

# Battle of the Banks

## *Credit unions among the best for small business*

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CFIB's latest bank rankings continue to show that credit unions are rated more favourably than conventional banks in providing service to small- and mid-sized enterprises (SMEs) in 2015. Among the big five banks, Scotiabank received the highest overall scores from their SME clients with the rest of the big banks not far behind. CIBC is no longer the worst rated big bank as it has made improvements in some areas. TD Canada Trust and Bank of Montreal now bear the lowest overall scores among the big banks. Following decisions to drop a significant portion of its small business clients in 2013, HSBC becomes the worst bank as small firms report a deterioration in financing support, fees, and account manager experience over the past three years. Alberta's ATB has regained its former positive reputation among small business owners after dropping to the bottom of the list in CFIB's 2012 report. It is now the second highest rated institution, after credit unions. Overall, bank fees are the biggest complaint among SMEs.

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## Introduction

Similar to consumers, small- and medium-sized enterprises (SMEs) are paying close attention to how they are being served by their banks. SME clients want to be treated well and expect to be given the same level of service by their bank regardless of their size, nature of the business, or number of years in operation.

For decades, CFIB has been actively monitoring the performance of financial institutions in Canada and has been critical about the level of service provided to SME clients. While significant improvements in the SME banking sector will take time, policymakers and financial institutions should consider ways that can immediately help reduce SMEs' banking costs and increase access to financing as it is critical to SMEs' success and provides stability to the Canadian economy.

This is the third report since 2010 that assesses how well financial institutions are serving SMEs using bank scores by the size of business and by specific areas. This report provides unique data which offers insight into which areas can be improved based on the experience of over 11,000 SME

clients. Financial institutions that listen to the feedback of SME clients and cater to their needs accordingly will gain a competitive advantage and realize higher gains. Moreover, banks can also help steer the Canadian economy in the right direction by making important changes to support the growth and prosperity of the SME market.

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## Assessing the Banks

In assessing the banks, this report features scores by size of business and for overall performance. All scores are based on the survey responses from their SME clients. Bank scores take into account four important areas of the banking experience for SMEs, namely, financing, fees, account manager matters, and service. Each of these four areas received equal weight (25 per cent) in calculating the overall score for each bank. Bank scores reported are based on a relative scale of 0 (worst) to 10 (best). Refer to the Methodology section in the Appendix for more details on how scores are calculated.

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## Overall Rankings and Scores, All SMEs

Overall scores are calculated based on scores received under each size of business (see next section) and are weighted according to the survey sample (41 per cent micro — fewer than 5 employees, 55 per cent small — 5 to 49 employees, 4 per cent mid — 50 to 499 employees).

### Overall Rankings

In 2015, credit unions outperformed the big banks in serving the SME market (see Table 1). Relative scores among the big banks have moved closer to one another compared to three years ago. While Scotiabank<sup>1</sup> retains its highest ranking among the big banks (see Table 6), there have been some movements between regional players and the big banks over the last three years.

In a surprising comeback, CIBC is no longer at the bottom of the pack. CIBC has had a long history of poor rankings from their small business clients but it now ties with National Bank in second place overall for the SME market among the big banks.

Previously tied for the best big bank overall in 2012, the Bank of Montreal has fallen to last place among the big banks and is tied for fourth place overall with TD Canada Trust in 2015.

A significant improvement was seen at Alberta's ATB Financial, regaining a spot near the top of the list. It shot up from last place in 2012 to second place in just three years. ATB seems to have successfully overcome some setbacks with their online banking system that arose since the last survey was conducted.

Following a controversial move by HSBC to drop a large number of small business clients in 2013, the latest survey results show that existing clients have also felt the drop in service. HSBC ranks last among all financial institutions. The next section features bank scores by area which looks into the strengths and weaknesses of each financial institution, giving further insight on their current rankings.

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<sup>1</sup>Some business owners may be participating in exclusive discounts offered by Scotiabank through the CFIB Scotiabank Privilege Program.

