

Financial Consumer Agency of Canada

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Frequently Asked Questions

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Question:

Can my financial institution make me take out insurance when I apply for a loan or a mortgage?

Answer:

Yes. A financial institution may require you to have two kinds of insurance, as a prerequisite for obtaining a loan or mortgage: mortgage default insurance and property insurance. Mortgage default insurance is required by law if your down payment is less than 20 percent of the value of the property. This ensures that the lender is repaid if you fail to pay back your loan or mortgage. To find out which companies offer mortgage default insurance, please contact us.

Property insurance on your home allows the lender to recover its funds if your home is so severely damaged that you decide not to repair it. However, a financial institution cannot insist that you purchase property or life insurance from it. This is considered "coercive tied selling". It is illegal for banks to engage in this practice.

The lender can also offer you — but not require you to take — mortgage life insurance, which pays the mortgage off, on your death (or the death of your spouse or other co-borrower). Banks are explicitly prohibited from coercively "tying" the sale of any bank product to the purchase of another of their financial products, including life insurance.

If you believe that a bank has subjected you to coercive tied selling, you should make use of your financial institution's complaint-handling process and contact FCAC. We can investigate to determine whether your financial institution has complied with its legal obligations.

Federal financial consumer protection legislation requires all federally regulated financial institutions to have a complaint-handling process in place to help resolve disputes between consumers and their financial institutions. This process includes a third-party dispute-resolution body.

FCAC publishes the complaint-handling process for all federally regulated financial institutions on its Web site. [To find the complaint-handling process for your financial institution, click here](#) . If you are having difficulty finding this information, call our Consumer Contact Centre at 1-866-461-3222 (toll-free).

Resource(s):

- FCAC's Consumer Service Centre: 1-866-461-3222 (toll-free)
- [FCAC's Complaint-handling Process Search Tool](#)
- [Renewing and Renegotiating Your Mortgage](#)

Classification of this FAQ:

Category	Sub-category
Insurance	Tied selling
Loans	Applications
Mortgages	Applications

FAQs

Date modified: 2013-09-24 [Top of Page](#)