

**IN THE MATTER OF
THE *DIRECT SELLERS ACT*, R.S.P.E.I. 1988, Cap. D-11**

and

**IN THE MATTER OF
ATLANTIC ENVIRONMENTAL SYSTEMS INC.
doing business as MARITIME HOME SERVICES**

**REASONS FOR DECISION AND
ORDER OF THE REGISTRAR OF DIRECT SELLERS**

**Steven D. Dowling
Registrar of Direct Sellers
Director of Financial and Consumer Services
Department of Justice and Public Safety**

INTRODUCTION

- [1] This matter came before the Director of Financial and Consumer Services and Registrar of Direct Sellers (collectively, the “Director”), as a result of a recommendation by staff of the Financial and Consumer Services Division (the “Division”), within the Department of Justice and Public Safety, that Atlantic Environmental Systems Inc., doing business as Maritime Home Services (the “Licensee”) is not suitable for licensing under the *Direct Sellers Act*.
- [2] Under subsection 8.2(1) of the *Direct Sellers Act*, the Director may cancel or suspend any license when the Director feels such action is in the public interest.

THE LICENSEE

- [3] The Licensee is a Nova Scotia company, extra-provincially registered in PEI (the company was incorporated on May 3, 2019, changed its name from Niagara Environmental Water Solutions Ltd. on September 11, 2019, and registered under the *Extra-provincial Corporations Registration Act* on September 1, 2021).
- [4] The Licensee operates in PEI as “Maritime Home Services”, a trade name registered under the *Partnership Act*, and is a licensed vendor under the *Direct Sellers Act* to sell water treatment equipment, sales and services.
- [5] Prior to September 16, 2021, the Licensee’s trade name was registered to 2568183 Ontario Inc., which also held the vendor license.
- [6] The Nova Scotia Registry of Joint Stock Companies lists Michael Daniel Goldman as the sole director and President of the Licensee and, based on information provided to staff, he has owned the Licensee since September 2021. Mr. Goldman is also a licensed salesperson under the *Direct Sellers Act* to conduct direct selling business in Prince Edward Island on behalf of the Licensee.
- [7] Numerous other salespeople are also licensed under the Act to conduct direct selling business in PEI on behalf of the Licensee.

COMPLAINTS

- [8] On May 3, 2021, staff received a written complaint from the owner of a local water treatment system business, indicating he had received complaints from PEI residents about Maritime Home Services (then owned by 2568183 Ontario Inc.) installing/selling water treatment systems in PEI at inflated prices and using sales tactics to pressure seniors into buying systems they did not need.
- [9] The complainant referred to a resident purchasing a water softener and reverse osmosis system from Maritime Home Services (then owned by 2568183 Ontario Inc.) for \$6,700.00 plus \$3,210.29 in financing charges, for a total of \$9,910.29, which the resident subsequently canceled, and purchased a similar system from the complainant for \$2,875.00 (including HST). The complainant included copies of documents provided by the resident.

- [10] On January 20, 2022, the complainant provided staff with additional correspondence and documentation which he indicated he received from another resident who allegedly received a quote from the Licensee to install a “High Performance Drinking Water System + N.P. Conditioner”, for \$13,851.25, in a new home. The correspondence alleged the Licensee had conducted water testing for the resident which did not correspond with results from the PEI Analytical Laboratories, and the only problem was coliform which the complainant indicated he resolved by installing a water softener and UV system for \$2,500 plus HST.
- [11] On July 18, 2022 and September 14, 2022, the complainant provided further complaint letters from other residents who alleged they also were contacted by the Licensee and reported similar conduct to the allegations identified in the initial complaint. The complainant further noted he went public with his concerns by publishing a notice in a local newspaper and subsequently received a “cease and desist” letter from the Licensee, a copy of which he provided to staff.
- [12] On December 20, 2022, staff received another complaint from a resident who indicated his parents had fallen victim to the Licensee when they were allegedly forced into purchasing a water system which they could not afford and did not need. The additional complainant further alleged the Licensee did not discuss pricing, financing or cancellation of service details and was targeting and scaring seniors into buying expensive water systems.
- [13] On July 19, 2023, staff also received correspondence from the Better Business Bureau (“BBB”) reporting recent complaint activity in PEI regarding the Licensee. In its correspondence, the BBB indicated consumers have communicated that the Licensee is targeting seniors and using predatory sales practices. Specifically, consumers reported to the BBB that the Licensee allegedly gains entry to the home after consumers complete a survey and are told they have either won a free-gift or a free water test – and then uses high-pressure sales tactics. One individual even reported to the BBB that a salesperson entered his home at 10 pm and did not leave until 2 am.
- [14] The BBB correspondence further noted that Mr. Goldman may have previously been sanctioned in Ontario for engaging in unfair business practices.
- [15] In addition, on August 1, 2023, a Division staff member reported receiving a form from the Licensee with an empty bottle in a plastic bag that was left at the individual’s home. The form stated “This is a proposal for a free water analysis in your home” with instructions to fill the bottle, answer questions and place the bag/form in the same location for pick up the next day. Questions included: “Are you employed?”, “What age bracket are you in?” and “Number of persons in the family?”.

