DISCUSSION PAPER ON CREDIT CARD INTEREST CHARGES

Prepared by officials of the Federal-Provincial-Territorial Working Group on Cost of Credit Disclosure

Published under the authority of the Federal-Provincial-Territorial Conference of Ministers of Consumer and Corporate Affairs

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INTRODUCTION

Credit cards have become a widely accepted means of payment as well as a flexible source of credit. Since 1977, the volume of credit card transactions in Canada has increased by an average of 15 percent per year. In 1986, credit card balances amounted to about $5 billion, and it is estimated that by 1987 approximately 64 percent of Canadian consumers possessed at least one credit card. Clearly, credit card services are highly valued by Canadian consumers.

The current pricing of credit cards is of concern from a consumer policy perspective, since cards available to Canadian consumers differ significantly in the terms and conditions which determine the interest charges payable and in the non-interest fees associated with some credit cards.

Without an adequate understanding of the relevant terms and conditions governing the use of credit cards, it is difficult for consumers faced with such complex pricing policies, to ascertain how to minimize the costs associated with the use of a particular credit card. This in turn, affects the fair and efficient functioning of the Canadian credit card market.

For consumer loans, the Canadian government, at both the provincial and federal levels, has established regulations which require the disclosure in a standardized form of the terms and conditions that determine the cost of borrowing. Given the importance of credit cards as a source of credit and the increasing public concern regarding the pricing of credit cards, it would seem appropriate for governments to consider what types of initiatives should be taken to assist consumers in making informed use of their credit cards. Reflecting the overlapping jurisdiction in this area, federal, provincial and territorial Ministers responsible for Consumer and Corporate Affairs, have jointly directed the preparation of this paper.[1]

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1. Joint News Release, Federal-Provincial-Territorial Conference of Ministers of Consumer and Corporate Affairs, June 10, 1987, Appendix I.

BACKGROUND

Although interest rates on personal loans have declined markedly from the peak levels of 1982, the rates on credit cards from financial institutions declined only somewhat, and on other credit cards, not at all. The fact that the decline of interest rates applying to credit card balances was not comparable to that of interest rates elsewhere in the marketplace, triggered public concern. Thus, in mid 1986, the federal government's Standing Committee on Finance and Economic Affairs of the House of Commons, began an examination into this matter.

In its March 1987 report,[2] the Standing Committee made a number of specific recommendations, including joint federal-provincial action, to standardize the method of interest charge calculation used by credit card issuers. While the Standing Committee did recommend measures to lower credit card interest rates, the bulk of its recommendations concerned measures to facilitate improved consumer understanding of credit cards.

Cost of credit disclosure is subject to overlapping jurisdiction. This is a result of the division of legislative powers in the Constitution. The federal government has exclusive jurisdiction over interest and banking. Provincial jurisdiction extends to property and civil rights and contracts within a province. Both levels of government can therefore pass legislation which affects aspects of cost of credit disclosure. Accordingly, a joint examination of credit card pricing in Canada was undertaken by the Federal-Provincial-Territorial Working Group on Cost of Credit Disclosure.[3]

The working group found that, within a category of credit card, there is considerable uniformity in the interest rate and in other aspects of the interest charge calculation.

° Credit cards issued by the banks and trust companies have the lowest interest rates, most have a grace period of 21 days and most calculate interest on daily balances from the date of purchase.

° Major retail cards have the highest interest rates, grace periods of 30 days and interest is calculated from the monthly statement date.[4]

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2. Credit Cards in Canada, Report of the Standing Committee on Finance and Economic Affairs, House of Commons Canada, March 1987.

3. See Terms of Reference for Federal-Provincial-Territorial Working Group on Cost of Credit Disclosure, Appendix II.

4. In Quebec, in contrast to other provinces, interest charges on retail store credit cards are calculated on a daily balance basis.

° Gasoline retail cards have relatively high interest rates, most have a 25 day grace period and for most, interest is calculated from the monthly statement date. Most gasoline credit cards require full payment each month and are not intended to provide a source of credit.