Table 1:

**Overall Rankings, All SMEs, 2012 versus 2015**

	2012	2015
1	Credit unions	Credit unions
2	Bank of Montreal/ Scotiabank (tie)	ATB Financial
3	-	Scotiabank
4	Caisses populaires	CIBC/National Bank (tie)
5	Royal Bank	-
6	TD Canada Trust	Royal Bank
7	National Bank	Bank of Montreal/ TD Canada Trust/ Desjardins (tie)
8	CIBC	-
9	HSBC	-
10	ATB Financial	HSBC

## Overall Scores

By a significant margin, credit unions achieved the highest overall score (7.2) and highest scores in all areas examined in this study (see Table 2): financing (6.1), fees (6.6), account manager issues (7.2), and service (8.8). HSBC received the lowest overall score (3.0), with the weakest performance for service (2.1) and account manager issues (3.1) among all financial institutions. TD Canada Trust ranked the lowest in providing financing (2.8) while Royal Bank remains the worst provider in terms of fees (0.5).

Table 2:

### 2015 Overall Bank Scores by Area: All SMEs

	Overall	Financing	Fees	Account Manager	Service
Credit union	7.2	6.1	6.6	7.2	8.8
ATB Financial	5.5	5.6	3.4	6.3	6.6
Scotiabank	4.8	4.0	2.0	5.8	7.2
National Bank	4.7	4.2	1.3	5.8	7.6
CIBC	4.7	3.8	1.5	5.8	7.7
Royal Bank	4.4	4.2	0.5	5.6	7.4
Bank of Montreal	4.3	3.7	1.5	5.2	6.8
TD Canada Trust	4.3	2.8	1.3	4.6	8.4
Desjardins	4.3	3.7	1.2	5.4	6.7
HSBC	3.0	3.8	3.0	3.1	2.1

**“We switched from RBC to a credit union over a year ago. We were absolutely not happy with RBC because they seem not to care about very small businesses. We had a private mortgage for over 10 years and wanted to switch to RBC. After two months they still didn't know if they'll give us a mortgage or not. With the credit union it was a matter of just one week (one phone call and a few e-mails with copies of our financial statements). After being happy with our business account at our credit union, we also moved our private account to the credit union because we feel welcome there.”**

— Credit union client, RV Parks and Recreational Facility Owner, British Columbia

## Bank Scores, by Size of Business

Distinguishing business clients by their size is critical to obtaining an accurate assessment of banks since smaller businesses generally receive different levels of treatment and service compared to larger firms. Previous CFIB banking reports show that smaller businesses typically have lower levels of satisfaction with their main bank.<sup>2</sup>

<sup>2</sup> Bruce, Doug and Queenie Wong. *Banking on Better Service*. Toronto: CFIB Research. (April 2010).

Bruce, Doug and Queenie Wong. *Battle of the Banks*. Toronto: CFIB Research. (May 2013).

To assess how banks are serving their business clients, three separate sets of scores are provided based on business size: micro (fewer than 5 employees); small (5 to 49 employees); and mid (50 to 499 employees).

### Micro Businesses (Fewer than 5 employees)

Bank scores for micro businesses were substantially lower relative to scores seen among small- and mid-sized businesses. Among micro businesses, credit unions received the highest overall score of 6.7 (see Figure 1, Table 3, and Appendix — Table A1). In fact, credit unions ranked the best in all four areas examined. Credit unions' highest score by area was 8.5 for service (i.e. clarity of bank statements, access to branch, and online banking).

Out of all the big banks, Scotiabank received the highest score (see Table 6) among micro businesses. Scotiabank did well in terms of servicing micro businesses and performs slightly better in financing, fees, and account manager experience compared to other big banks.

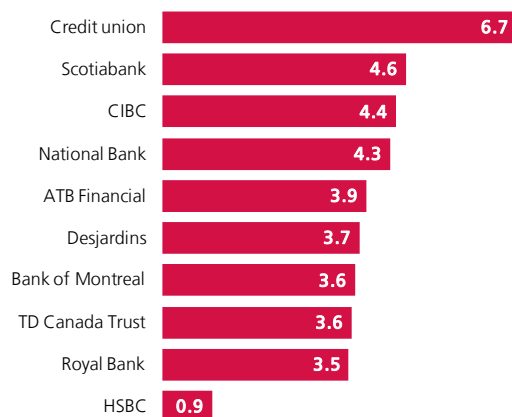
Among the big banks, Royal Bank received the lowest score primarily because of poor fees, financing terms, and account manager experience. RBC has been noticed for its high fees since the last study and remains the worst in this category among all financial institutions (0.0).

