

Contract Report

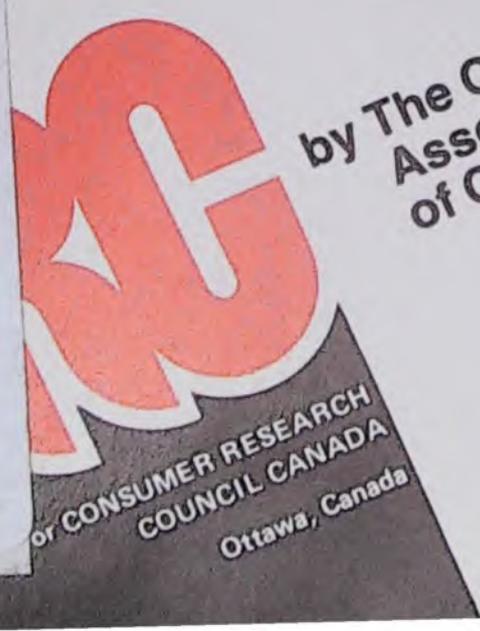
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REFERENCE
A CONSUMER SURVEY

the
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practices
study

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by The Consumers'
Association
of Canada

or CONSUMER RESEARCH
COUNCIL CANADA
Ottawa, Canada

CONSUMER RESEARCH COUNCIL CANADA

The Consumer Research Council carries out independent research of relevance to the consumer. It is funded by Consumer and Corporate Affairs Canada.

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This research paper was commissioned by the Consumer Research Council Canada, but the views expressed herein are those of the author and do not necessarily reflect the views of the Members of the Council.

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THE BILLING PRACTICES STUDY

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CONSUMER RESEARCH COUNCIL CANADA

MESSAGE FROM THE CHAIRMAN

The Consumer Research Council was instituted in 1974 as part of a reorganization of the functions of the Canadian Consumer Council. Funded by Consumer and Corporate Affairs as an independent research body, the Consumer Research Council has operated under the following terms of reference:

1. to advise the Minister and Consumer and Corporate Affairs on consumer research activities which are being carried on in Canadian universities and elsewhere, and on the available sources of research on particular consumer problems;
2. to review research proposals in the field of consumer affairs; and
3. to commission research on consumer affairs, to provide assessments of completed research projects, and decide on their publication and distribution to the public and presentation to the Minister.

During the first year of the Council's operations, a stock-taking was made of research on consumer issues currently being undertaken in Canada. Outlook papers were commissioned and seminars held to assist in the development of future research priorities. In 1975, with a budget of \$145,000, a series of research studies was commissioned in the following areas:

The professions

Redress mechanisms

Federal-provincial relations in the field of consumer protection

Product information preferences of consumers

Consumer interest in Canadian food policy

Access to government information

Business as an interest group in Canada: the case of competition policy, 1971-1975

The administration and enforcement of the Combines Investigation Act, 1960-1975

Consumer credit billing practices

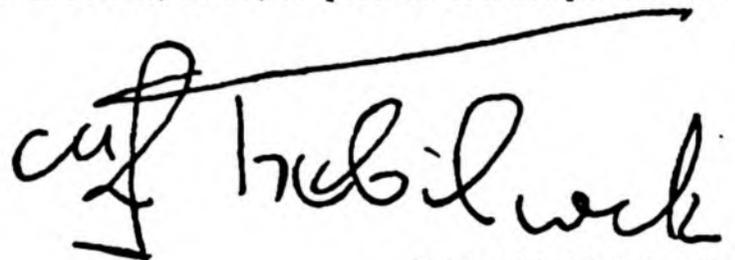
Comparative advertising in Canada

Methodologies for measuring the effectiveness of consumer protection programs

Consumer co-operatives in the Maritimes

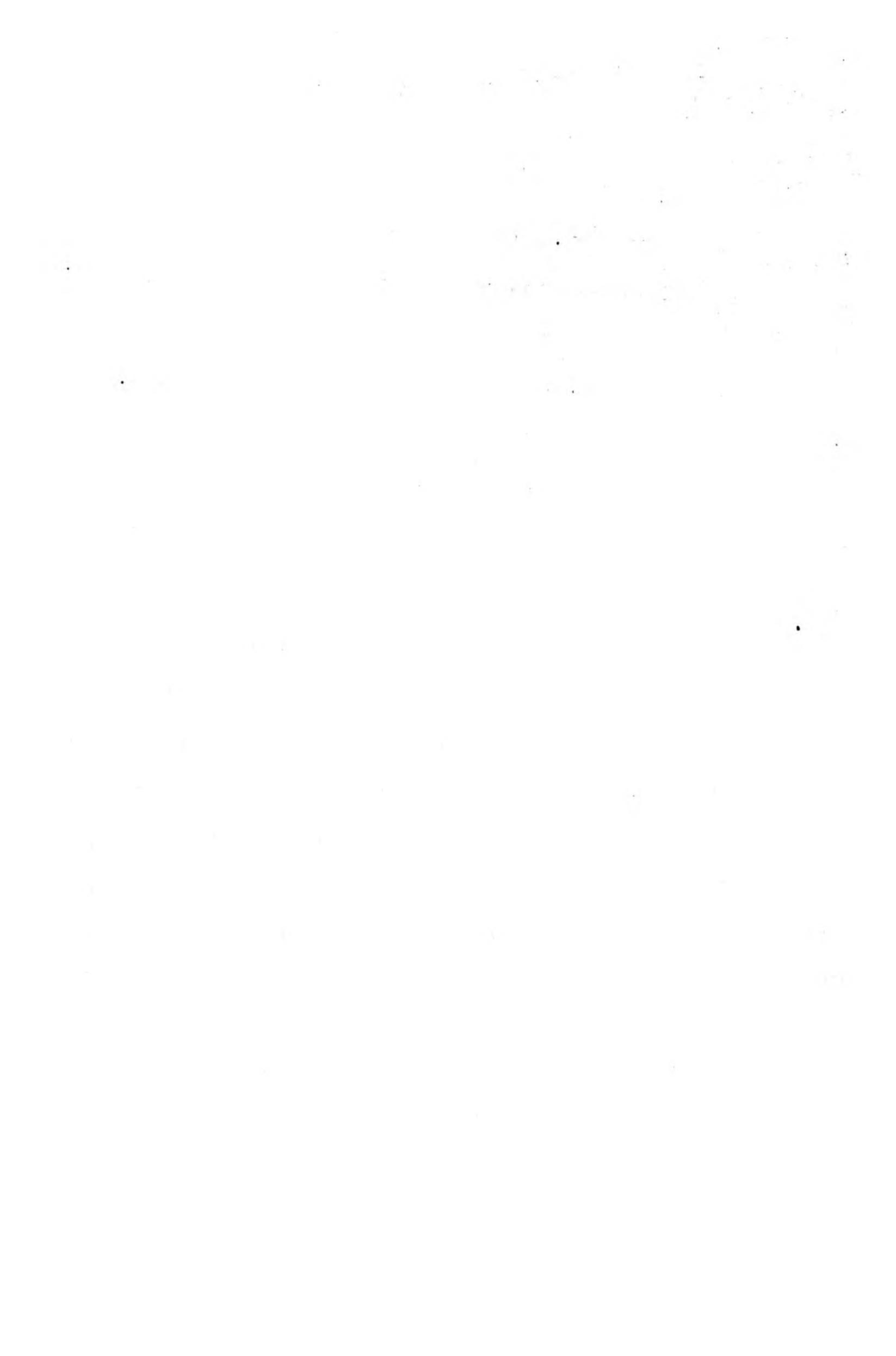
These studies are now being reviewed for publication by the Council.

Future activities of the Council were suspended in March, 1976, as part of current policies to reduce government spending.



Michael J. Trebilcock
Chairman

March 1977.



PREFACE

The Consumers' Association of Canada (CAC) is an incorporated, voluntary, non-profit, non-government, non-sectarian organization. Its main objective is to assist the consumer in dealing with the intricacies of the market place. In order to do this it studies consumer problems and makes recommendations for their solution to government, business and the general public.

CAC's Toronto Association has received complaints from a significant number of its members concerning consumer credit accounts. As a result, it undertook a study of billing practices in order to identify problems and make recommendations for their solution.