° Travel cards are not intended to provide a source of credit and payment in full is expected within 30 days of the monthly statement. Relatively high interest rates apply to overdue balances.

In its examination, the working group found that complete information on the interest charges of a particular credit card is readily available to consumers holding the card. Indeed, the interest rate and other aspects of the interest calculation are generally indicated on each monthly statement. Limited consumer understanding of credit card interest charges seems, therefore, attributable to difficulty in interpreting the information provided by individual credit card issuers and in obtaining comparable information on other credit cards.

SELECTED ASPECTS OF CREDIT CARD PRICING

The following sections discuss three aspects of credit card interest charges which are not well understood by consumers. Later in this paper, these aspects are discussed from a consumer policy perspective.

(i) Partial Payments

With but one exception, credit cards in Canada do offer a grace period and, provided payment in full is made within this period, no additional charges are levied. This seems to be similar to the general commercial practice where payment in full is expected within 30 days of the billing date.

Many consumers have the mistaken impression that any partial payments proportionately reduce interest charges. It is worth noting that, for all credit cards in Canada, payment of only a portion of the account balance does not proportionately reduce the appropriate interest charge. For the credit cards of financial institutions, a partial payment reduces the interest bearing balance from the date of the payment but interest charges up to the payment date are based on the full outstanding balance. For retail store credit cards, partial payments of less than 50 per cent of the statement balance are not subtracted before interest charges are calculated.

From the date of a purchase to the date when a consumer makes a corresponding payment on a credit card account, the credit card company bears the interest cost associated with the provision of that credit. Consumers who pay their account balance in full within the grace period avoid any interest costs. In contrast, consumers who make partial payments do not receive any relief from interest charges. In this way, the present application of the grace period concept by credit card issuers favours consumers who pay their balances in full within the grace period.

(ii) Variation in Interest Rates

The interest rate and other aspects of the interest charge calculation are not a matter of concern to consumers who always pay their balance in full within the grace period as, in this way, they avoid interest charges altogether. On the other hand, for consumers who carry balances for significant periods of time, a credit card's interest rate will determine the amount of interest charges. Table 1 illustrates this point for a consumer who carries a balance for eight months. In this case, the interest charges on the credit card of a financial institution are lower than those that would result for a retail store credit card in a direct proportion to the difference in the interest rates (i.e. 16.5 per cent vs. 28.8 per cent).

TABLE 1

Interest Charges on Typical 'Bank' Card and Typical Retail Store Card

Example: consumer pays off balance over 8 months

PURCHASES		
Dec. 5	$250	Skis
Dec. 11	$300	Microwave
Dec. 18	$300	Ring

PAYMENTS	
Jan. 18	Minimum Payment
Feb. 15	" "
Mar. 15	" "
Apr. 15	" "
May 15	" "
June 15	" "
July 15	" "
Aug. 15	Payment in full

16.5% Bank Card	28.8% Retail Store Card
Total Interest Charges $83.67	Total Interest Charges $137.69

(iii) Variation in Method of Interest Calculation

Due to significant differences in other aspects of interest charge calculations, a credit card's interest rate is not always a reliable indicator of interest charges. It is worth noting that, while credit cards of banks and trust companies have the lowest interest rates, they are less attractive than other credit cards in some other aspects of the interest charge calculation.[5] These other aspects can be as important

5. For interest rates and other aspects of interest charge calculation shown for selected major credit cards, see Appendix III.

as the interest rate for a consumer who pays off a balance over a few months, for example. In order to demonstrate this point, Table 2 provides an example where the consumer pays off a balance over two months.

