

Mounties investigate 'predatory lending'

Man says bank should not have loaned him money
Andrew Mayeda

The RCMP is investigating a complaint by a former CIBC customer who says the bank acted negligently when it granted him loans to start a doughnut franchise.

In 2003, CIBC issued two loans totaling \$229,500 to Andrei Oudovikine, a 31-year-old computer analyst from Toronto.

Mr. Oudovikine and his father used the proceeds to purchase a Country Style franchise in Scarborough. But now they say the franchise is losing roughly \$30,000 per month.

And Mr. Oudovikine is accusing the bank of transferring the loans to Country Style without his authorization before he had a chance to obtain a business plan and other financial details from Country Style.

Mr. Oudovikine says his case shows how big banks, franchisors and franchise brokers team up to take advantage of franchisees, many of whom are recent immigrants like him.

"It's predatory lending. (CIBC) didn't do any of the due diligence they should have done," says Mr. Oudovikine, who sent the *Citizen* e-mails confirming the RCMP investigation. An RCMP official said the police force doesn't confirm or deny investigation.

But Mr. Oudovikine's detractors portray him as a troublemaker trying to get out of a financial mess.

"Their problem is that their business isn't making money," said Roger Noble, a franchise consultant whom Mr. Oudovikine accuses of pushing him into the deal with Country Style. "What they're trying to do is create as much trouble as they can because they made a poor business decision."

CIBC wouldn't comment on the police investigation. But previously, the bank said it is standard for franchise loans to be made payable to the franchisor, something that was disclosed to Mr. Oudovikine in loan documents.

Meanwhile, Country Style Food Services chief executive Patrick Gibbons insists that his company has nothing to do with Mr. Oudovikine's case.

"He has a personal issue with his lender, which is totally outside of Country Style."

The *Citizen* first reported on Mr. Oudovikine's complaint against CIBC over loan issues last summer. At the time, he was embroiled in another dispute with the bank after he was mistakenly given the account details of more than 100 individuals by a CIBC employee in the fall of 2004. The federal privacy commissioner launched an investigation into that incident, which a spokeswoman for the commission says is nearing completion.

Mr. Oudovikine says he has repeatedly contacted senior CIBC officials and executives about the loan dispute, to little effect. He alleges that CIBC breached the Canada Small Business Financing Act regulations that require lenders to conduct due diligence on borrowers, including their ability to repay loans.