The study was carried out by a team of students working under the guidance of a CAC committee and various resource personnel. The report of the study was prepared by the two senior research students and constitutes the substance of this document. Any opinions contained therein are their own and have not, at time of publication, been adopted as CAC policy.

CAC (Toronto) acknowledges with gratitude;

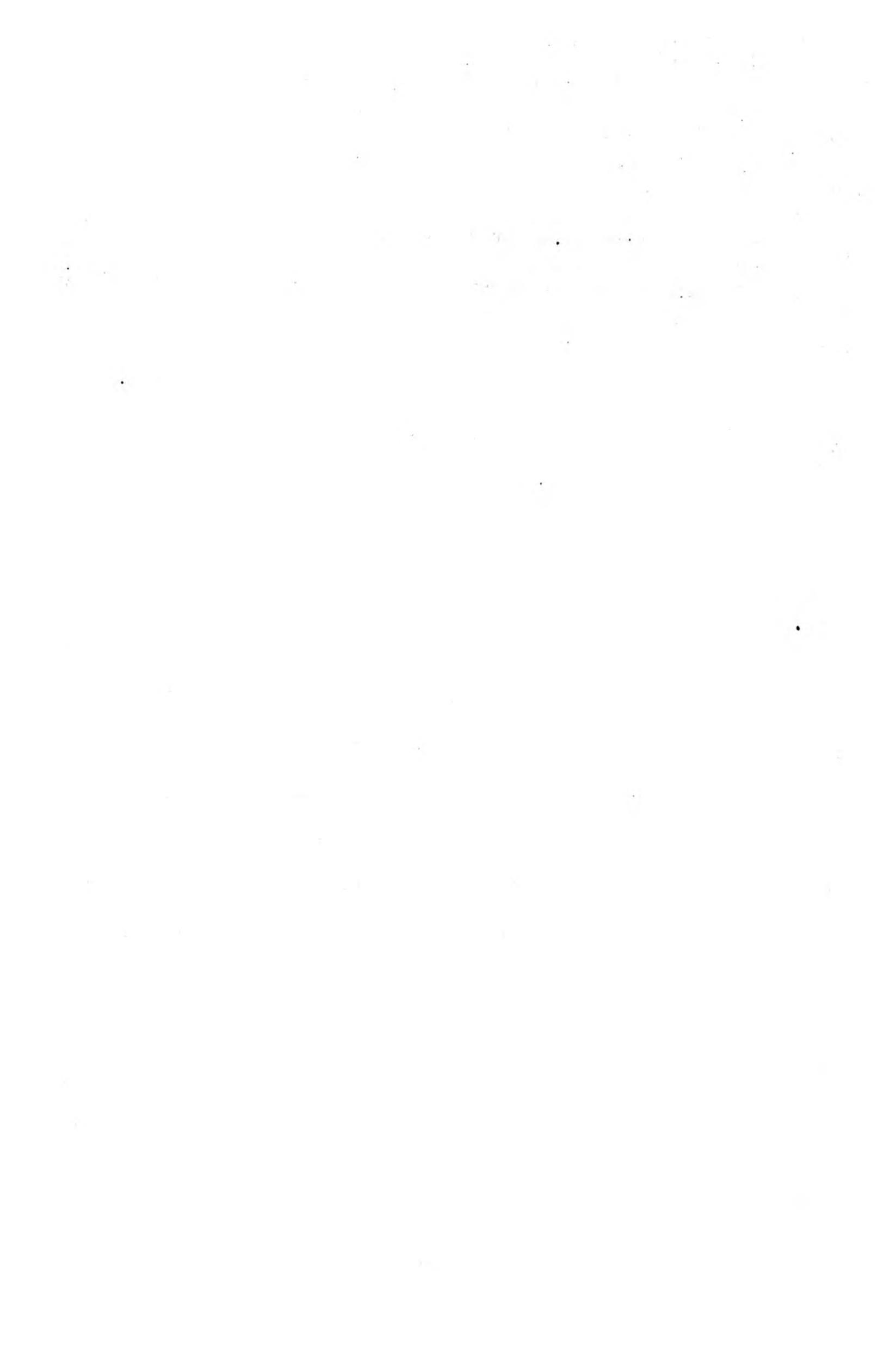
the funding received from the Consumer Research Council and from the Secretary of State which made the Billing Practices Study possible

the contribution of time and expertise made by the resource: professionals mentioned in the authors' acknowledgments

the co-operation of the many consumers and credit grantors who gave their time willingly to answer the questionnaires

the participation of the following student researchers who carried out their duties conscientiously and with insight

- | | | |
|---------------|---|--|
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We also acknowledge our debt to Professors Michael Trebilcock and Jacob Ziegel of the Faculty of Law, and Professor Allan Paull of the Faculty of Management Studies, all of the University of Toronto for their advice and encouragement. Special gratitude must go to Michael Brodie of the Canadian Information Processing Society whose professional expertise and untiring patience sustained us throughout the research and writing of this report.

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INTRODUCTION

In the 30 years since the end of the Second World War, consumer credit, as we know it today, has mushroomed to one of the central features of our economic system and an element without which, it would seem, the economy would grind to a halt. Many economists and sociologists are convinced that the growing phenomenon of consumer credit has been responsible for the alteration of economic patterns and consumer buying habits. So rapid has been the rise of consumer credit in recent years that it is impossible as yet to study and weigh its full potential, benefits and liabilities, both social and economic. And yet this force has permanently invaded almost every aspect of our daily lives.

To give a simple example of the impact of credit, when a wage-earner, relying on his future earning power, purchases an item on credit, he turns his future earnings into present moneysworth. This credit transaction allows the retailers to make further present purchases. The process continues through the supply chain, with the result that the effective amount of money in circulation is increased by many times the actual cash, in bills and coins, then in existence. This has further impact, on the one hand, on inflationary processes (fuelling them through reliance on future earnings) and, on the other hand, on production rates, straining them further toward full capacity (a deflationary trend, since prices can decrease in proportion to the increased effectiveness of present production). Which trend dominates depends on many other factors and relationships not within the scope of this paper.

Some forms of credit have existed for centuries. But variable credit is a relatively new phenomenon and we are all consumers of it. If we do not have at least one credit card, we have an account for a utility, perhaps telephone or fuel. In short, although we may not be certain where credit is leading us, it has nonetheless become an integral part of our economic life.

The aim of this study was to examine the issues involved in billing practices. Given the rapid expansion of this way of doing business, it is natural that problems have also increased. Common problems include: a charge for an item not purchased; improper debit for an item purchased; failure to properly credit the account; and lack of information on the manner in which the service charge is calculated, e.g. whether on initial monthly balance, final monthly balance, or day-to-day average.

We examined these problems and the remedies provided in provincial consumer legislation. It should be noted that the several statutes across Canada are neither uniform nor comprehensive, enacted as they were to meet immediate problems and before any thorough law reform reports had been made.

The U.S. Senate, by contrast, through a committee chaired by Senator William Proxmire, made a detailed study of the American credit industry (which in many ways is the same as that in Canada) with the result that in 1974 *The Fair Credit Billing Act* was enacted (it came into force October 1975) amending the *Truth in Lending Act*. Among other things, it provides that if the consumer discovers what he believes to be an error in the credit statement, he may dispute the error in writing to the creditor. From the date of receipt of the dispute letter, all attempts, direct or indirect, to collect the disputed amount must cease, and the creditor must reply to the letter within thirty days. Provision for further dispute is also made. Failure to comply with any of these provisions subjects the creditor to liability to the debtor in the amount of any actual damages

suffered by the debtor plus a statutory minimum of \$100 to a maximum of \$1,000 in punitive damages.

We divided our study into two major areas; an investigation, by interview of credit grantors, of the corporate view of problems; and a survey, by telephone, of the consumers' viewpoint. We also analyzed present legislation covering credit in Canada and made some attempt to correlate it with credit contracts. However, the analysis is included here chiefly to provide an outline of the protection currently available and to evaluate its effectiveness.

DEFINITIONS

Adjusted Balance: this method of calculating service charges takes into account any payments and credits received by the billing date.