TABLE 2

Interest Charges on Typical 'Bank' Card and Typical Retail Store Card

Example: consumer pays off balance over 2 months

PURCHASES	
Dec. 5	$250 Skis
Dec. 11	$300 Microwave
Dec. 18	$300 Ring

PAYMENTS	
Dec. 30	Statement
Jan. 18	$450
Jan. 29	Statement
Feb. 15	$400 + Interest

16.5% Bank Card
Total Interest Charges $19.71

28.8% Retail Store Card
Total Interest Charges $9.60

Interest Charges

	Bank	Store
Interest charges from Dec. 5 to Dec. 30	$ 7.41	-
Interest charges from Dec. 31 to Jan. 29	$ 9.29	$9.60
Interest charges from Jan. 30 to Feb. 15	$ 3.01	-
Total Interest Charges	$19.71	$9.60

If the consumer uses a retail store card in the example of Table 2, the interest charge calculation is very straightforward. On January 18, the consumer pays $450 of the December 30 statement balance of $850. Since this payment is equal to or greater than 50 per cent of the statement balance, it is subtracted before an interest charge is calculated. The interest charge of $9.60 appears on the end of January statement. It is calculated by multiplying the remaining balance (i.e. $400) by the monthly interest factor of 2.4 per cent (i.e. 28.8 per cent divided by 12). Since the account is paid in full in February, no further interest charge is incurred.

If the consumer uses a 'bank' card in the example of Table 2, the interest charge calculation is quite different and more complicated. Interest is calculated by multiplying the daily balance by a daily interest factor equal to 16.5 per cent divided by 365. In the example, the consumer does not pay off his balance in full within 21 days of the first statement upon which the purchases appear. As a result, the end of January statement will include an interest charge equal to the sum of the daily interest charges on the following balances:

	Balance	Interest
December 5 to December 10	$250	$ .68
December 11 to December 17	$550	$ 1.74
December 18 to December 30	$850	$ 4.99
December 31 to January 18	$850	$ 7.30
January 19 to January 29	$400	$ 1.99
		$16.70

Most financial institutions calculate interest from the purchase date (rather than the statement date) and this is an aspect of the more precise metering of credit card interest charges by these credit cards issuers. However, this practice poses difficulties in terms of consumer understanding.

For a consumer who makes a number of purchases on different dates (within a statement period) using a credit card from a financial institution, it is difficult to verify the accuracy of the interest charges which are calculated on a varying daily balance. Since these charges are contingent on failure to make full payment within the grace period, these interest charges will appear only on the statement following the one on which the purchases appeared. These complications discourage consumers from reviewing the interest charges payable. One might expect that few consumers are even aware that interest charges are calculated from the purchase date by these credit card issuers.

Since the consumer pays the balance in full ($416.70) on February 15, an interest charge calculated as follows appears on the end of February statement:

	Balance	Interest
January 30 to February 15 February 16 to February 28	$416.70 -	$3.01 - $3.01

The example in Table 2 shows that, for a consumer paying off a balance within a few months, the higher interest rate of a retail store card may be offset by other aspects of the interest charge calculation. The three differences in the interest charge calculation that combine in the example to result in lower interest charges for a retail store card are:

° Financial institutions charge interest on credit cards for the period between the purchase date and the corresponding statement date. Retail stores do not.

° For retail store credit cards, payments equal to or exceeding 50% of the statement balance are subtracted before interest is calculated.

° For retail store cards, no further interest is charged if payment in full is made within the grace period. In the same circumstances, financial institutions would include an interest charge on the next statement for the period between the previous statement date and the date of payment.

COSTS OF CREDIT CARD SERVICES

Clearly, credit card issuers must levy charges on credit card users in order to cover the costs involved in providing credit card services. Accordingly, it is appropriate to consider price structures in relation to the underlying cost structures.

The two basic services of credit cards are to provide a means of payment and a source of credit. One might classify the costs for a credit card issuer to provide these basic services to consumers into three categories:

° the costs associated with issuance of card and monthly statements

° the costs of processing each transaction

° the implicit interest cost of credit

The first type of cost is independent of the consumer's use of the credit card. The other two types of costs are directly related to use of the credit card (i.e., the number and value of transactions, respectively).