Many HSBC clients faced some unwelcome news in 2013 as the bank no longer wished to serve firms that did not meet minimum revenue requirements. Instead, HSBC has focused on businesses that operate internationally.<sup>3</sup> Based on the bank's corporate website, HSBC business clients typically earn between \$3 million to \$50 million in annual sales, well above the revenues of an average micro or small business.<sup>4</sup>

HSBC received the lowest score (0.0) for financing among micro businesses. Historically, the median loan amount for HSBC clients is typically much higher than the average of all financial institutions. Not only is HSBC the worst for financing among micro businesses, it also received the lowest rating for the account manager experience and service. In previous years, HSBC clients have complained about having to deal with different account managers over time which demonstrates that the bank has not taken the time to understand their business needs.

Figure 1:

#### Bank Scores for Micro Businesses (Fewer than 5 employees), (0 is worst, 10 is best)



<sup>3</sup> <http://www.cbc.ca/news/canada/british-columbia/hsbc-dumps-small-businesses-for-international-profiles-1.2515068>

<sup>4</sup> Wong, Queenie. *SME Financing Indicators*. Toronto: CFIB Research. (October 2016).

Table 3:

**Bank Scores by Area: Micro Businesses (Fewer than 5 employees)**

	Overall	Financing	Fees	Account Manager	Service
Credit union	<b>6.7</b>	5.5	5.9	7.0	8.5
Scotiabank	<b>4.6</b>	3.8	1.7	5.7	7.3
CIBC	<b>4.4</b>	3.0	0.9	5.7	8.1
National Bank	<b>4.3</b>	3.1	1.3	5.6	7.3
ATB Financial	<b>3.9</b>	3.2	1.6	5.6	5.1
Desjardins	<b>3.7</b>	3.5	0.3	5.0	6.2
Bank of Montreal	<b>3.6</b>	2.5	1.0	4.7	6.3
TD Canada Trust	<b>3.6</b>	1.7	0.4	4.1	8.1
Royal Bank	<b>3.5</b>	2.7	0.0	4.5	6.9
HSBC	<b>0.9</b>	0.0	3.5	0.0	0.3

Best (10) ↑

↓ Worst (0)

***“Banks are charging too many fees. We are in the process of moving to a credit union and will save about 75% on fees. Banks will learn, as more and more people leave for lower costs, and better service.”***

— BMO client, Health and Fitness Facility Owner, Moncton, New Brunswick

***“...For the business - we transferred from the Toronto Dominion bank when they moved the local branch for business to Kelowna as head office. There was no co-operation or help from them so we transferred to the credit union. That would be the only reason that we still have a business. The TD tried pulling all loans and financial help from us. I would never ever deal with the Toronto Dominion again.”***

— Credit union client, Retailer, Fernie, British Columbia

***“RBC provides good services, however the fees and charges are very high and becoming unaffordable! I am looking to a credit union for help.”***

— RBC client, RV Parks and Recreational Facility Owner, Ontario

***“Schedule A banks are not responsive to small business. The junior bankers typically servicing small business are recent grads who follow a cookbook approach to lending. The constant shuffling of these bank contacts only serves to add to the frustration. As a professional I now advise clients to visit their local credit union where they get a better welcome and chances are good the client will deal with the same individual for a period of time into the future. Customer service is a complete misnomer from the Schedule As. Increased competition would only serve to make them better.”***

— RBC client, Accounting Firm Owner, Ontario

*“After 23 years of dealing with HSBC, I had enough. Applied for a loan and was told since I did under 3 million in sales per year, they basically did not want to lend me money to grow. I have since moved to CIBC, and have realized what I have missed all these years in service. They arranged a line of credit and all systems are go for growth now.”*

— HSBC client, Manufacturer, Surrey, British Columbia

*“In my opinion, it is the individual people and the manager at the bank which gives the service reputation. The people I deal with inside the bank are why I continue to have my business with the Scotiabank in Oromocto, New Brunswick.”*

— Scotiabank client, Health Practitioner, New Brunswick

### Small Businesses (5 to 49 employees)

As seen in previous banking studies, scores for small businesses were comparatively higher than those for micro businesses. This demonstrates that satisfaction with their business banking relationship is higher as business size increases.

Credit unions outperformed other banks in all areas except financing (i.e. willingness to lend, lending terms and information requirements) with an overall score of 7.3 (see Figure 2 and Table 4).

Among the big banks (see Table 6), Royal Bank was the most favourably rated big bank for small businesses with an overall score 4.9. However, the rest of the big banks were not far behind as many of their overall scores are clustered at the 4.6 to 4.7 mark.