Average Daily Balance: this method computes interest on the “average” of the daily balance of the account. For buyers who pay early in the month of “average” on which interest is calculated will be lower than for those who pay later in the month.

Previous Balance: this method of calculating service charges is computed on the balance owing listed on the last statement regardless of any payment or credit adjustments.

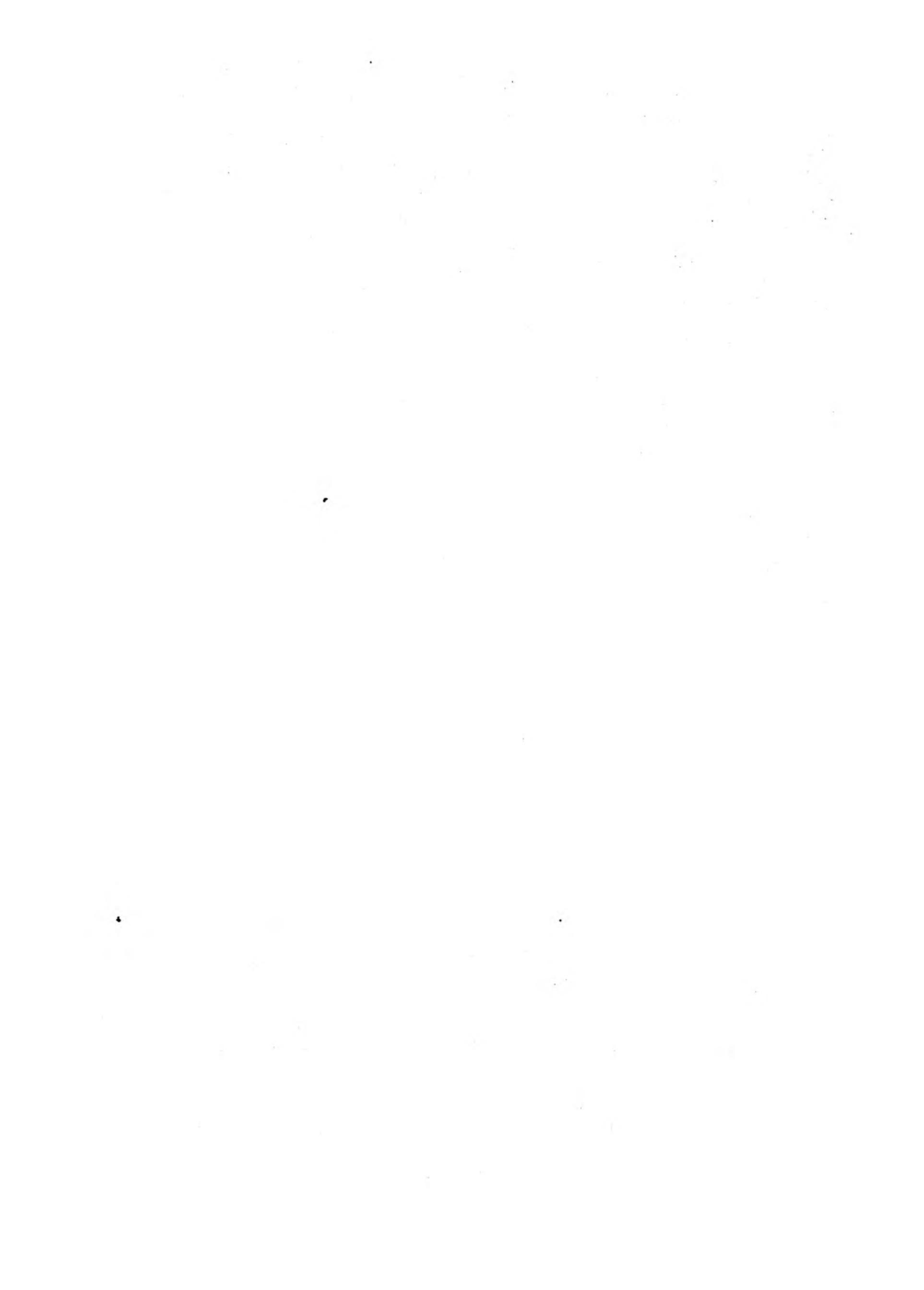
Tripartite – three-party: in the case of American Express and the bank credit cards, there are three parties to the transaction – the consumer, the merchant and the credit grantor.

Variable Credit or Revolving Charge Account: charge accounts offering open-ended credit, i.e. no specific amount is borrowed and the amount of credit and period of repayment vary.

LEGAL ASPECTS

One of the purposes of this study was to examine the possible need for further consumer protection legislation. We have focused on the Consumer Protection Act of Ontario, but have also reviewed the Acts of other provinces. We have made no attempt to examine the legislation in detail or to do an exhaustive study of all the possible provisions that might apply to billing matters. Our intention was primarily to give the essence of the provisions of the legislation and to comment where appropriate. Where provisions of other provinces show a marked departure from the Ontario Act this is pointed out.

In the next section we compare the various provincial legislation relating to variable credit or, as it is more commonly known, revolving charge accounts. Our analysis deals with disclosure of the terms of the contract on entering into it, the information included in periodic statements, and the remedies given for breach by the creditor.



1. DISCLOSURE OF TERMS BEFORE THE GRANTING OF CREDIT

Alberta

- a. Terms of the agreement must be in writing;
- b. If there is any penalty on default, the disclosure document must state what this penalty is. The amount of the penalty must be expressed as the percentage rate per annum on the principal overdue;
- c. The service charge must be:
 - i) expressed as a schedule of amounts outstanding and the applicable charge must be in dollars and cents, and
 - ii) expressed as a percentage per annum.

It is not clear in the Alberta statute what must be disclosed on the actual agreement and what must be shown on the periodic statement. Sect. 5(5) provides that the seller has complied with the Act if the terms of the plan are in writing and if the plan, the periodic statements and the other documents supplied by the seller to the buyer (or any one or more of them) clearly set out the terms outlined above. This is extremely vague, but it would appear that a seller who discloses terms on any statement, not even necessarily the first, has complied with the Act. In effect, this means the plan can be implemented without any disclosures at all. On the other hand, Sect. 5(5) (d) (i) requires the plan or periodic statement to contain:

the credit charge, if any in the written agreement as a scale of money charges etc.

This seems to mean that the written agreement must have at least this disclosure and Sect. 5(5) refers to other disclosures besides the one mentioned here. This seems to indicate that all the disclosures must be in the agreement. The Act is very vague on this point and we are not sure of the correct interpretation.

British Columbia

Before agreeing to extend credit the lender must give a clear statement in writing setting out the cost of borrowing, and

- a. The annual rate of interest as a percentage, per month and per annum;
- b. A minimum charge if there is any;
- c. A schedule of amounts in dollars and cents of an example of a balance.

It is clear from these statements which disclosures must be made, but *when* they must be made is, ambiguous.

Manitoba

The Manitoba legislation is a well-drawn and unambiguous statute containing many disclosure provisions not required in Ontario. Terms that must be disclosed are:

- a. At what periods the borrower must make payments, i.e. the number and the time of billing dates. There is no such provision in the Ontario Act.
- b. The amount of minimum payment.
- c. If the minimum payment varies according to balance, the method of its computation must be stated. Not required in Ontario.
- d. The percentage rate per annum of service charges.

- e. If the amount of the periodic service charge is added to the principal, this must also be shown.
- f. If there is a different service charge on amounts in arrears, the method of computation of these must be shown. This would include any charges imposed if minimum payments are not met by due dates. Not provided for in the Ontario Act.
- g. A schedule of balances and charges in dollars and cents "using a sufficiently large number of representative amounts to give a fair representation of the dollars and cents charges applicable to various sizes of outstanding balance". No such provision in Ontario Act.
- h. This last disclosure does not have to be on the contract which the consumer signs but it must be handed to him before he signs that contract.
- i. The consumer must be given a copy of the master agreement before any credit is actually extended. Not required under Ontario Act.

Maritime Provinces (Nova Scotia, New Brunswick, Prince Edward Island)

These provinces will be considered together since the legislation in all three is substantially the same. Newfoundland does not have any consumer protection legislation on the books at the moment.