The fact that interest costs are only one of the costs of credit card issuers has implications for credit card pricing. Due to the existence of substantial non-interest costs, credit cards are a relatively expensive source of consumer credit and the costs of providing such credit do not decline in direct proportion to movements in interest rates.

As noted previously, the pricing of credit cards differs primarily between (rather than within) categories of credit cards. In addition, the importance of the means of payment function versus the source of credit function also differs by category of credit card.

(i) Financial Institutions

For the credit cards of Canadian financial institutions, revenue includes any transaction fees or any annual fee from the consumer, fees from the retailers (at which purchases were made) as well as interest charges to the consumer. All financial institutions calculate credit card interest charges on the basis of daily balances rather than monthly statement balances used by other credit card issuers. As a result, the interest charges for the credit cards of financial institutions generally reflect more exactly the credit provided to the consumer than is the case for the other categories of credit cards.

(ii) Retail Store and Gasoline Credit Cards

These credit cards can be used only for purchases at the premises of the issuing retailer and in this sense are a means for retailers to secure consumer patronage. Since any annual or transaction fee would compromise consumer acceptance, interest charges on account balances are the only direct source of revenue for the credit card operations of retail stores and gasoline retailers. In this way, the price structure for these credit cards does not correspond closely to the underlying cost structures noted above. As a consequence, consumers who carry balances provide all the direct revenue for these credit cards and other consumers (i.e. those who always pay their account in full) avoid making any direct payment towards the costs of the credit card services which have been provided to them.

(iii) Travel Cards

For travel cards, the credit card company receives an annual fee from the consumer, fees from the retailers (at which purchases were made) as well as interest charges on delinquent accounts from consumers. In this way, the revenue structure of travel cards corresponds more closely to the cost structure. Accordingly, the charges paid by individual consumers closely reflect the costs to the credit card issuer of serving that consumer.

POLICY ISSUES

This paper has examined some of the factors that are responsible for a lack of consumer understanding of some aspects of credit card interest charges. To illustrate the relevant policy issues, three approaches are discussed below for improving consumer awareness and understanding:

° provision of information to assist the consumer to better understand interest charges

° promotion of changes to certain practices of credit card issuers that are a source of consumer confusion

° prescription of a single method for interest charge calculation

None of these would preclude voluntary action by the credit card issuer to provide more meaningful disclosure of credit card interest charges.

1. Provision of Information

Improved consumer understanding of credit card interest charges would be facilitated through the provision of information. In particular, such information would address the discrepancies between consumer perceptions and actual credit card industry practices. Another focus of such informational efforts would be to heighten consumer awareness of the variation in the interest charge calculations of different credit cards. Under this approach, the onus would remain on individual consumers to understand credit interest charges in order to make informed decisions on their own behalf.

As is now the case, individual credit card issuers would not be restricted in formulating their pricing to attract consumers, nor in providing full and comprehensible information to their customers. That is, the variety of credit card pricing available to consumers would not be affected. Individual consumers would continue to be able to use the credit cards which best suit their particular circumstances.

This approach could be implemented by government generation of up-to-date factual information on credit card pricing[6] as well as advice on the implications for consumers' decision making. The co-operation of credit card issuers and the media could assist in the distribution of such materials.

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6. Consumer and Corporate Affairs Canada has initiated a regular publication entitled "Pricing Features of Selected Credit Cards", which provides comparative information on interest charge aspects for selected major credit cards of financial institutions, store retailers, gasoline retailers and other credit card issuers.

2. Changes to Certain Industry Practices

On the basis of the discussion earlier in the paper, it is clear that (i) interest charges applicable for partial payment and (ii) differences in the dates from which interest charges are calculated, are the major sources of confusion for consumers.

These industry practices are not presently understood by consumers. Major discrepancies between consumer perceptions and industry practices would be reconciled by adjustments to these industry practices. As outlined below, the focus would be on the elimination of certain complications which significantly impede informed consumer decision making.

