



IN THE MATTER OF: THE MORTGAGE BROKERS ACT

-and-

IN THE MATTER OF: SIGMAR MORTGAGE SERVICES Ltd. And THOMAS HAROLD STANDING

**STATEMENT OF ALLEGATIONS OF STAFF OF
THE MANITOBA SECURITIES COMMISSION**

STAFF OF THE MANITOBA SECURITIES COMMISSION ("Commission") ALLEGE THAT:

A. REGISTRATION

1. At all material times, Sigmar Mortgage Services Ltd. ("SIGMAR") was registered as a Mortgage Broker (Dealer) under *The Mortgage Brokers Act* ("MBA") and its predecessor. SIGMAR has been continuously registered since 1988 until March 4, 2021, when its registration was suspended.
2. At all material times, Thomas Harold Standing ("STANDING") was registered as a mortgage authorized official under MBA with SIGMAR as his employing mortgage broker. Standing has been registered continuously with SIGMAR, first as a mortgage salesperson from August 16, 1993 to May 31, 1995, and then registered as a mortgage authorized official on June 1, 1995 until March 4, 2021, when his registration was suspended.
3. O.S. Investment Corp. ("OS") is a corporation registered with the Companies Branch on August 22, 2005 and remains active. Its stated business is "Credit Agency". The sole Director/Shareholder is STANDING. OS has never been registered in any capacity under the MBA.
4. On March 4, 2021, SIGMAR and STANDING were suspended by the Commission without notice under subsection 5(2) of the MBA.

B. DETAILS

KR, JL and DL

1. In 2013, KR, JL and DL approached SIGMAR to consolidate and pay out two existing mortgages with B2B Trust and Canada Trust on their property located at 619 Young Street, Winnipeg, Manitoba. The remainder of the funds would be put towards completing home upgrades at that address.

2. KR, JL and DL retained PG as their lawyer. In a letter dated September 5, 2013 from STANDING on behalf of SIGMAR to PG, STANDING acknowledged this new mortgage, and specifically directed PG to prepare and register a mortgage with SIGMAR as mortgagee in the amount of \$80,000 at 12% interest per annum calculated and compounded monthly. KR, JL and DL were required to make payments of \$1,000 per month, which included repayment of principal and interest.

3. SIGMAR confirmed in the same letter, directed how the \$80,000 was to be applied. In particular, a portion of the of the proceeds were to be used to pay off the first and second active mortgages of KR, JL and DL detailed below:

- a) B2B Trust (Mortgage # 3259778/1) - \$38,556.22
- b) Canada Trust (Mortgage # 3497330) - \$19,063.52

4. In a letter dated September 17, 2013 from STANDING on behalf of SIGMAR to PG, STANDING acknowledged that SIGMAR had retained \$61,438 from the \$80,000 mortgage for service fees, as well as to pay off the two existing mortgages from B2B Trust and Canada Trust. The remainder of funds were forwarded to PG's office.

5. Once this transaction was completed, KR, JL and DL were under the impression there was now only the one current mortgage in existence on their property with SIGMAR.

6. SIGMAR paid out the Canada Trust mortgage (Mortgage # 3497330) as directed, and it was discharged from the title to 619 Young Street on October 28, 2013.

7. Unknown to KR, JL and DL, SIGMAR and STANDING failed to pay out the B2B Trust mortgage, using the funds for other purposes. The B2B Trust mortgage was not discharged in 2013.

8. Two years later, in a letter dated September 9, 2015, a law firm representing B2B Trust advised JL and KR that B2B Trust had initiated foreclosure proceedings against their property at 619 Young Street for non-payment of their mortgage. The letter included a demand for payment of \$50,473.56 by September 16, 2015.

9. KR, JL and DL immediately contacted PG and inquired how B2B Trust could foreclose on their property when this mortgage had been discharged two years prior. PG contacted STANDING. STANDING confirmed to PG he had not paid the B2B mortgage and would make arrangements to do so when funds from a different source came in. KR, JL and DL believed the foreclosure to be paused.

10. At this point, KR, JL and DL made inquiries with STANDING regarding the mortgage from B2B Trust. Standing did not respond to their initial inquiries and when he did respond, he failed to provide an explanation as to why the B2B Trust mortgage had not been discharged.

11. In May 2019, KR, JL and DL learned through a credit application that B2B Trust had placed a lien on their property located at 619 Young Street. They immediately became suspicious, as they assumed that this matter had been resolved. They immediately requested a balance on their current mortgage from SIGMAR. They were advised by STANDING that their balance was \$78,000. This raised a concern for them, as they had been paying on their mortgage for 6 years, with the principal only being reduced by \$2,000.

12. STANDING never provided KR nor JL with a valid explanation as to what had occurred with the B2B Trust mortgage and why it had not been discharged per KR, JL and DL's instruction as set out in the September 13, 2013 letter noted above.

13. Unknown to KR, JL and DL, STANDING had held ongoing discussions with B2B Trust in 2016 and 2017. In numerous email exchanges during this period, STANDING had been repeatedly stalling and deceiving B2B Trust. B2B Trust was continually asking for updates on the mortgage for 619 Young Street and when it would be settled. STANDING knowingly falsely represented to B2B Trust that KR, JL and DL had fallen behind on their payments, but were in line to receive an inheritance and then pay out their mortgage.