BACKGROUND

- [16] On September 3, 2021, the Director sent correspondence to Maritime Home Services (then owned by 2568183 Ontario Inc.), to the attention of the licensed salesperson referenced in the initial complaint. The correspondence indicated staff had received a complaint alleging unfair business practices, as outlined in the initial complaint, and advised it is an offence to engage in unfair business practices.

- [17] On January 20, 2022, after not receiving a response to the September 3rd letter, the Director sent correspondence to the Licensee stating an additional complaint had been received which outlined similar conduct to the initial complaint and requesting information.
- [18] On January 21, 2022, the Director received a voice mail message from an individual identifying himself as “Mr. LeBlanc” the “North American District Manager that oversees Eagle and Natural Purity” and indicating he was calling regarding an email “Maritime Home Services” had received.
- [19] On January 24, 2022, staff contacted the individual identified as Mr. LeBlanc, and he indicated to staff that the correspondence sent on January 20, 2022, had been forwarded to him to respond, and that the earlier correspondence had inadvertently not been forwarded due to a change in ownership of the business.
- [20] Mr. LeBlanc also indicated to staff that the main reason for the difference in pricing between the products sold by the Licensee and the initial complainant was due to differences in the type of equipment and water treatment system, including technologies used and the applicable service and warranty provided. He also noted the Licensee’s systems have different equipment and use less water than other systems.
- [21] Staff asked if Mr. LeBlanc could email a response to the Director’s correspondence, including applicable information regarding the Licensee’s systems and pricing. Mr. LeBlanc asked staff to text staff’s email address to him and indicated he would respond within the next two weeks. After the call, staff texted the email address to the number provided. Staff noted the phone number was the same number listed on correspondence previously received by the Division from a “Jean LeBlanc”, which accompanied numerous salesperson applications in April 2021.
- [22] Staff received no further response or documentation from Mr. LeBlanc.
- [23] On February 3, 2023, after having received additional complaints and no further response from the Licensee, the Director appointed staff to carry out an investigation.
- [24] Pursuant to the investigation, staff independently contacted and spoke to numerous complainants, purchasers and other individuals approached by the Licensee.
- [25] The initial complainant confirmed information in his initial complaint and further indicated:
- he is a certified water treatment specialist and honorary lifetime member of the Canadian Water Quality Association;
 - he has been supplying, selling and servicing water treatment systems in PEI for over 30 years;
 - through customer complaints, he became aware of the Licensee installing systems in PEI;
 - he learned of several instances where Island seniors were pressured into buying

water treatment systems from the Licensee, which they did not need, at further inflated prices;

- he sells a reverse osmosis system for \$995.00 compared to approximately \$3,800.00, the price at which he stated the Licensee sells its system; and
- he believes the Licensee's actions are "not right".

[26] Information provided to staff by other complainants/individuals is summarized as follows:

- almost all were contacted by phone and advised by a representative they won a free first-aid kit and subsequent in-home water testing;
- some were told they had won by having their name drawn, whereas other others were contacted via a survey;
- in some cases, the representative inquired about the age and number of people in the home;
- after agreeing to have their water tested, a salesperson (or two) attended at their residence;
- the salespeople often arrived in the evening between 6-8 pm;
- several reports indicated prolonged attendance at the residence by the salespeople - up to and including 4-6 hours - which in one case extended to approximately 2:30-3.00 am;
- in most cases, the salespeople insisted on taking samples from an interior kitchen tap and, in some cases, every tap in the residence - even though all taps were from the same water source, which in some cases was a municipal water source;
- the salespeople then conducted some type of on-site testing/analysis, which appeared to involve putting drops in the water and it turning colour;
- in all cases, the water was deemed by the salespeople to need treating and shown to contain impurities;
- the salespeople then proposed differing water systems such as a reverse osmosis, water purifier, ultraviolet light system or a water softener - all to improve the water in the residence;
- the prices ranged from approximately \$2,400 to over \$10,000;
- a financing option was also proposed with an amortization period of up to 15 years, which in some cases doubled the total cost for a water system;
- the salespeople indicated pricing was one-time special pricing only available at that time;
- in all circumstances, the salesperson had to call a manager off site to confirm pricing;
- if a sale was rejected by a consumer, the salespeople often became aggressive and, in some cases, angry;
- in one case, an elderly female, living on her own, reported yelling back and forth

with a salesperson, and was about to call police as she started to fear for her personal safety;