(i) Partial Payment

Consumers who regularly pay off their balance in full within the grace period avoid bearing the interest cost of the credit card services which they receive. Credit card issuers presumably cover these costs with other revenues including the interest charges paid by consumers making partial payments. If credit card issuers changed their current practices to provide a proportionate grace period benefit for partial payments, one might argue that consumers would more equitably share the interest costs of credit.

An additional condition is attached to the grace period benefit for the credit cards of financial institutions. No grace period benefit is provided for amounts carried over from a previous statement; the grace period is available only for amounts corresponding to new purchases (i.e. purchases appearing on the current statement). Accordingly, a consumer who makes full payment within the grace period may incur a further interest charge calculated up to the day of payment. This interest charge will be levied on the amount of the balance carried over from the previous statement. In addition, a few financial institutions will deem that full payment has not been made if the payment does not include the amount of unbilled cash advances between statement date and payment date. These problems would be resolved by the elimination of the additional conditions associated with the grace period benefit on the credit cards of financial institutions.

(ii) Statement Date vs Purchase Date

If financial institutions calculated interest charges from the statement date, the potential for consumer understanding would be much greater. Interest would be payable on the statement balance from the date of statement until the payment date and on the reduced balance from payment date until the end of the current statement period. Since other credit card issuers calculate interest from statement date, the adoption of such a practice by financial institutions would standardize industry practices and thereby facilitate consumer understanding.

The changes discussed above would reduce the interest charge revenues. Assuming that these losses in revenue cannot be completely absorbed, credit card issuers would raise their interest rates or non-interest fees. However, the distribution of interest charges among consumers would arguably be more equitable. Further, consumers could more accurately anticipate the interest charges payable and would therefore be in a better position to act to minimize such charges.

Changes to industry practices could be implemented either by the voluntary establishment of codes for the credit card industry or by government regulation.

Voluntary Code

Since the issues discussed above are currently a significant source of customer dissatisfaction, the industry would seem to have a collective interest in making these changes.

Government Regulation

Alternatively, in order to provide greater assurance that consumer understanding would be facilitated in these aspects, these changes could be effected by government regulation. However, since legislative requirements are not easily amended, there is a risk that such regulation would inadvertently constrain the credit card industry's flexibility to adapt to continuing technological innovations such as debit cards. In addition, such regulation would prohibit the industry from offering credit cards with certain price structures and thus limit its potential to serve consumers with distinctive needs.

3. Prescribed Method of Interest Calculation

If all the particulars of the method of interest calculation to be used by credit card issuers were prescribed by regulation, a credit card's interest rate would be a reliable indicator, relative to other credit cards, of the interest charges associated with its use. In this way, it would be easier for consumers to compare the costs associated with particular credit cards.

If the method of interest calculation were prescribed by regulation, a method which was relatively easy to understand would be chosen. The alternatives are:

- a daily interest approach such as that used by financial institutions; or
- the monthly balance approach used by other credit card issuers.

The potential changes to current practices discussed in the preceding section could be incorporated into a prescribed method of interest calculation.

Such a complete standardization of interest calculations would clearly limit the ability of credit card issuers to offer a variety of pricing for consumers. It would involve the elimination of one of the two currently prevalent methods of interest calculation now accepted by consumers. It would restrict the flexibility of credit card issuers to adjust their pricing to respond to evolving financial markets and thereby impair the industry's ability to best serve its customers.

CONCLUSIONS

There is a range of possible policy approaches for assisting consumers in understanding the costs associated with credit card use. Canadian governments could continue to prepare and distribute pamphlets and other informational materials to assist consumers. Alternatively, regulations could be established that would standardize some aspects of credit card pricing. Or, an approach combining informational and regulatory initiatives could be pursued.

Consideration of the alternative approaches for assisting consumers involves important policy issues. With respect to potential regulatory measures, it is important to recognize that consumers have an interest in understanding the costs associated with the use of credit cards and in having a competitive variety of credit cards from which to select. Regulatory initiatives to standardize certain aspects of credit card pricing limit the variety of credit card prices available to consumers. Canadian governments must, therefore, identify the approach which strikes the best balance among consumers' interests.