Similar to results in 2012, TD Canada Trust was considered the worst performing bank in meeting the financing needs of small businesses (3.4). In 2015, TD Canada Trust was also perceived as the worst in terms of account manager experience (4.7). It can be counterproductive for business owners when they deal with inexperienced account managers who do not fully understand their business or do not stay in their positions long enough to build a strong relationship with their clients. For example, business owners want to be advised on which accounts are the best for them in order to get the best value for fees paid and benefit from having someone who is familiar with their business.

Many small business clients from the banking survey indicated that fees were a major concern. High levels of dissatisfaction with fees occur – especially with Royal Bank clients (0.6) – similar to micro business clients. According to some comments received in the survey, a number of clients who are dissatisfied with the level of fees they are paying large banks have either switched, or are considering switching, to credit unions.

Figure 2:  
**Bank Scores for Small Businesses (5 to 49 employees),  
 (0 is worst, 10 is best)**

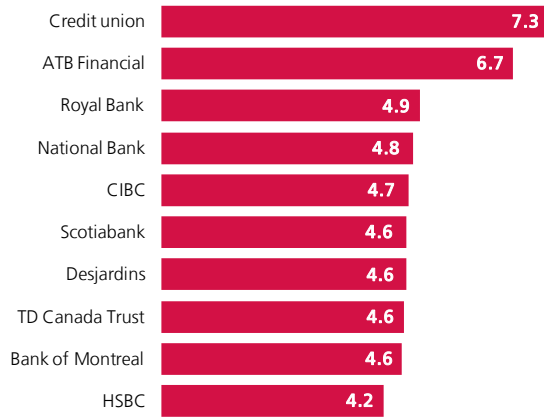


Table 4:  
**Bank Scores by Area: Small Businesses (5 to 49 employees)**

	Overall	Financing	Fees	Account Manager	Service
Credit union	7.3	6.2	6.9	7.2	9.1
ATB Financial	6.7	7.4	4.8	6.8	7.8
Royal Bank	4.9	4.9	0.6	6.3	7.7
National Bank	4.8	4.5	1.0	5.8	7.8
CIBC	4.7	3.9	1.6	5.8	7.4
Scotiabank	4.6	3.8	1.9	5.8	7.0
Desjardins	4.6	3.8	1.9	5.7	7.2
TD Canada Trust	4.6	3.4	1.8	4.7	8.5
Bank of Montreal	4.6	4.1	1.5	5.5	7.1
HSBC	4.2	6.2	2.5	5.0	3.1



*“It's only a matter of time and I will have to switch to my local credit union for banking needs. The BMO isn't interested in my business.”*

— BMO client, Retailer, Banff, Alberta

*“...my credit union has done a fantastic job for us in light of the current economic environment. We had previously dealt with the TD Bank and learned that they are not open for business on commercial lending.*

- Credit union client, Oil and Gas Facility Owner, Alberta

*“Very happy with my credit union. I feel like a customer and not a number. Products and services meet my needs very well. Cannot say that for previous business banking....TD, BMO, Royal did not meet my needs even remotely.”*

- Credit union client, Retailer, Calgary, Alberta

*“We are currently looking at switching banks as we are not happy with the treatment we have received in the last year from our current bank. We are in the service industry for the oil & gas and have not had a fantastic year. The big banks are very good at being nice and loaning money and making you feel like you are a good customer when times are good but when you have a not so good year they are really good at making you feel like you are a failure at what you do. We are not looking to switch to any of the big banks, we are looking at the local credit union. They seem to have a different attitude about banking.”*

- RBC client, Construction Firm Owner, Alberta

*“Having a commercial account costs so much money and we get nothing for it. I think the fees they charge are ridiculously high and do not help small business at all. They make billions of dollars a year, they can give us a break on their fees.”*

- TD Canada Trust client, Automotive Repair and Maintenance Shop Owner, Quebec

## Mid-sized Businesses (50 to 499 employees)

Credit unions were rated higher than other financial institutions based on feedback from mid-sized businesses (9.6) (see Figure 3 and Table 5). Credit unions scored the best on fees (10.0) and account manager experience (10.0).

Scotiabank is now the highest ranking big bank for mid-sized businesses with a score of 7.2 (see Table 6). It has particular strengths in financing (8.7), account manager issues (7.5), and service (7.6). Fees are an area where improvement is needed for many big banks.

TD Canada Trust and Bank of Montreal tied for the poorest scores overall (6.7). TD Canada Trust failed to deliver acceptable fees for the level of service provided compared to other financial institutions while Bank of Montreal suffers from lower relative scores for the account manager experience and service among mid-sized businesses. The Bank of Montreal dropped in rankings

from CFIB's 2012 survey. TD Canada Trust had the highest score across all financial institutions in the service category (9.6). It still has much improvement to make in terms of providing financing on reasonable terms for mid-sized businesses (6.5).

