request it.

#### ***If Credit is Declined***

If an application for credit is declined, the bank will inform the customer about:

- The main reason(s) for the decision
- The requirements necessary for the bank to reconsider the application
- Available information on alternative sources of financing which could include government programs, venture capital, etc.

#### ***Changing Circumstances in the Credit Relationship***

- Sometimes customers who have a credit relationship with their bank experience a significant change in their business, which could include financial difficulty. In these circumstances, banks will carefully review the existing arrangement before deciding if any action should be taken.
- If there are changes in the credit relationship, banks will inform customers as soon as possible about the need for on-going, additional information. Banks will give customers a reasonable opportunity to provide this information.
- Under normal circumstances, banks will provide their customers with a minimum of 15-calendar days' notice of any bank actions taken because of a change in the credit relationship.
- Each bank must inform its customer when changes are made to the terms, conditions, fees or lending margins that are specific to that customer's credit relationship with the bank.

#### **Complaint Handling**

- Each bank will ensure that a complaint resolution procedure is available for use by its small and medium-sized commercial customers. Each bank will provide its customers with the information they need to use their bank's complaint resolution procedure. Each bank will appoint a senior officer at the national level who is ultimately responsible for the resolution of complaints.
- If customers have a general complaint or if they believe their bank has not met the standard of conduct outlined in the bank's code, a customer may submit a complaint under the bank's complaint resolution process.
- Banks will respond to customer complaints as quickly as possible. Banks will also inform the customer approximately how long it will take to respond to their specific complaint.
- If a complaint is not resolved to the satisfaction of the customer, the bank will provide the customer with the reason(s) for the bank's decision.
- The customer may then take the complaint to the Ombudsman for Banking Services and Investments (OBSI) where it will be dealt with, at no cost to the customer, according to the Terms of Reference governing OBSI.

Banks will make the following FCAC address available to their customers:

#### **Financial Consumer Agency of Canada**

427 Laurier Avenue West, 6th floor  
Ottawa, Ontario  
K1R 1B9