14. STANDING arranged to pay out the B2B Trust mortgage. On November 5, 2019 STANDING obtained a bank draft totalling \$77,367.93 issued to B2B Trust to discharge this mortgage. The bank draft was drawn from the OS credit account, which is not a trust account.

15. The B2B Trust mortgage was discharged from the title of 619 Young Street on December 5, 2019.

JF and CL

16. In January 2018, JF and CL's lawyer, DO, introduced JF and CL to STANDING regarding a potential investment of their savings. DO was also a client of SIGMAR.

17. After the introduction, JF and CL made three investments with SIGMAR.

Investment #1 – 257-261 Osborne Street and 265 Osborne Street

18. In a letter dated March 1, 2018 from STANDING on behalf of SIGMAR to JF, STANDING detailed a mortgage investment opportunity for properties located at 257-261 and 265 Osborne Street, Winnipeg. The \$840,000 investment by JF would be secured in the form of a second mortgage on 257-261 Osborne Street and a second mortgage on an adjacent lot at 265 Osborne Street (collectively, the "Osborne Mortgage").

19. The principal of the \$840,000 Osborne Mortgage was to be repaid to JF and CL by way of payments of \$9,500 per month, which included principal and interest

of 13% per annum calculated and compounded monthly. The mortgage would be registered with SIGMAR as mortgagee, holding as trustee for JF and CL. SIGMAR deducted \$40,000 from the proceeds as a fee at the borrowers cost. In addition, when SIGMAR collected \$9,500 monthly mortgage payment from the borrower, SIGMAR would forward the payment on to JF and CL after deducting a fee of 1.5%.

20. On March 9, 2018, JF and CL agreed to the terms of the mortgage investment, and a cheque from their joint account was mailed to SIGMAR. The cheque cleared their bank on March 27, 2018.

21. On May 1, 2018, SIGMAR registered this mortgage (# 4952839/1). The Mortgage was registered with SIGMAR as Mortgagee.

22. JF and CL received 5 monthly mortgage payments being the \$9,500 payment less the 1.5% administration fee from SIGMAR between June 1, 2018 through to October 15, 2018.

23. October 15, 2018 was the date that the last payment was received from SIGMAR on the Osborne Mortgage. The balances as of this date, based upon SIGMAR's Statement of Account which accompanied the cheques. were as follows:

- Investment return payments from SIGMAR made to JF and CL totalled approximately \$50,200.
- Balance remaining on the mortgage as of this date was \$841,930 and accrued interest.

24. Unknown to JF and CL, SIGMAR discharged the Mortgage # 4952839/1 in full on December 17, 2019.

25. JF and CL have received no further payments, nor the return of the principal amount that they advanced to fund Mortgage # 4952839/1.

Investment #2 – 696 Portage Avenue

26. In April 2018, STANDING contacted JF and CL regarding a different second mortgage investment opportunity with SIGMAR.

27. In a letter dated April 25, 2018, STANDING on behalf of SIGMAR, outlined for JF and CL an investment opportunity at 696 Portage Avenue, Winnipeg, Manitoba in the form of a second mortgage secured by the property. The investment of \$750,000 is one-half of a partnership on the mortgage of \$1,500,000 (the "Portage Mortgage").

28. The principal of the \$750,000 Portage Mortgage was to be repaid to JF and CL by way of payments of \$8,750 per month, which included principal and interest of 13% per annum calculated and compounded monthly. The mortgage would be registered with SIGMAR as mortgagee, holding as trustee for JF and CL. SIGMAR deducted \$67,500 from the proceeds as a fee at the borrowers cost. In addition, when SIGMAR collected the \$8,750 monthly mortgage payment from the borrower,

SIGMAR would forward the payment on to JF and CL after deducting a fee of 1.5%.

29. On May 1, 2018, JF and CL agreed to the offered terms and a cheque for \$750,000 was then sent to SIGMAR which cleared the bank on May 28, 2018.

30. On June 6, 2018, SIGMAR registered Mortgage # 4964048/1. The Mortgage was registered with SIGMAR as Mortgagee.

31. JF and CL received 15 of their scheduled payments each month between June 22, 2018 to September 6, 2019 from SIGMAR, except for the April 2019 payment, which was missed. A double payment was made on the May 2019 payment to make up for the missed payment.

32. September 06, 2019 was the date of the last payment that JF and CL received on this investment from SIGMAR. The balance of the principal as of this date, based upon SIGMAR's Statement of Account which accompanied the cheques, was \$749,980.58

33. Unknown to JF and CL, a discharge of mortgage #4964048/1 was registered by SIGMAR on August 23, 2019.

34. JF and CL have received no further payments, nor the return of the principal amount that they advanced to fund mortgage # 4964048/1.

Investment #3 - 25 Foster Street

35. In July of 2018, STANDING contacted JF and CL regarding a third investment opportunity with SIGMAR at 25 Foster Street, Winnipeg, Manitoba.