Royal Bank was consistently poorly rated on fees across all size categories. Based on the feedback of mid-sized businesses, Royal Bank fared the second worst (3.4) compared to other financial institutions regarding fees.

For mid-sized firms, National Bank moved up to second place from 2012 with an overall score of 7.5 due to its strong performance in financing (9.5), service (8.5) and account manager experience (7.7). However, it still has much room to improve in terms of charging reasonable fees for their business clients.

While HSBC performed slightly better in rankings compared to the micro and small business categories, mid-sized businesses gave HSBC the lowest score for service (6.0) compared to other financial institutions.

Figure 3:

### Bank Scores for Mid-sized Businesses (50 to 499 employees), (0 is worst, 10 is best)

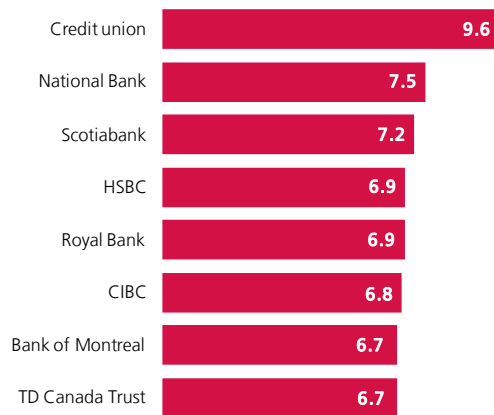


Table 5:

### Bank Scores by Area: Mid-sized Businesses (50 to 499 employees)

	Overall	Financing	Fees	Account Manager	Service
Credit union	9.6	9.3	10.0	10.0	9.0
National Bank	7.5	9.5	4.2	7.7	8.5
Scotiabank	7.2	8.7	4.8	7.5	7.6
HSBC	6.9	8.6	5.2	7.7	6.0
Royal Bank	6.9	7.7	3.4	8.4	8.1
CIBC	6.8	8.5	4.2	7.5	7.0
Bank of Montreal	6.7	9.0	5.3	6.2	6.1
TD Canada Trust	6.7	6.5	2.3	8.2	9.6

Best (10) ↑  
↓ Worst (0)

Table 6:

**Best and Worst Big Bank by Area, by Size of Business**

	<b>Overall</b> Best (Worst)	<b>Financing</b> Best (Worst)	<b>Fees</b> Best (Worst)	<b>Account Manager</b> Best (Worst)	<b>Service</b> Best (Worst)
<b>Micro</b>	Scotia (RBC)	Scotia (TD-CT)	Scotia (RBC)	CIBC/Scotia (TD-CT)	CIBC/TD-CT (BMO)
<b>Small</b>	RBC (BMO/Scotia/TD-CT)	RBC (TD-CT)	Scotia (RBC)	Scotia (TD-CT)	TD-CT (Scotia)
<b>Mid</b>	Scotia (BMO/TD-CT)	BMO (TD-CT)	BMO (TD-CT)	RBC (BMO)	TD-CT (BMO)
<b>All SMEs</b>	Scotia (BMO/TD-CT)	RBC (TD-CT)	BMO (RBC)	CIBC/Scotia (TD-CT)	TD-CT (BMO)

**Conclusions and Recommendations**

Overall, credit unions outperform other financial institutions when it comes to serving micro, small, and mid-sized businesses in Canada. Among the big five banks, Scotiabank received the highest overall score from their business clients while TD Canada Trust and Bank of Montreal are at the bottom of the pack.

Taking into account all banks, the highest and lowest overall scores across all SMEs are listed below for the four assessment areas (financing, fees, account manager, and service):

**Best and Worst Scores by Area (0 is worst, 10 is best)***Overall:*

- ▶ Best (7.2, Credit union)
- ▶ Worst (3.0, HSBC)

*Financing:*

- ▶ Best (6.1, Credit union)
- ▶ Worst (2.8, TD Canada Trust)

*Fees:*

- ▶ Best (6.6, Credit union)
- ▶ Worst (0.5, RBC)

*Account manager:*

- ▶ Best (7.2, Credit union)
- ▶ Worst (3.1, HSBC)

*Service:*

- ▶ Best (8.8, Credit union)
- ▶ Worst (2.1, HSBC)

CFIB offers the following recommendations directed at SME owners, the banking sector, and policymakers:

### SME owners

- ▶ Use the information in this report to help determine which bank is the most appropriate for your financing or banking needs.
- ▶ Shop around for competitive rates and services.
- ▶ Keep your bank account manager informed about your developments, plans, needs, and concerns. A more informed banker is better able to serve you.
- ▶ Request regular meetings with your bank account manager to review your business banking needs.
- ▶ Ask your bank for alternative sources of financing if declined for bank financing.
- ▶ Stay aware of bank fee changes.