APPENDIX I

NEWS RELEASE

CP-87-9

Federal/Provincial/Territorial Conference of Ministers of Consumer and Corporate Affairs

CHARLOTTETOWN, Prince Edward Island, June 10, 1987 -- Federal, provincial and territorial ministers responsible for consumer and corporate affairs will continue to coordinate their activities to improve the effectiveness of consumer services provided by governments across Canada.

In a two-day session, one of the first such meetings since the recent constitutional accord, the ministers looked ahead to continuing co-operation in the 1990s.

The ministers recognized that while some consumers have become more sophisticated, others remain vulnerable.

With this in mind, and aware of budgetary constraints, the ministers agreed that governments cannot act alone. Government, business and consumers must share this responsibility to ensure fairness and equity in the marketplace. All governments have the responsibility to encourage informed decisions so that consumers and business can be responsible partners in buying and selling.

The ministers agreed that consumers need more information to make informed choices and they exchanged ideas about successful initiatives in this area.

To this end, they turned their attention to credit-related matters. They discussed credit card interest rates and proper disclosure of car manufacturers' special financial programs. In addition, they recognized the need for adequate disclosure in advertising of the costs associated with the leasing of motor vehicles.

The ministers agreed to strike a working group to propose a consistent standard for the disclosure of the rates, terms and conditions of the cost of credit.

The ministers also agreed to launch a federal/provincial/territorial working group of officials to address the consumer protection issues associated with third-party extended warranties. Furthermore, they agreed to initiate a similar group to examine computerized gaming and the methods employed by commercial fund-raisers operating on behalf of charities.

The ministers will meet again in February 1988 in Calgary.

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APPENDIX II

TERMS OF REFERENCE

FEDERAL/PROVINCIAL/TERRITORIAL WORKING GROUP ON COST OF CREDIT DISCLOSURE

PURPOSE

Recognizing overlapping jurisdiction in this area, the working group provides a forum for joint examination of issues relating to cost disclosure for consumer credit.

OBJECTIVES

On an ongoing basis, the working group will review existing cost of credit disclosure requirements as to their adequacy in terms of the protection of consumer interests as well as harmony between jurisdictions. As appropriate, the working group will prepare reports for consideration at federal/provincial/territorial conferences of Ministers responsible for Consumer and Corporate Affairs.

SCOPE OF ACTIVITY

The working group is broadly responsible to consider issues relating to the disclosure of interest and other costs of consumer credit. Accordingly, the working group's work may encompass mortgages, credit cards as well as other forms of consumer credit. In addition to cost of credit disclosure requirements per se, the working group may consider related issues including prepayment provisions and methods of interest calculation.

MEMBERSHIP

The Government of Canada will head the working group and each provincial and territorial government is invited to designate a representative. In particular, members of the working group are responsible to contribute relevant information concerning policy, legislation and regulations in the jurisdiction which they represent.

PROGRAM OF WORK

As the first stage in its work, the working group will assess the adequacy of existing cost of credit disclosure requirements in terms of, harmony among jurisdictions, coverage of credit offering institutions, and consumers' information requirements.

Subsequently, the working group will examine aspects identified as requiring further study and on an ongoing basis review the appropriateness of existing requirements in light of marketplace developments.

TIMING

The working group will submit a report on the first stage of its work for consideration by Deputy Ministers responsible for Consumer and Corporate Affairs in November, 1987 for subsequent consideration by Ministers in February, 1988.

APPENDIX III

PRICING FEATURES OF SELECTED CREDIT CARDS -- APRIL 1988

The following information is provided to help consumers compare selected credit cards. Benefits such as travel insurance are not taken into account and premium cards, such as "gold cards" have been excluded. In the tables, the following definitions apply.

Fees

Non-interest charges such as transaction fees, administration fees or fees for having a credit card. Amounts shown indicate maximum fees charged per year.

Interest Rate

Nominal annual rate at which interest payments are calculated on cash advances or on any balance not paid in full by the payment due date.

