



Know Your Responsibilities as a Joint Borrower

What you need to know

Co-signing for a loan, credit card or line of credit with another person is a big responsibility. If you co-sign, the lender considers you to be a joint borrower, and **you become equally responsible for repaying any balances owing on the loan**. If one borrower doesn't pay the debt, the bank or lender can demand that **any borrower** listed in the loan or credit agreement pay the entire amount.

Note: For certain credit cards, the terms may state that authorized users (secondary cardholders) can be held responsible for any outstanding balances, even if they don't sign the credit card application. **Be sure to read the credit agreement carefully and make sure that you fully understand who is responsible. If you aren't sure, ask the lender.**

Your right to receive information

When co-signing for a loan, credit card or line of credit from a federally regulated financial institution, all of the borrowers have the right to receive the same information from the lender about the loan.

For example, if you co-signed for a credit card with another person (or a group of people), the lender must give each of you copies of the credit agreement and the monthly statements, unless you consent either verbally or in writing (on paper or electronically) to waive this right. This way, you can keep track of the status of the loan – whether the other borrower is making payments or if the terms and conditions have changed.

Minimizing potential problems

Before you sign as a joint borrower:

- Ask yourself if you can afford to repay the loan if the person(s) you have co-signed with doesn't repay it.
- Think seriously about the consequences if that person doesn't repay the whole debt:
 - your credit rating could be reduced if the debt isn't repaid on time;
 - a debt collector could contact you to recover the money;
 - your relationship with the borrower(s) could be affected.
- Make sure you understand your rights and responsibilities before signing anything. Be sure to read the loan agreement carefully and ask your financial institution or lender about anything you don't understand.

As a joint borrower:

- Make sure you regularly get copies of all agreements and account statements.
- Consider asking the other borrower to obtain insurance to pay back the debt in case he or she becomes ill or dies. The joint borrower can name you as the beneficiary on a life insurance policy for an amount that will allow you to pay back the loan.
- Once the loan has been paid back, get confirmation in writing from the financial institution or lender that the debt has been paid in full and that you are no longer responsible. For a mortgage or other charge against your property, you should request a discharge of the mortgage from the lender. (There may be a fee for this document.)

For more information

For more information about your responsibilities as a joint borrower, contact your financial institution or lender.

Other FCAC information of interest

Tip sheets:

- Before you Sign Any Contract: 10 Things you Need to Know
- Shopping Around for a Line of Credit
- Shopping Around for a Mortgage
- Tips for Dealing with a Debt Collector

Publications:

- Understanding Your Credit Report and Credit Score

Interactive tools and quizzes:

- Credit Card Selector Tool
- Credit Card Payment Calculator
- Mortgage Calculator Tool
- Rights and Responsibilities Quiz
- Credit Reports and Credit Scores Quiz