36. In a letter dated July 30, 2018, STANDING, on behalf of SIGMAR, outlined a third investment opportunity on a vacant commercial property located at 25 Foster Street, Winnipeg, Manitoba. The \$695,000 investment would come in the form of a first mortgage secured by the property itself (the "Foster Mortgage").

37. The principal of the \$695,000 Portage Mortgage was to be repaid to JF and CL by way of payments of \$7,400 per month, which included principal and interest of 11.5% per annum calculated and compounded monthly. The mortgage would be registered with SIGMAR as mortgagee, holding as trustee for JF and CL. SIGMAR deducted \$10,000 from the proceeds as a fee at the borrowers cost. In addition, when SIGMAR collected the \$7,400 monthly mortgage payment from the borrower, SIGMAR would forward the payment on to JF and CL after deducting a fee of 1.5%.

38. On August 2, 2018, JF and CL agreed to these terms and a cheque for \$695,000 was sent to SIGMAR, which cleared the bank on August 9, 2018.

39. JF and CL received their scheduled monthly payment of \$7,400 from SIGMAR from November 2, 2018 until July 5, 2019.

40. JF and CL received further payment on October 5, 2019, which included the

payment for October 2019, as well as the August 2019 and September 2019 payments, both of which had been missed.

41. JF and CL received their scheduled monthly payments from November 1, 2019 to April 27, 2020.

42. JF and CL received further payment on June 30, 2020, which included the June payment, as well as the payment for May 2020, which had been missed.

43. JF and CL received further payment on July 5, 2020.

44. On September 2, 2020, JF and CL received their scheduled September payment.

45. On September 11, 2020, JF and CL received their regular scheduled payment, and they received the missed August 2020 as well as the payment for October 2020. This was the last payment they received from SIGMAR on the Foster Mortgage.

46. Unknown to JF and CL, SIGMAR never registered a first mortgage, or any mortgage, on 25 Foster Street to secure their investment as represented by STANDING and SIGMAR.

47. JF and CL have, on numerous occasions, requested the mortgage documents for the Foster Mortgage from STANDING, and they were never sent.

48. JF and CL have received approximately \$170,200 back from their initial \$695,000 investment in the 25 Foster Street property. They have not received any further payments or return of principal since September 2020, and are owed approximately \$524,000 and accrued interest.

C. ALLEGATIONS

1. Staff of the Commission allege that:

- (a) STANDING made false statements under the MBA by representing to KR, JL and DL that SIGMAR would retain a portion of the proceeds from a new mortgage to pay out the B2B Trust mortgage, when in fact the mortgage was not paid until years later and using funds from a different source;
- (b) SIGMAR and STANDING failed to discharge the B2B Trust mortgage as directed by KR, JL and DL;
- (c) SIGMAR and STANDING allowed the B2B Trust mortgage to fall into arrears while representing to B2B Trust that KR, JL and DL had fallen behind on payments when STANDING was aware that KR, JL and DL believed the mortgage had been discharged;

- (d) SIGMAR and STANDING discharged Mortgage # 4952839/1 in full without advising JF and CL the mortgage was discharged;
- (e) SIGMAR and STANDING failed, within a reasonable time, to properly account for, or pay over to JF and CL, any moneys received in connection with the discharge of Mortgage # 4952839/1.
- (f) SIGMAR and STANDING discharged Mortgage # 4964048/1 in full without advising JF and CL the mortgage was discharged;
- (g) SIGMAR and STANDING failed, within a reasonable time, to properly account for, or pay over to JF and CL, any moneys received in connection with the discharge of Mortgage # 4964048/1.
- (h) SIGMAR and STANDING falsely represented to JF and CL that a first mortgage would be registered against 25 Foster Street on their behalf, when in fact no such mortgage was registered.
- (i) SIGMAR and STANDING represented to JF and CL that their loan of \$695,000 would fund a mortgage which would form a first charge on 25 Foster Street. SIGMAR and STANDING diverted their funds to other uses without their knowledge and no mortgage was ever placed on 25 Foster Street on their behalf.
- (j) SIGMAR and STANDING failed in their primary duty to protect and promote the best interests of their clients KR, JL, JF and CL;
- (k) SIGMAR and STANDING engaged in conduct, as set forth in these allegations, that is contrary to the public interest;

and due to these allegations it is in the public interest that:

2. the registrations of SIGMAR and STANDING under the MBA be suspended or cancelled pursuant to subsection 5(1)(d) of the MBA;
3. SIGMAR and STANDING be ordered to pay a fine pursuant to subsection 5(1)(c) of the MBA;
4. the exemptions in subsection 3(1) 3(2) and 3(3) of the MBA do not apply to SIGMAR or STANDING;
5. pursuant to subsection 36(1) of the MBA, that costs be ordered against SIGMAR and STANDING; and
6. such further and other matters as counsel may advise that the Commission may permit.

DATED at the City of Winnipeg, in Manitoba this 23rd day of March, 2021.



Director

TO: SIGMAR MORTGAGE SERVICES LTD.

THOMAS HAROLD STANDING