- in another instance, a resident indicated the salespeople were using her husband's medical condition as a tactic to push a sale after it was denied;
- another instance revealed an elderly woman, who was terminally ill, had a salesperson at her residence for over 6 hours, and finally agreed to pay approximately \$7,000 for a water treatment system - the woman passed away 2 months after the purchase;
- almost all instances occurred between February 2022 and May 2023 (one was in April 2021); and
- several residents retained legal counsel to have the purchases reversed/products removed.

[27] On June 1, 2023, staff sent correspondence to the Licensee advising that staff had received further complaints and were investigating to determine whether the alleged conduct may be contrary to the public interest, the *Direct Sellers Act*, and/or the *Business Practices Act*.

[28] On June 8, 2023, staff received correspondence from legal counsel for the Licensee, indicating that Mr. Goldman was willing to provide information and noted the allegations identified in the September 3, 2021, letter pre-dated his ownership of the Licensee.

[29] On June 15, 2023, staff sent correspondence to the Licensee's legal counsel, requesting answers to initial questions. Staff also requested copies of all relevant documents provided to Island consumers (including any with 3rd party lenders) and offered to speak directly with Mr. Goldman.

[30] On June 29, 2023, staff received correspondence from the Licensee's legal counsel, which included a letter from Mr. Goldman (marked "Without Prejudice") containing responses to questions. The letter also referred to a "package" of information being "attached" - but no such documentation was included or attached.

[31] On July 6, 2023, staff sent additional correspondence to the Licensee's legal counsel, noting the Licensee did not answer all the questions or include the "package" of information referred to in the letter. Staff expressly requested that the Licensee provide the information and answer numerous follow-up questions, including:

- details of the Licensee's pricing model and why it differs from similar goods available in PEI;
- details of the steps/processes followed by the Licensee and its salespeople when direct selling;
- information on how/where the Licensee obtains contact information for Island consumers;
- details of the steps followed by salespeople when conducting tests in residences;

- copies of all related materials provided to Island consumers (including 3rd party lenders);
- what, if any, filings/registrations are made at the PPRS Registry and/or Registry of Deeds;
- what credentials salespeople have with regard to water quality testing and analysis;
- a description of the Licensee's supervisory and organizational structure;
- a detailed log of complaints received from Island consumers since 2021; and
- whether the Licensee has identified any compliance issues with salespeople in PEI since 2021.

[32] On July 21, 2023, staff received further correspondence from the Licensee's legal counsel, which included another letter from Mr. Goldman (unsigned and marked "Without Prejudice"), containing responses to follow-up questions. In summary, the correspondence dated June 29th and July 21st indicated as follows:

- the Licensee purchased "Maritime Home Services" in September 2021;
- the business positions itself as an up-market provider of alternatives to basic water treatment systems and is the "Cadillac" of water treatment systems, with superior technology, lifetime warranties, free in-home services, and the highest industry standards;
- pricing ranges from \$2,995.00 to \$5,990.00 and reflects the quality of systems, which carry a lifetime guarantee and are certified by the IAPMO, NSF and CSA (which result in a higher cost);
- salespeople do not have authorization to negotiate price, but discounts are occasionally offered due to life circumstances of the client or if the Licensee absorbs payment deferrals with a financing company;
- outbound leads are from numerous sources, including its call centre, online advertising and satisfied customer referrals;
- outbound leads practices comply with the CRTC Telemarketing Rules and the Licensee is registered with the Do Not Call List (Unsolicited Telecommunications Rules);
- call centre staff use a brief script and the call centre/business provide a complimentary first-aid kit in exchange for allowing salespeople to attend and provide a free water analysis;
- when interacting with potential clients, the Licensee strives to identify improvements its systems can make to existing water quality through a quick analysis;
- the biggest improvement the Licensee can offer is a safer system;
- salespeople use water quality tests purchased from LaMotte, a chemical analysis company, which test for hardness, iron and pH levels;

- salespeople advise that the tests are not substitutes for tests conducted by the PEI Laboratory;
- the Licensee provides customers with a contract for service and package of information from a third-party lender, Eco Home Financial;
- on occasion, where a customer is not approved, a secondary lender, LendCare, may be used;
- both financing companies have registered security interests under the PPSA, which the Licensee/salespeople explain in explicit detail - and the customer makes the decision;
- the Licensee has been informed that neither financing company has registered an interest in lands under the *Registry Act*;
- the Licensee is a member of the Canadian Water Quality Association and salespeople are actively engaged in and follow the CWQA's code of ethics;
- the Licensee does not keep a log of complaints and has not identified compliance issues with salespeople since 2021; and
- the Licensee believes the complaints have been encouraged by a "vexatious owner" of another water system treatment company.