The Maritimes have the same ambiguity as Ontario in respect of the timing of disclosures. Nova Scotia, New Brunswick and Prince Edward Island all use the phrase "before extending" credit. They further say that the disclosures do not have to be made in the actual contracts signed but can be made on a separate document. This combination seems to allow creditors to delay disclosure until after the credit application has been approved.

The following *must* be disclosed in writing:

- a. the annual percentage rate subject to minimum charge if there is any.
- b. a schedule of balances in dollars and cents showing varying amounts of balances.

Quebec

This Act is unambiguous and carefully drawn:

- a. The creditor must furnish the consumer with a copy of the master agreement which sets out terms. Since it says that the master agreement must be on the sheet which the consumer signs, there is a greater likelihood that it will be read.
- b. The agreement must contain the name and address of the creditor/merchant and the name of the consumer and his address. It must also have the date and place where the agreement was signed.
- c. It must contain the credit limit and if there is no limit it must clearly state that there is none.
- d. It must disclose the duration of billing periods, i.e. how often statements are sent out.
- e. It must disclose the minimum interest charge for each period or the minimum annual charge.
- f. It must disclose the percentage credit rate which is applied on the unpaid balance at the expiry of each period.
- g. There must be a chart of examples of service charges, in dollars and cents.
- h. Only this last chart of examples may be given in a separate document, but the consumer must be given a copy of it before he signs the contract.

Saskatchewan

- a. Before extending variable credit, the disclosures must be made to the consumer in writing. (There is the same ambiguity here as in the Ontario statute about the word "before": see legal brief). Hence, it is not at all clear when the disclosures actually must be made.
- b. The minimum charge for each period, if there is any, must be disclosed.
- c. The annual percentage charge required on the unpaid balance must be disclosed.
- d. A schedule of amounts in dollars and cents showing outstanding balance and charges must be disclosed.

Ontario

The Ontario statute is identical with the Saskatchewan statute except that the wording in the disclosure requirement is, "before agreeing to extend" instead of "before extending."

In Ontario there is no requirement that the consumer be given a copy of the master agreement with all disclosure items on it. Consequently it is unclear when disclosures must be made. Invariably the only document the Ontario consumer signs is the application for the credit card, so that he has little chance to read and understand the terms of the agreement he is entering into.

The use of the wording, "before agreeing to extend variable credit, etc., make the required disclosures" (sect. 37(2) of the Consumer Protection Act) has led to considerable confusion. Most credit card applications stipulate that the signing or use of the credit card finalizes the credit contract. It seems, therefore, the application itself does not constitute an offer in law, but is, if this is the correct analysis, a mere invitation to treat. It is the sending of the credit card, after credit checks have been made on the applicant, that constitutes the offer which the consumer may then accept or reject. Thus the card issuer can argue that as he has not yet agreed to extend any credit, he need not disclose at the time of the application. This argument is based on the premise that since the terms of credit are not covered in the application there is no contract until essential terms are agreed; hence there is no agreement until the consumer accepts the credit card. This interpretation, however, seems to contradict the aims of the Act; so it may be maintained that the application is an offer, which is accepted by performance on the part of the creditor of his first obligation, namely issuance of the credit card. Hence the issuer may be in breach of sect. 37(2) if the application does not disclose the required information.

A further point in favour of rejecting the issuers' arguments is that Sect. 41 of the Act provides that no lender shall represent either orally or in writing or by radio or television broadcast his charge for credit or cause such charge to be so represented unless the representation includes the full cost of borrowing and is expressed in the manner required by sect. 36 or 37. The title of the section is "Advertising the Cost of Borrowing."

Furthermore, it could be asked whether the partial information contained in the application is a representation of the cost. It would be extremely difficult to deny this (or that it is written or that the lender is advertising his credit arrangement with it.) Thus, if the application contains any reference to credit charges at all, sect. 37 must be complied with. If this is so the lender would be better off saying nothing at all. If he makes no reference to charges, sect. 41 does not apply and he can stand on his argument under sect. 37(2).

The intent of the Act is to ensure that people are informed of what they are agreeing to. If the terms of agreement are not disclosed on the application it is usually stated that the use of the

card shall be deemed to be evidence of the fact that the customer has received and read the cardholder agreement and is bound by it. In effect, the consumer is put in a position where he will be legally bound without necessarily having been informed, and this could not have been the intent of the Act.

If the terms of the agreement are not explained at the time the consumer signs, it is likely they will not be read at all. For when the credit card eventually arrives it will probably be detached and the explanatory letter thrown away. To give adequate protection, therefore, the Act should state unambiguously that full disclosure must be made on the application form.

Summary

The protective provisions regarding disclosure that are available in some provinces, notably Manitoba and Quebec, but not in Ontario, require that the following be stated:

- a. the penalty for not making payment on due date
- b. the annual and monthly percentage rate
- c. the number and timing of billing dates
- d. the method of computing minimum payment on varying amounts
- e. whether or not service charges are added to the principal, i.e. compounded

2. PERIODIC STATEMENT REQUIREMENTS

What follows is an analysis of the disclosures required on the periodic statements received by consumers in connection with revolving credit transactions.

Alberta

The statement must include:

1. The total balance owing to the seller as of the date of the statement.
2. The date of the next instalment and the amount which must be paid.
3. The service charge in dollars and cents actually charged. It must indicate the balance on which the charge was calculated and the percentage rate of the charge.

There is no mention of itemization or of setting down payments received or new credits extended and their dates.

The most striking loophole in the Alberta Act is the omission of a periodic requirement, i.e. under the Alberta Act it is up to the creditor how often he will send a statement. He could legally send only one a year.

British Columbia

1. The statement must be sent at least once every five weeks.
2. The statement must show:
 - a. the outstanding balance at the beginning of the period;
 - b. the amount and date of each new extension during the period;
 - c. the total sum paid by the buyer during the period;
 - d. the cost of borrowing, in dollars and cents; i.e. the amount of the service charge;

- e. the minimum charge if any;
- f. the annual percentage rate on which basis the service charges was computed;
- g. the schedule of sample charges in dollars and cents on various balances.

A weakness of the B.C. Act is that the statements do not have to indicate what items were bought with new credit extensions. Furthermore the statement does not have to show on what balance the charge was computed, i.e. the consumer cannot know, unless he makes complicated calculations, whether he is being charged on the previous balance or adjusted balance. He cannot tell if the past service charges were added to the principal, which would mean he is being charged interest on interest.

Manitoba

The bill or periodic statement is not mentioned at all, either in the Act or in the regulations attached thereto. Thus one of the major problem areas is entirely ignored.

Maritimes Provinces: (Nova Scotia, New Brunswick, Prince Edward Island)

1. The statement must be sent at least once every five weeks.
2. The statement must show:
 - a. the balance at the beginning of the period;
 - b. the amount and date of each new extension during the period;
 - c. the payment made by the consumer during the period;
 - d. the outstanding balance at the end of the period;
 - e. the cost of borrowing, in dollars and cents;
 - f. the annual rate being applied as a percentage;
 - g. a schedule of amounts in dollars and cents.

Several weaknesses are apparent. There is no itemization requirement, and there is no requirement to show the balance on which the interest was calculated; i.e. whether on the previous or adjusted balance. The consumer would have to do the actual calculation himself. Furthermore the regulations expressly allow the previous balance method. The nominal percentage that is disclosed must be the rate that would yield the service charge if it were calculated on the previous balance. This indicates that even if the charge is computed on the adjusted balance, the rate that must be disclosed is the percentage rate that would yield this amount if it were calculated on the previous balance. For example, suppose an 18% charge on an adjusted balance yields a service charge of \$X. According to the regulations, the rate that will be disclosed is the one that will yield this \$X if it is calculated on the previous balance. This may only be 16% if 16% of the previous balance is equal to 18% of the adjusted balance (which takes into account the actual payments made). This policy seems to have the effect of making the previous balance method of computation mandatory and it is difficult to see why a Consumer Protection Act would do this.