### Banks, credit unions & caisses populaires

*Financing*

- ▶ Ensure new online lending operations (e.g. Kabbage, Thinking Capital, etc.) only supplement, not replace, traditional bank lending.
- ▶ Focus on “relationship” lending by ensuring small business bankers get to know their SME clients.
- ▶ Concentrate on providing low cost financing and increasing access for SMEs in need of financing.
- ▶ Do not promote credit cards as a main alternative source of long-term financing for SMEs.
- ▶ Offer more flexibility in lending and provide more information on banking solutions to your SME clients (e.g. offer information on alternatives if bank financing is declined by bank).

- ▶ Adhere to *Small Business Banking Code of Conduct*<sup>5</sup> with regards to financing.
- ▶ Do not restrict financing during economic downturns for SME clients with a good history.

### *Fees*

- ▶ Consider offering services at fees comparable to credit unions for SMEs.
- ▶ Reduce fees and ensure value for services offered to SME clients.
- ▶ Rather than increasing fees on cheques or disincentivizing their use, reduce fees for SMEs to register online to make and/or receive online payments.
- ▶ Provide incentives to SMEs to use newer and more efficient types of payment (e.g. online payments, Business to Business/B2B, etc.).
- ▶ Ensure that existing and new types of payment are not designed to benefit only banks and electronic solutions providers (i.e. SMEs should not be treated as a cash cow).
- ▶ Ensure fees for online lending (e.g. Kabbage, Thinking Capital, etc.) are kept reasonable to ensure they do not become the “payday” lender for SMEs.
- ▶ Ensure banks focus on the overall profitability of a small business client rather than focusing on increasing fees/rates for any one service.
- ▶ Ensure transparency of costs associated with the processing of all types of payment for SMEs.
- ▶ Ensure transparency of bank account fees charged for SMEs.
- ▶ Publicly disclose service fee revenues generated from SME clients.

### *Account Manager Experience*

- ▶ Empower account managers at the branch level by ensuring that they are well versed on small business needs and risk assessment as well as by giving them greater decision-making and credit-scoring authority.
- ▶ Decrease account manager turnover rate. The business client-bank relationship can be improved by decreasing the number of times the account manager is changed. Instead, focus on building a long-term relationship with the SME client by conducting regular visits and meetings.
- ▶ Explain clearly to the client what credit scoring is, its importance, and strategies on how to improve the score.
- ▶ Assess the risk of SME clients through a combination of credit scoring and the knowledge gained through the account manager’s relationship with their SME clients.
- ▶ Account manager should clearly explain fees for bank accounts and provide advice to ensure value for money to SME clients.

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<sup>5</sup> Canadian Bankers Association. “Canadian Bankers Association’s Model Code of Conduct for Bank Relations with Small- and Medium-Sized Businesses”.  
[http://www.cba.ca/contents/files/misc/vol\\_20090403\\_bankrelationsmes\\_en.pdf](http://www.cba.ca/contents/files/misc/vol_20090403_bankrelationsmes_en.pdf) (accessed May 20, 2016).

### Service

- ▶ Focus on core business banking and the competencies required to improve the delivery of banking services to your SME clients.
- ▶ Build stronger community presence among SMEs.
- ▶ Do not abandon SMEs in non-urban areas.
- ▶ Develop low-cost options for electronic payments (e.g. online, mobile, etc.).
- ▶ Develop low-cost options for Business to Business (B2B) payments.
- ▶ Payments industry should support SMEs' needs and provide added value (e.g. enable SMEs to have access to at least 7 years' worth of payment transaction data for tax purposes at a fair cost).