[33] The July 21st correspondence also included copies of LaMotte Material Safety Data Sheets, IAPMO certificates issued to Eagle Water Treatment (dated September 9, 2020), a document marked "PRICE LIST" (with no model numbers), a copy of the CWQA's Code of Ethics, a brief call centre script, and a description of two recent complaints it indicated were resolved. A USB containing training videos was subsequently also provided on July 26th.

[34] Despite repeated requests, including staff's specific July 6th written request, the Licensee did not provide the "package" of information.

[35] Staff subsequently conducted various online searches which indicated the following:

- the Licensee is listed online as a "local distributor" of Natural Purity www.naturalpurity.ca and Eagle Water Treatment www.eaglewaterquality.com;
- Natural Purity and Eagle Water Treatment list the same head office address in Quebec;
- other water treatment systems available in PEI, with lower prices, appear to have similar certifications as the Licensee's products; and
- numerous Notices of Security Interest under the PPSA have been registered at the PEI Registry of Deeds (in all 3 counties), between March 16, 2022, and July 11, 2023, in favour of EcoHome Financial Inc., (with 20-year terms) for water treatment systems including "Natural Purity" or "NP" Models, and LendCare Capital Inc., (with 5-year terms) for water treatment systems, including "Platinum" Conditioners.

[36] Staff also requested and received information from the Ontario Ministry of Public and Business Service Delivery, the Regional Municipality of Durham, Court Services, and

the Ontario Business Registry, which appears to indicate that Mr. Goldman was previously sanctioned in Ontario, as a director or officer of a corporation, in relation to unfair business practices.

DIVISION MANDATE

- [37] The Division is entrusted to discharge government's accountability to regulate PEI's financial and consumer services sectors.
- [38] Legislation assigned the Division includes the *Direct Sellers Act*, which requires anyone carrying on the business of direct selling in PEI to be licensed under the Act. A licensed vendor also cannot transfer a license of a salesperson to another vendor.
- [39] Consumer protection is a fundamental consideration and key purpose of the Division's mandate. In that regard, it is a key public interest responsibility of the Director, as the gatekeeper to a regulated industry such as direct selling, to determine the suitability of an applicant or licensee to operate in the sector.

SUITABILITY

- [40] Determining license suitability includes ensuring that when a license is granted and/or held, any potential risks to consumers are minimized. In this regard, a licensee is expected to adhere to minimum standards of suitable conduct for the industry.
- [41] Honesty, integrity and trustworthiness are essential character traits in the context of direct selling. Consumers depend on licensees to be honest and to act with integrity when soliciting in their home. Consumers also rely on a licensee's trustworthiness as a basis for their confidence in the direct selling industry.
- [42] For direct sellers, acting with honesty, integrity, and trustworthiness includes - at a minimum - refraining from engaging in conduct that may expose consumers to potential harm or exploitation. This includes refraining from engaging in unfair business practices, such as aggressive/high-pressure sales tactics or pricing which grossly exceeds that of similar goods or services readily available to consumers. These and other unfair business practices are also specifically prohibited under the *Business Practices Act*.
- [43] Subsection 8.2(1) of the *Direct Sellers Act* provides grounds for which the Director/Registrar may cancel or suspend a license:

8.2(1) The Registrar may refuse, cancel or suspend any license when he feels such action is in the public interest.
- [44] In determining the Licensee's continued suitability to be licensed - that is, in determining whether cancelling or suspending a license is in the public interest - a key consideration is: whether consumers would likely be exposed to potential harm or exploitation from conduct of the Licensee if the license were continued.