Quebec

1. There is no regulation on the length of the period between statements, or any requirement about itemization.
2. At the end of a period, the statement must contain:
 - a. the date at the end of the period;

- b. the date and amount of each new advance in the period;
 - c. the date and amount of each payment by the consumer;
 - d. the credit charge in the period;
 - e. the balance of the account at the end of the period;
 - f. the minimum payment that must be made.
3. The regulations also stipulate that the delay during which interest charges can be avoided must be disclosed.
 4. Sect. 4.11 of the regulations say that the percentage disclosed is based on the calculation of the service charge using the previous balance. The section also says, however, that if the consumer pays at least 50% he must be charged only on the adjusted balance, and only if he pays less than 50% may he be charged on the previous balance.

Saskatchewan

1. The statement must be sent at least once in 3 months.
2. The statement must show:
 - a. the outstanding balance at the beginning of the period;
 - b. the amount and date of each new extension of credit and the classification of goods for which it was extended (classification is not defined, but it does represent some itemization requirement);
 - c. the total sum paid by the consumer or credited to him during the period;
 - d. the cost of borrowing, in dollars and cents, during the period;
 - e. the outstanding balance at the end of the period;
 - f. the annual percentage rate which the borrower is required to pay;
 - g. a schedule of example amounts.
3. Regulations say that the percentage disclosed is the one that will yield the service charge when applied to the previous balance. Once again, this seems to have the effect of making the previous balance method mandatory.

Ontario

1. The statement must be sent out at intervals of not less than four and not greater than five weeks. Thus, the interest period in variable credit is between four and five weeks.
2. The statement must show:
 - a. the outstanding balance at the beginning of the period;
 - b. the date and amount of each new extension of credit and the identity of the goods and services for which it was extended. Thus, goods must be identified in the statement. There is some question as to whether descriptive billing is sufficient for this.
 - c. all the payments made by the consumer during the period, their dates, and "occasion" thereof. ("Occasion" is not defined);
 - d. the cost of borrowing, in dollars and cents, for the period;
 - e. the outstanding balance at the end of the period;
 - f. the percentage rate that is being applied;
 - g. the minimum charge if any;
 - h. a schedule of amounts, in dollars and cents, with the varying service charges due on each.
3. Ontario also stipulates that the percentage rate must produce the service charge if it was applied to the previous balance.

There are two criticisms to make about Ontario's Act. There should be a required disclosure of the interest free period. If one can pay in full within a certain time and avoid service charges, this information should be contained somewhere on the statement. No doubt the regulation about the percentage rate is intended to be favourable to the consumer. It ensures that if the previous balance method is employed the actual rate applied to his account is disclosed to him. Without this provision, the credit grantor could say his rate is 10%, but in reality it will be much greater.

However, there should be some rider attached (as in the Quebec statute) specifying that calculation of the charge could be made on the adjusted balance even if disclosure is on the previous balance. Alternatively there could be provision for disclosure of the rate on the adjusted balance if that is the method employed.

3. REMEDIES – PRIVATE AND PUBLIC

Alberta

PRIVATE: where a credit grantor charges a greater rate of interest than is permitted by the federal Interest Act, the borrower is entitled to get back the excess. But other than a recovery of the excess charges over the federal Interest Act rates, there are no private remedies in the case of revolving charge accounts.

PUBLIC: if a credit grantor fails to comply with the Act he is guilty of an offence and in the case of a corporation, is liable to a fine of \$1,000. An individual is liable to a fine of \$500 and, in default of payment, imprisonment for six months.

COMMENTS: the remedies are extremely weak and ineffectual. There are virtually no private remedies; public remedies have a criminal burden of proof and a tiny penalty, considering the sums that can be involved – in excess of a million dollars.

British Columbia

PRIVATE: before he can increase the cost of borrowing, the lender must give the consumer written notice. The increase must be disclosed in the same way as the original rate, showing the annual percentage rate and the schedule of balances and charges. It cannot go into effect until six months after the customer receives written notice, and at that time the customer has the option to terminate the entire arrangement. If any of these terms are violated, the customer can sue and recover any excess he may have paid.

Where a court or a judge finds the cost of borrowing excessive or the transaction (given the circumstances) unconscionable, the terms of the agreement can be set aside whether executed or not, whether applied directly or not, and any fair terms substituted. Any money in excess of those terms already paid out by the customer would be refunded to him.

Where the customer is already in default and in the judge's opinion a full exercise of the legal rights of the creditor would be harsh and unconscionable or otherwise inequitable, the judge may impose terms and conditions on the exercise of the creditors' rights to relieve any inequity.

If the contracts or statements do not conform to the Act, the creditor is only entitled to collect the principal and must refund any interest paid, unless he can show that the error was *bona fide* and that the customer was not misled by the non-disclosure of the terms. The burden of proof is on the creditor.

PUBLIC: every person, director, or officer of a corporation that contravenes the Act is guilty of a summary offence and is liable to a fine of \$2,000 and/or 2 years imprisonment, or in the case of a corporation, to a fine of \$25,000.

COMMENTS: a very powerful remedies section, both public and private. Of special interest are the private remedies which are excellent and adequate to protect individual rights, subject to the observations in the Conclusion.

Manitoba

PRIVATE: where the rate of charges is not stated, or not stated as an annual percentage as required by the Act, the creditor can only collect the legal rate of interest. Where there is no master agreement setting up the arrangement and complying with the Act, the creditor cannot recover any interest at all.

The maximum rate of interest that can be charged is restricted to what is allowed by the federal Interest Act. Where the consumer is charged more, he is entitled to recover the excess fully.

PUBLIC: any person who contravenes the Act is guilty of a summary conviction offence. An individual is liable to a fine of not more than \$1,000 for a first offence or a fine of not more than \$2,000 and/or three months for each subsequent offence. A corporation is liable to a fine of not more than \$2,000 for a first offence and not more than \$5,000 for each subsequent offence.

COMMENTS: again, this is not a very good remedies section as there are no effective private remedies in the case of non-compliance.

Maritime Provinces

PRIVATE: a customer is not required to pay any sum in excess of that disclosed in his contract. This could mean that if the sum is not disclosed the previous balance method will be employed, or the interest will be compounded, meaning that, on a daily basis, the customer will not have to pay this amount and could even recover it in court. The disclosure requirements set out a schedule of amounts and service charges due, but these would not ordinarily show any compounding or indeed on what balance the charges are set, as they will usually indicate the first balance. It seems that the customer could argue he is paying in excess of the rate disclosed and could make a recovery, if even the non-required disclosures are not made.

At the same time the lender is always allowed to recover at least the principal, even if the disclosures are in violation of the Act, and the customer is also obliged to pay any amount that is properly disclosed.

If the argument about compound interest is correct, the consumer would not be obliged to pay charges on the previous balance or compound interest but would have to pay the simple rate of interest disclosed.

PUBLIC: every lender who carries on business in the Maritimes must be registered with the appropriate Ministry. If the lender then violates the Act by his practices, he will be forced out of business by the cancellation of his registration.

Every person, or director or officer of a corporation who violates the Act is liable to a fine of \$2,000 and/or a year's imprisonment. A corporation is liable to a fine of \$25,000.

COMMENTS: the private remedies offered are once again weak and ineffectual. First of all they are not completely clear, and secondly, there is no real incentive to comply, as the consumer must sue for their enforcement and would still have to pay the principal and get back only the excess interest. This does not give him any compelling motive as the amount he can recover or be saved from paying will usually not be large enough to justify the time and expense of a legal action.

The public remedy is, however, extremely effective and innovative. A creditor is not only fined in the case of violations, he is told in effect that he does not comply he will have to go out of business entirely.

Quebec

PRIVATE: there are no higher interest charges allowed for payments in default. The same interest rate prevails throughout.

If a contract does not conform to the Act, the consumer may demand its cancellation. If it involves credit he may demand that the credit charge be cancelled altogether while the contract continues to exist, and he may ask for any interest he has already paid.

PUBLIC: a Consumer Protection Bureau has been established with the power to investigate without warrants and enjoin compliance in the case of violations of the Act by merchants. A person or an officer of a corporation who either ordered, participated in, or acquiesced to the violation is guilty of a summary offence and is liable to a fine of not less than \$100 but not more than \$2,000 and/or one year's imprisonment. A corporation is liable to a fine of not less than \$500 and not more than \$25,000.