### Government

- ▶ Ensure that banks adhere to the *Small Business Banking Code of Conduct*<sup>6</sup> and that the interests of SMEs are served.
- ▶ Ensure banks actively promote alternative sources of financing besides bank financing (e.g. angel investing, crowdfunding, venture capital) as per the *Small Business Banking Code of Conduct*<sup>7</sup>. Ensure the policy environment is encouraging of alternatives.
- ▶ Enforce one low fee for SMEs when making online payments to government (e.g. tax remittance).
- ▶ Introduce an independent authority to monitor bank fees for SMEs and to provide advice on bank fees (i.e. similar to Financial Consumer Agency of Canada<sup>8</sup> for consumers) or expand the mandate for Financial Consumer Agency of Canada to include SME bank fees and financing issues (e.g. ensuring banks provide reasons for why a business is declined for financing).
- ▶ Bank of Canada should reinstate the reporting of data on financing provided to small businesses (e.g. authorized business loans less than \$200,000) to learn if the smallest businesses have adequate access to financing and to ensure that banks are accountable for their lending practices (e.g. lending to businesses of all sizes).
- ▶ Monitor use of new online SME lending technology at major banks to ensure that they do not displace traditional lending or shift to usurious interest rates.
- ▶ Mandate the Canada Revenue Agency (CRA) to accept electronic payments information including credit cards and new payment technologies as acceptable proof of payment.
- ▶ Ensure that the benefits of governments' switch to electronic payments infrastructure are extended to SMEs.

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<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

<sup>8</sup> The Financial Consumer Agency of Canada (FCAC) provides consumers with a tool to compare bank account fees and services by financial institution (Account Selector Tool).

Financial Consumer Agency of Canada. "Account Selector Tool." <http://itools-ioutils.fcac-acfc.gc.ca/STCV-OSVC/acst-osco-eng.aspx?f1=1&f2=1> (accessed January 27, 2016).

*This report is based on the results of a survey conducted over the period from September to November 2015 in which a total of 11,400 responses were received. The responses reflect the views of SMEs located in all regions and sectors throughout Canada. The responses are accurate within plus/minus 0.9 percentage points, 19 times out of 20.*

*For further details on recent CFIB research publications on banking issues, please refer to the following:*

*Wong, Queenie. SME Financing Indicators. Toronto: CFIB Research. (October 2016).*

<http://www.cfib-fcei.ca/english/article/8760-sme-financing-indicators.html>

*Wong, Queenie. SME Bank Market Share. Toronto: CFIB Research. (August 2016).*

<http://www.cfib-fcei.ca/english/article/8624-sme-bank-market-share.html>

*Bruce, Doug and Queenie Wong. Battle of the Banks. Toronto: CFIB Research. (May 2013).*

<http://www.cfib-fcei.ca/english/article/5171-battle-of-the-banks-how-small-businesses-rate-their-banks.html>

*Bruce, Doug and Queenie Wong. Banking on Better Service. Toronto: CFIB Research. (April 2010).*

<http://www.cfib-fcei.ca/english/article/1812-banking-on-better-service.html>

*Bruce, Doug. Banking Matters. Toronto: CFIB Research. (November 2007).*

<http://www.cfib-fcei.ca/english/article/152-banking-matters.html>

*Bruce, Doug. Banking on Competition. Toronto: CFIB Research. (October 2003).*

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## Appendices

### A. Bank Scores—Methodology

Through a survey, CFIB members were asked to rate their main bank (very satisfied, somewhat satisfied, somewhat dissatisfied, very dissatisfied) on eleven factors. Across each factor, an index was created to score and rate each bank on a scale of 0 (worst) to 10 (best). The highest percentage of respondents who answered “very dissatisfied” or “somewhat dissatisfied” was assigned score of 0 while the lowest percentage of respondents in this case received a score of 10. All other values were standardized and lie between 0 and 10. These values form a relative index as a basis for comparison. Scores presented are relative by size of firm (fewer than 5 employees, 5-49 employees, 50-499 employees). ATB Financial and Desjardins are excluded in the 50-499 employee size category due to small survey sample sizes.

The main rationale for distinguishing business clients by their size is based on the premise that smaller businesses generally receive different levels of treatment and service from their bank compared to larger firms. This has been documented extensively in previous CFIB studies. Another reason to focus on the size of the business is that certain institutions cater to different business clients. For example, HSBC business clients are likely to be mid-sized and more established in terms of business experience, while credit union clients are smaller in size and locally-based. The bank scores are important information for business owners to use in making informed decisions. Choosing a bank that is the right fit for the business can make the difference between success and failure. Conversely, the scores provide banks with a valuable source of intelligence on how they are treating their business clients.