ANALYSIS

- [45] A direct seller license approved by the Division is intended to provide reassurance to Island consumers that the licensee is reputable, trustworthy and will refrain from engaging in unfair business practices.
- [46] Companies and individuals working in the direct sales industry, who are asking people to open their doors so they may sell products/services to them within the safety of their homes, need to behave in both a safe and ethical manner.
- [47] The complaints and reported activity investigated by staff raise significant public interest concerns regarding the direct sales industry and the Licensee's conduct in PEI, including:
- the Licensee appears to have used (and may still be using) a consistent approach and method of contacting Island consumers (almost always Island seniors) by phone and advising them they had won a free first-aid kit and subsequent in-home water testing;
 - upon consumers agreeing to allow the in-home water testing, the Licensee's salespeople attended at consumers' houses and performed water testing;
 - the testing involved the use of a third-party kit (not associated with the PEI Analytical Laboratories), taking samples from most, if not all, faucets in the residence, conducting immediate on-site analysis of the water samples, and in all cases, deeming the water to need treatment of varying degrees;
 - at that point, a sales-pitch ensued with consumers proposing the Licensee's products, whereby in numerous instances consumers reported aggressive/high-pressure sales tactics and prolonged attendance at the consumers' residence by the salesperson, up to an including 4-6 hours - in many cases during evening hours;
 - if a sale was not conceived, salespeople often became aggressive and, in some reported cases, angry, with some consumers even reporting fear for their personal safety;
 - prices were also offered as "one-time" pricing – substantially elevated from the industry standard in PEI - often combined with a proposed 15+ year financing option, which resulted in even higher cost for consumers (and apparently collateral security filings at PEI registries).
- [48] While I note the initial allegations identified in the September 3, 2021 letter pre-date the Licensee's (and/or Mr. Goldman's) ownership of Maritime Home Services, all of the other complaints and reported activity relate to conduct after September 2021, including the above-noted items - which raise significant public interest concerns.
- [49] I also note that the Licensee's responses to staff's questions (albeit with letters marked "Without Prejudice" - one of which was unsigned) acknowledge some of the reported activity, including contacting Island consumers by phone, providing a complimentary first-aid kit in exchange for allowing salespeople to attend and provide a free on-site water analysis (not associated with the PEI Laboratory), identifying improvements the Licensee's systems can offer, and offering third-party financing, which involves collateral security being registered under the PPSA.

- [50] The Licensee's responses also indicate that its pricing reflects the quality of its systems and the services it offers, as compared to other water treatment systems available in PEI, but the Licensee provided very little supporting documentation for its claims.
- [51] The Licensee also failed to comply with basic requests for information from its licensing body, which is troubling and raises further concerns. For example, despite being specifically requested to do so by its licensing authority, the Licensee did not:
- provide copies of materials/documents it provides to Island consumers;
 - sufficiently explain how/where the Licensee obtains contact information for Island consumers;
 - describe its models/pricing (e.g., other than providing the "PRICE LIST" document);
 - appear aware of filings made by its third-party lenders at the Registry of Deeds; or
 - provide information regarding its supervisory/organizational structure including its apparent relationship with Natural Purity and Eagle Water Treatment.
- [52] Most (if not all) of the above-noted requested items should have been readily available to the Licensee and provided to staff upon request.
- [53] Regarding the allegations of using aggressive/high-pressure sales tactics, including prolonged attendance at consumers' residences, I note the Licensee indicated its employees follow the CWQA code of ethics. However, given the Licensee's lack of willingness to provide staff with information, and the volume, consistency and seriousness of the complaints and reported activity investigated by staff, I accept the information provided by the complainants and other individuals in this regard.
- [54] Notwithstanding the Licensee's claim to be the "Cadillac" of water treatment systems, in my opinion the reported activity investigated by staff, including the Licensee's use of aggressive/high-pressure sales tactics and prolonged attendance at consumers' residence, combined with its pricing and elongated financing, is not suitable conduct for direct selling in PEI - particularly given that many of the consumers involved are Island seniors.
- [55] With respect to the information obtained by staff from the Ontario Ministry of Public and Business Service Delivery, the Regional Municipality of Durham, Court Services, and the Ontario Business Registry, while this information is notable, in my view the reported conduct of the Licensee and its salespeople in PEI raises significant public interest concerns, on its own, without having to consider this information further.

DECISION

- [56] After careful review and consideration of the complaints, information received to date, and the particular facts of this matter, I have concluded that continued licensing of the Licensee and its salespeople on its behalf, under the *Direct Sellers Act*, would reduce public confidence, expose Island consumers to potential harm or exploitation from conduct of the Licensee, and not be in the public interest.

[57] Accordingly, I find the reported conduct of the Licensee demonstrates that the Licensee is not suitable to carry on business under the *Direct Sellers Act*.

[58] In that regard, in the public interest, and pursuant to subsection 8.2(1) of the Act, I am cancelling the Licensee's vendor license and the licenses of all salespersons acting on behalf of the Licensee.

DATED at Charlottetown, Prince Edward Island this 31st day of August, 2023.

"STEVEN D. DOWLING" (original signature on file)

Steven D. Dowling
Registrar of Direct Sellers
Director, Financial and Consumer Services Division
Department of Justice and Public Safety