Grace Period

Number of days from the statement date granted to card holders to pay their account balance in full to avoid interest charges.

Date of Purchase

Date on which the credit card company receives the bill from a merchant. This date is often referred to as the date of posting and could be the date of purchase or a later date.

Date of Statement

Date the monthly statement is issued.

FINANCIAL INSTITUTIONS

Interest is calculated on a daily basis. Payments immediately reduce the balance that is subject to interest.

There is no grace period on cash advances.

For product purchases no interest is charged if the balance is paid in full within the grace period (for Bank of Nova Scotia and Canada Trust this includes any unbilled cash advances). On a balance carried over from a previous month, interest will be charged up to the date of payment in full. Exceptions are the Bank of Nova Scotia and the Toronto Dominion Bank which calculate interest only up to the most recent statement date.

	$ Fees (annual)	Interest Rates % (annual)	Grace Period (days)	Interest Charge Calculated from: Date of Purchase	Interest Charge Calculated from: Date of Statement
MasterCard					
Bank of Montreal	--	18.9	21	X	
Canada Trust	12*	16.5	15		X
Canada Trust Supercharge	--	13.5	0		X
CS CO-OP	--	18.9	21	X	
National Bank	--	18.9	21	X	
National Trust	--	18.9	21	X	
VISA **					
Bank of Nova Scotia	12	16.5***	21	X	
Can. Imp. Bank of Commerce	6	16.5	21	X	
Central Trust	12	16.5	21	X	
Centre Desjardins	12	16.5	21	X	
Guaranty Trust	--	18.9	21	X	
Laurentian Bank	9	15.9	21	X	
Royal Bank	12	16.5	21	X	
Toronto Dominion Bank	6	16.5	21		X
Vancouver City Savings	6	16.5	21	X	

* Reduced by any interest charges.

** For most VISA cards there is a 15-cent transaction charge on merchandise purchases up to a maximum monthly fee. Exceptions are Centre Desjardins, Guaranty Trust and Toronto Dominion Bank, which have no transaction fees.

*** For cash advances, the interest rate is 15 percent.

OTHER CREDIT CARDS

	$ Fees (annual)	Interest Rates % (annual)	Grace Period (days)	Interest Charge Calculated from: Date of Purchase	Interest Charge Calculated from: Date of Statement
Retail Stores					
Canadian Tire	--	28.8	30		X
Eaton's	--	28.8	30		X
Home Hardware	--	28.8	30		X
Hudson's Bay	--	28.8	30		X
Sears	--	28.8	30		X
Simpsons	--	28.8	30		X
Woodward's	--	26.4	30		X
Zellers	--	28.8	30		X
Gasoline Retailers					
Esso Petroleum of Canada	--	24	25		X
Husky Oil Ltd.	--	15	25		X
Irving Oil	--	24	25		X
Petro Canada	--	24	25		X
Shell Can. Products Ltd.	--	24	25		X
Sunoco	--	24	25		X
Texaco Canada Inc.	--	24	25		X
Ultramar	--	24	21		X
Travel Cards					
American Express	45	30	30		X
Carte Blanche	40	24	30		X
Diner's Club	40	24	30		X
en Route	20	19.6	25		X

Except for Canadian Tire, Retail Stores subtract payments equal to or exceeding 50 percent of the monthly statement balance before calculating interest charges. In Quebec, however, interest is calculated on a daily basis which means that all payments reduce, as of the date of payment, the balance that is subject to interest. Home Hardware calculates interest charges on either the month-end statement balance (minus any payments) or on a daily basis depending on whether purchases are paid off within the first month or over a number of months.

Except for Petro Canada, Ultramar and en Route, Gasoline Retailers and Travel Cards require full payment by the payment due date. Most of these card issuers calculate interest on delinquent accounts on a daily basis. Exceptions are Husky Oil and Petro Canada which calculate interest on month-end balance.

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APPENDIX IV

WORKING GROUP ON COST OF CREDIT DISCLOSURE

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