COMMENTS: the private remedies in this Act are excellent, giving the consumer the option of continuing the contract indefinitely without ever incurring a charge if the creditor violates the Act, or having it declared void, in which case he will not be bound to pay even the principal. Indeed it could even be argued that it goes too far. It makes no provision for a *bona fide* error on the part of the creditor.

Saskatchewan

PRIVATE: in order to change the interest rate, the creditor must give the consumer 30 days written notice and the option to withdraw from the arrangement, provided that a provision for change was made in the original agreement, and that the notice announcing the new rates is in the form required for the original disclosures. If any of these conditions are not met the consumer can recover the excess charged or can refuse to pay.

If the disclosures in the agreement violate the Act, the agreement is not void, but the consumer only has to pay the cash selling price without incurring any interest charge. This does not hold true if the failure in compliance is a result of a *bona fide* error where this did not prevent the consumer from understanding the terms. Even if the consumer has already paid in these cases, he can demand a refund.

PUBLIC: every person or director or officer of a corporation who contravenes the Act is liable to a fine of not more than \$1,000, and six months imprisonment if he defaults on the fine. A corporation is liable to a fine of \$5,000.

COMMENTS: the Act is not very good. The private remedies only go so far as to permit a recovery of interest. It has already been pointed out that this will ordinarily not be worth litigating. The public remedies are weak and ineffective. Not only are they lenient, they are criminal in nature and therefore difficult to enforce.

Ontario

PRIVATE: it is fair to say that there are no private remedies to speak of in the Ontario Act. The only one mentioned is sect. 39 and the circumstances of its application are vague.

There are other Acts which bear on the subject: the Unconscionable Transactions Relief Act and the Business Practices Act, a new Act that prohibits unfair practices in sales to consumers. However, a detailed study of their provisions reveals that they do not apply to the credit transactions of the type discussed here.

PUBLIC: in the case of an individual or officer of a corporation there is the liability to a fine of not more than \$2,000 and/or imprisonment of one year. In the case of a corporation, liability is up to \$25,000.

COMMENTS: Ontario remedies are very weak. Private remedies are non-existent, while the public ones are criminal in nature with consequent procedural difficulties and problems of burden of proof.

CARDHOLDER APPLICATIONS – AN ANALYSIS*

Some credit application forms were analyzed to determine their clarity and their compliance with Ontario's Consumer Protection Act.

AMERICAN EXPRESS

The application contains no credit information at all. By signing the application, the consumer agrees to abide by the agreement that accompanies the card.

Should the consumer then take issue with any of the credit terms and never use the card, American Express returns the \$20.00 membership fee.

Only the waiver regarding credit information is contained in the application form.

"THE BAY" (Hudson's Bay Co.)

The application contains very little credit information, only terms regarding interest rates.

The rate is listed as 21% per year or 1.75% per month. It is explained that the service charge is based on the previous monthly balance, but it is unclear whether a partial payment will affect interest.

The terms and conditions of the contract, including interest rates, may be altered unilaterally after giving notice to the customer.

A description of the bill is given in the brochure. It states that an "itemized-in-full" bill will be sent out.

There is no release given to the Bay to pass on credit information but permission is granted to make a credit search of the customer.

A month-long interest free period is offered but it is not clear whether it starts from the date of purchase, receipt of bill, etc.

Comments:

Credit information is legible and all on one page.

Disclosure rates mean little since they can be altered unilaterally.

CANADIAN TIRE

The interest rate is quoted as 2% a month or 24% a year, payable on the previous monthly balance.

In addition, there is a minimum monthly charge of \$0.20 subject to change by Canadian Tire.

There is a 25-day interest free period but as this is from the date of statement it could be reduced considerably by the time the statement reaches the consumer.

The consumer authorizes credit investigation and exchange of credit information.

Comments:

Details of the credit system are in very small print on the back of the page that the consumer has to sign. They should be clearly spelled out on the same page.

*Interest rates and other information pertain to applications available in June, 1975.

CHARGEEX – CANADIAN IMPERIAL BANK OF COMMERCE

There is no credit information on the application. The consumer agrees to abide by the terms of the cardholder agreement that the Bank sends with the ChargeX Card.

By signing the application, the consumers give the Bank the right to obtain and release credit information.

On the back of the application, the interest free period is given as 25 days from the statement date. Thus, delays in receiving the statement operate in favour of the Bank.

If a dispute is not filed with the Bank within 60 days of the date of mailing of the monthly statement, the statement is taken to be final.

CHARGEEX – TORONTO DOMINION

Except for a waiver regarding credit information, all terms are on the back of the page in small print.

Payment must be made within 25 days of the date of statement.

The interest rate is 1 1/2% per month calculated on the unpaid portion at billing date.

The credit card can be revoked by the bank at any time in the event of default by customer, and the agreement is thereby cancelled.

The cardholder is responsible for up to \$50.00 of unauthorized use.

All disputes must be settled between the seller and the buyer. Thus the Bank insulates itself from the actual transaction.

The Bank gives credit for a returned or disputed purchase only if it receives credit voucher from seller.

Comments:

There may be a violation of the Consumer Protection Act because there are no figure charts showing interest rates and amounts in percentages and dollars.

CHARGEEX – BANK OF NOVA SCOTIA

The application contains no terms at all.

The form states that use of the card when the holder receives it will be evidence that the consumer has received it and will abide by the cardholder agreement.

It was not possible to obtain a copy of this application from the bank where the application was picked up as it is only sent with the card.

CHARGEEX – ROYAL BANK

The consumer consents to the release of credit information.

The credit agreement is printed on the application form but is on the back rather than on the page the consumer signs.

The interest rate is listed at 1 1/2% a month or 18% a year, subject to change by the Bank.

There is no chart translating these rates into real figures, in apparent violation of the Consumer Protection Act.

The free period is 25 days from the statement date. Any delays in receiving the statement operate against the consumer.

There is a provision for partial payment. Interest is charged only on the unpaid balance of amounts which appeared on the previous monthly statement. This seems to say that if the consumer pays between statements, he will not be charged interest on the amount paid. In other words, interest is not charged on the basis of previous monthly balance.

The cardholder's liability in the case of theft or loss is \$50.00. He must inform the Bank of theft or loss in writing.

When the consumer returns an item, he still has to pay Chargex unless the Bank receives a credit voucher from the merchant affected.

The Bank is not responsible for claims against a merchant. The consumer must dispute his case with the seller personally and pay his Chargex in the meantime.

CHARGE X – MAGAZINE APPLICATIONS

Contain no terms of the contract.

The application states that use will be evidence of receipt of the cardholder agreement.

Comments:

This type of application is seemingly in violation of sect. 41 of the Consumer Protection Act.

EATON'S

The interest rate is 21% a year or 1.75% per month.

In clause 1, it is stated that payment is to be made within 30 days of the statement date shown on the monthly statement.

Clause 2 of the contract states that Eaton's can alter the rates at any time.

In clause 3, it is stated that payments apply first against service charges and then to the principal if it falls due. On default, the entire amount becomes due and payable.

The customer agrees to honour all purchases made on the credit card even if it is lost or stolen unless written notice to the store of theft or loss is given.

The customer agrees to let Eaton's initiate credit enquiries at anytime and also agrees to allow Eaton's to pass on any credit information.

A 30 day interest free period on accounts is given.

According to the chart, credit service charges are based on the previous monthly balance. Thus, partial payment of debt during the month will make no difference in the service charge.

Comments:

Since Eaton's can vary the terms at any time, in effect, disclosure of rates means little. The consumer cannot be certain of the terms because they are subject to variation unilaterally by Eaton's.

Under clause 5, Eaton's has the right to pass on any credit information. There is nothing to prevent Eaton's, when in dispute with a customer over a bill, from sending out information

of default which will affect the consumer's credit rating adversely even if the consumer is maintaining his lack of liability.

The contract is clear, and not difficult to read. All the information is given on the same page rather than on the back.

The contract contains no mention of whether or not the bill will be itemized.

A tear-off copy of the contract in legible print is provided for the customer.

ESSO

There are no terms at all except the waiver regarding credit information.

FINA

The interest rate is quoted as 18% a year. It is calculated on the basis of the previous balance.

The customer is responsible for unauthorized use of his card unless written notice is received by the company.