The formula used for the standardized score for each factor is:

$$(\max-x)/(\max-\min)*10$$

Where x = the value of % Very Dissatisfied and % Somewhat Dissatisfied for each bank

Min and max are the minimum and maximum of the values (sum of % Very Dissatisfied and % Somewhat Dissatisfied) across each factor.

An average of the standardized scores was calculated for each of the four areas across each bank:

#### *1. Financing (3 factors):*

SME owners rely on financing from their main bank for their day-to-day purchases and longer term borrowing needs. Business owners also look to secure financing on competitive borrowing terms.

- ▶ Willingness to lend
- ▶ Lending terms (interest, collateral, etc.)
- ▶ Information requirements for financing

#### *2. Fees (1 factor):*

Bank fees have a huge impact on SMEs' bottom lines. SME owners want low fees and expect the level of fees charged to reflect the quality and level of service received.

- ▶ Level of fees



### *3. Account Manager (3 factors):*

The account manager experience can make or break the SME relationship. As the account manager acts as the key contact of the main bank, SME owners need the account manager to have a good understanding of their business, be accessible, and treat them well.

- ▶ Understanding of my business by account manager
- ▶ Accessibility of account manager
- ▶ Treatment by account manager

### *4. Service (4 factors):*

Banks also need to be aware of, and responsive to, other services that SME owners require. For example, bank statements should be made clear to help business owners with their recordkeeping, and to provide greater transparency in fees to better understand the rationale behind the fees. As well, business owners benefit from being able to access a branch near their business location and from having the option to conduct their banking online.

- ▶ Clarity of bank statements
- ▶ Access to branch (e.g. proximity to local branch, hours of operation)
- ▶ User friendliness of online banking
- ▶ Range of services offered through online banking



The four areas (financing, fees, account manager, and service) were then used to calculate scores for each bank using equal weights based on the relative level of importance for SMEs for financing, fees, account manager, and service:

- ▶ 25 per cent - Financing
- ▶ 25 per cent - Fees
- ▶ 25 per cent - Account Manager
- ▶ 25 per cent - Service

Overall scores are then calculated using bank scores received under each size of business and are weighted according to the survey sample (41 per cent micro - fewer than 5 employees, 55 per cent small - 5 to 49 employees, 4 per cent mid - 50 to 499 employees).

Table A1:

**Bank Scores: by Size of Business**

		Overall	Financing	Fees	Account Manager	Service
<b>a. Micro</b>						
Best (10)  Worst (0)	Credit union	6.7	5.5	5.9	7.0	8.5
	Scotiabank	4.6	3.8	1.7	5.7	7.3
	CIBC	4.4	3.0	0.9	5.7	8.1
	National Bank	4.3	3.1	1.3	5.6	7.3
	ATB Financial	3.9	3.2	1.6	5.6	5.1
	Desjardins	3.7	3.5	0.3	5.0	6.2
	Bank of Montreal	3.6	2.5	1.0	4.7	6.3
	TD Canada Trust	3.6	1.7	0.4	4.1	8.1
	Royal Bank	3.5	2.7	0.0	4.5	6.9
	HSBC	0.9	0.0	3.5	0.0	0.3
<b>b. Small</b>						
Best (10)  Worst (0)	Credit union	7.3	6.2	6.9	7.2	9.1
	ATB Financial	6.7	7.4	4.8	6.8	7.8
	Royal Bank	4.9	4.9	0.6	6.3	7.7
	National Bank	4.8	4.5	1.0	5.8	7.8
	CIBC	4.7	3.9	1.6	5.8	7.4
	Scotiabank	4.6	3.8	1.9	5.8	7.0
	Desjardins	4.6	3.8	1.9	5.7	7.2
	TD Canada Trust	4.6	3.4	1.8	4.7	8.5
	Bank of Montreal	4.6	4.1	1.5	5.5	7.1
	HSBC	4.2	6.2	2.5	5.0	3.1
<b>c. Mid-sized</b>						
Best (10)  Worst (0)	Credit union	9.6	9.3	10.0	10.0	9.0
	National Bank	7.5	9.5	4.2	7.7	8.5
	Scotiabank	7.2	8.7	4.8	7.5	7.6
	HSBC	6.9	8.6	5.2	7.7	6.0
	Royal Bank	6.9	7.7	3.4	8.4	8.1
	CIBC	6.8	8.5	4.2	7.5	7.0
	Bank of Montreal	6.7	9.0	5.3	6.2	6.1
	TD Canada Trust	6.7	6.5	2.3	8.2	9.6