Fina is not responsible for settling complaints. These must be settled directly with the dealer.

Payment must be made within 25 days of statement date.

There is a waiver regarding credit information.

Comments:

This application is extremely clear and legibly written.

There is a separate copy of the agreement for the customer to keep.

The contract is in complete conformity with the Consumer Protection Act.

GULF

The interest rate is 18% a year – 1 1/2% a month, calculated on the previous balance.

There is no chart of figures. There is only the example that if one owed \$100.00 from the previous statement, the interest charge would be \$1.50.

If one pays the full amount on receipt of the monthly statement there is no charge. There is no indication of how soon one has to pay after the statement is received.

The company can alter interest rates.

There is a waiver of exchange of credit information.

There is no provision mentioned should the credit card get lost or stolen.

Comments:

There is some confusion about an interest free period. It seems it will only apply if one pays immediately on receipt of the statement. It is not at all clear how long one has before payment is due.

The agreement may be in violation of the Consumer Protection Act which requires service charge rates in dollar amounts to be set out in a chart. Here only one example of the \$1.50 charge on \$100.00 is given.

MASTER CHARGE – BANK OF MONTREAL

There is no credit information on the application.

The consumer agrees to abide by the agreement which will accompany the card – but he signs now.

There is only the waiver of credit information on the actual contract.

SHELL

The interest free period is 60 days and the interest charge is 18% a year.

Deferred payment on certain purchases is free of interest charges. There is a clear chart of charges. It is, however, not mentioned what method is used to calculate interest charges.

The cardholder has full responsibility for any purchases made with his card unless limited by Statute.

Comments:

This application is extremely clear.

SIMPSON'S (Robert Simpson Co. Ltd.)

The interest rate is listed as 21% a year or 1.75% per month.

The terms may be altered unilaterally by the company.

The contract clearly states that the service charge is calculated on the previous month's balance unless more than 50% of the principal outstanding is paid within the month.

The free period is one month. It is not at all clear, however, what 'month' means in clause 1 of the credit contract on the back. Whether this is within a month of purchase or within a month of receiving the statement is not stated.

Everything bought on credit is a conditional sale. The Company retains the title to the goods until the account is paid off. It is unclear whether the title to all goods purchased from Simpson's remains in the hands of the company even if part of the account is paid or only on those specific goods referred to in the account.

It is not clear if the agreement can be terminated by informing the company of loss or theft of card. The contract actually says that consumer is bound by the contract until the card is returned.

Comments:

The previous balance method is used for computing interest charges. It is doubtful whether the consumer could understand that if he makes a payment it will not reduce the interest charges.

Definition of the month free period is totally unclear – how long it runs or when it ends.

Simpson's retains full title of goods until all payments are made while the consumer is liable for any losses or damage. Thus, in fact loan or rent credit card transactions do not transfer title.

Simpson's retains all payments in cases of repossession by contract, even if one payment is left, for example, on a colour T.V. This is illegal under the Conditional Sales Act.

The contract is not legible without a magnifying glass and is on the back of the page that must be filled out. The chances of its being read or understood are limited.

The company can release credit information at any time and under any circumstances.

The bill, its contents and the fact that it is fully itemized is described on contract.

SIMPSONS-SEARS

There is no credit information whatsoever — not even provision for credit investigation.

TEXACO

Overdue accounts are assessed at 18% annual interest charge.

The agreement offers deferred payment on certain purchases, but the 18% interest rate is still charged. There is no schedule of charges and no mention of how interest is calculated.

If the user loses his card he is responsible for up to \$50.00 worth of unauthorized purchases.

The agreement contains the usual waiver of credit information.

Comments:

There is no schedule in dollar amounts. This appears to violate the Consumer Protection Act under either sect. 37 or 41.

There is no reference to which method of calculation is used for service charges.

Regular accounts are interest free unless they are overdue. There is no mention of when this occurs, so the customer does not know how long he has to pay.

Information we felt a consumer should have was often missing from the application to open a credit account. Therefore, we contacted the credit departments of all the companies surveyed and asked questions that might clarify the applications.

The majority of the representatives of credit departments were very knowledgeable about the terms of the agreement. The information was usually given without hesitation and explained adequately. Only on one occasion did the creditor refuse to answer the questions, stating that all pertinent information could be found in the application form (as a matter of fact, this company had one of the more complete contracts outlining all details quite clearly). It seems reasonable to assume that credit representatives who were not confident about their responses probably receive very few such inquiries.

METHODOLOGY: COMPANY AND CONSUMER SURVEYS

To discover as much as possible about billing operations and potential problem areas, it was decided to seek information from both consumers and credit grantors. A sample of major credit grantors was selected and a credit official from each was approached to determine the willingness of the company to discuss its billing policies and practices. Of the companies selected, only two were unwilling to hold discussions.

Interviews generally centred on a prepared set of questions (see Appendix I) although discussions very often strayed from the established format. In the case of utilities and home fuel companies, interviews were of a more general nature, consisting mainly of a discussion of billing operations that each particular company used.

A consumer questionnaire was also prepared; at least two parties are involved in each credit agreement, and should an error arise, either one or both parties might be at fault. We wished to learn through the consumer survey how knowledgeable people are about credit in general and about the specific terms and conditions of their credit agreements, to find out consumer bill paying habits, and to discover the incidence of errors in bills and statements received by consumers. Much information about billing policies and practices was made available by the credit grantors interviewed and it was hoped that a comparison of the viewpoints of consumers and credit grantors might further clarify the situation.

Because of the difficulties of conducting a consumer survey in the summer months when many families are on holidays and because of the expense of reaching a large sample by mail, it was decided to conduct a telephone survey. Although this limited response to homes with telephones, a check at Bell Canada indicated that the number of homes without telephones in Metropolitan Toronto, the geographical area covered by the survey, was negligible.

Fifteen hundred households were chosen at random – 750 from the Toronto telephone directory and 750 from the membership list of CAC (Toronto); businesses and institutions were intentionally omitted. It was not the intention of this study to choose respondents according to organizational affiliation but it was felt that with the need to obtain at least 360 completed questionnaires out of a possible 1,500 it would be advisable to contact a number of respondents whom we presumed would be willing to answer the survey. It was assumed, and rightly so, that of the total households contacted, known CAC member households would, for whatever reason, be more co-operative than non-member households in answering this CAC-sponsored questionnaire.

Because of the nature of the questionnaire, which dealt with a rather personal and confidential subject, introductory letters were mailed at staggered intervals to the total sample of 1,500. The letters were not intended to explain the study but merely to introduce the forthcoming telephone call and questionnaire (see Appendix II). Letters to non-members also introduced CAC and thus avoided the possibility that a potential respondent might view the impending call as a sales attempt (see Appendix III).

The questionnaire was divided into four major sections:

- 1) Awareness of credit terms and conditions
- 2) Bill paying procedures
- 3) Incidence of errors
- 4) Demographic data

Because of the length of the questionnaire and the considerable time it would take to answer all the questions, questions 1-6 of Part I and questions 1-2 of Part II were asked with reference to only one retail and gasoline, tri-partite, or utility account. The householders questioned on each type of account were determined at random by the interviewers in the screening process.

The telephone survey was conducted over a period of two weeks by three student interviewers. Approximately 80% of all initial attempts to reach households were made during business hours and the remainder of initial calls were placed during week-day evenings. No first calls to households were made on week-ends. A total of 390 telephone interviews were completed in the two-week period. For a breakdown of responses and non-responses see Appendix IV.

Under the direction of a senior researcher, the questionnaire was processed in the following manner (all computer processing was done at Ryerson Polytechnical Institute in Toronto).

1. The precoded answer sheet was scanned for completeness (only questionnaires with all four parts completed were used) and verbatim responses were coded.
2. Coded results were then transcribed on to coding sheets followed by a fully verified key punching operation.
3. The data cards were then used as input for the Statistical Package for Social Scientists (SPSS) to obtain the results listed in Appendix V.

Of the 390 completed calls, 367 interviews were considered valid for analysis because the other questionnaires were not completely filled out. Of the total households surveyed 221 had a known CCA member and 146 were considered to be non-member households. The demographic findings of the sample surveyed are shown below. These findings are compared in the Table with available 1971 statistics for Metropolitan Toronto. Unless otherwise indicated, figures are from Statistics Canada, 1971 Census.

	CAC Findings (%)	Statistics Canada 1971 (%)
Marital Status		
Married	74.2	49.2
Single	16.2	46.2
Widowed	6.4	4.6
Divorced	0.6	
Separated	1.7	
Co-habit	0.9	
Age*		
18-24		
25-34	7.5	17.6
35-44	26.4	22.8
45-54	23.2	17.8
55-64	20.9	17.4
Over 65	13.3	12.4
	8.7	12.3

Education

Some public school	1.4	
Completed public school	2.9	40.1
Some high school	13.8	26.4
Completed high school	31.3	21.7
Some university/post secondary	17.1	5.8
Completed univers./post sec.	17.7	4.5
Post graduate	10.1	1.1

Sex

Male	33.9	48.7
Female	65.2	51.1

Income (total household income)

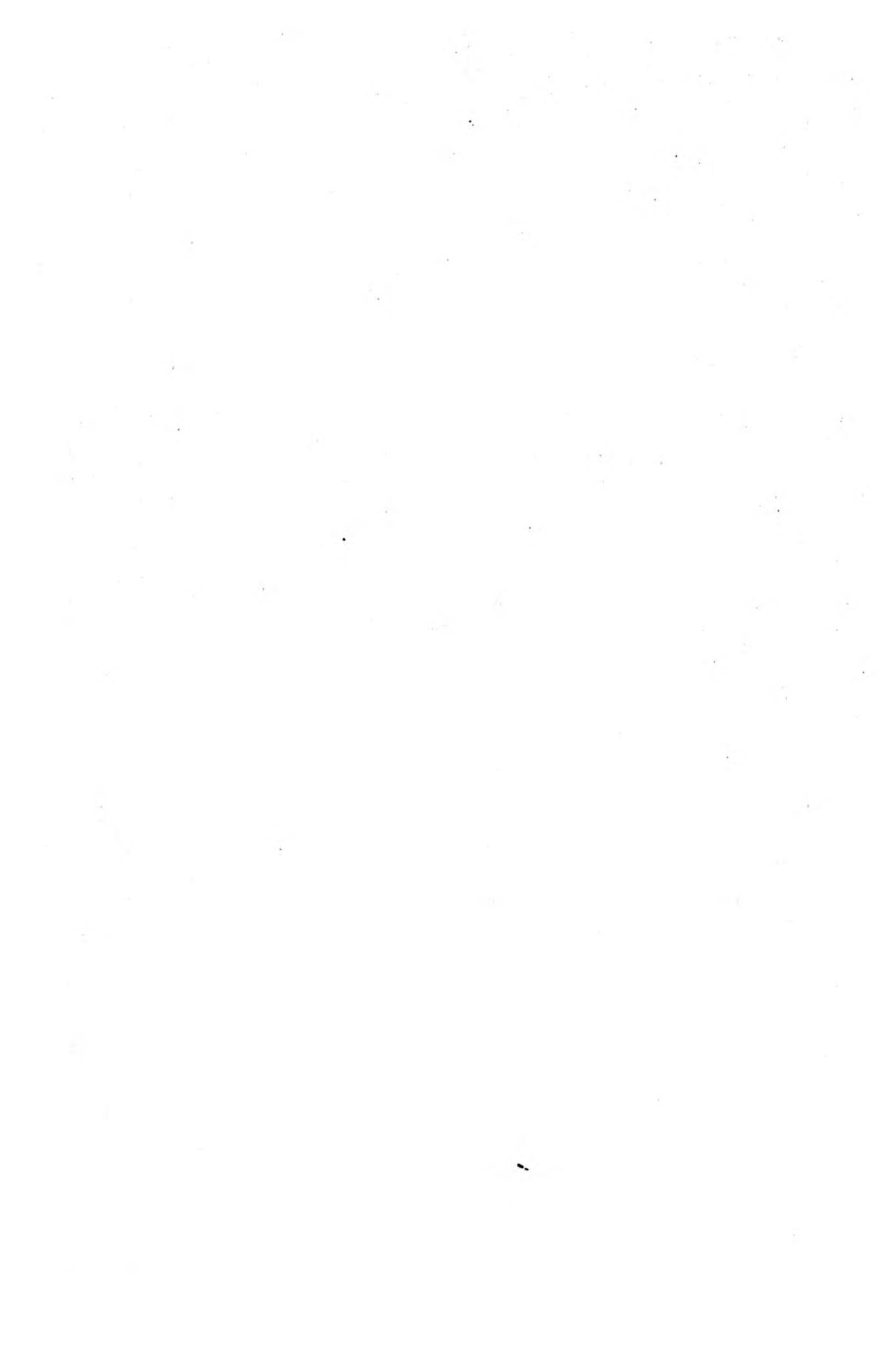
Under \$7,000	5.5	28.2
\$ 7,000 - 10,000	6.1	19.9
\$10,000 - 15,000	21.7	27.9
\$15,000 - 20,000	17.4	13.2
\$20,000 - 25,000	13.9	10.8 (over \$20,000)
Over \$25,000	19.7	

(15.7% of the sample refused to answer this question)

* Age Group (According to "1971 Population by Single Years of Age and Sex." Metro Toronto Planning Division) May 1975, Research Division.

It is evident that a clear random sample was not obtained by the consumer survey; however, this was not our aim. We hoped that the results of the consumer questionnaire would uncover possible problem areas.

It was anticipated that because of the majority of our respondents were known to be CAC members, this affiliation might have contributed in some way to the findings. However, on a number of variables there was no significant difference in the findings for CAC members and non-CAC members. In fact, of those people who ever found a billing error, 50% were known members of CAC and 50% were not.



COMPANY RESPONSE TO THE CREDIT GRANTOR SURVEY

Interviews were held with the following credit officials:

American Express*	D. Griffiths
The Bay	R.N. Hogan
Bell Canada	J.W. Fraser
Canadian Tire	P. D'Antonio
Consumers' Gas	R. Wilkshire
Chargex: Nova Scotia	D. MacDonald
Commerce	W.N. Brooks
Royal	A.J. Strauss
Toronto-Dominion	J. Pritchard
T. Eaton Co.	T.E. Reid
Imperial Oil	M. Esdaile
Kresges/K Mart	M. Abbott (Ms)
Master Charge – Bank of Montreal	H. Veys (Ms)
Ontario Hydro	E. Inouye and J. Frazier
Shell (gasoline)	D.F. Aitken
Shell (home fuel)	L.A. Hughes Grant
Simpson's	G.A. Cushnie and L.A. Grant
Simpson-Sears	L. Visosky
Texaco (gasoline)	D. Boucher
Texaco (home fuel)	J.A. MacKinnon

The information gathered from these interviews is meaningful only in the context of why the questions were asked. Accordingly, what follows is the questions, a short explanation of their background, and the authors' summary of the answers received.

1. HOW MANY ACTIVE CONSUMER ACCOUNTS DO YOU HOLD?
2. DO YOU AIM AT ANY PARTICULAR SEGMENT OF THE CONSUMER POPULATION?
DO YOU IN FACT REACH THAT TARGET?

These questions were essential in order to estimate the size of the credit industry represented by the sample of companies we surveyed. It was necessary to establish the size of the market and the number of consumers it represented before arriving at an opinion or the need for legislative protection. By the same token it is desirable to know from what income groups these consumers come and therefore, to whom credit has appeal.

*It should be noted that American Express extends credit in the sense of deferment of cash payment. No interest is charged but payment is expected on receipt of the billing statement. The annual fee replaces the interest charge, generally, and there is a penalty for a 90 day delay in payment.

Summary

As an indicator of the impact of billing and billing practices we simply totalled the number of accounts currently held by consumers and our sample of companies and utilities. From just our small sample of companies, in excess of 15 million accounts are held by consumers across Canada, which accounts for 180 million individual bills or statements processed each year. Generally, it seems that a cross-section of the population is aimed at for credit accounts, and the replies indicated that generally, a cross-section is reached. Only American Express indicated a target group of those earning a minimum of \$15,000 annually and Kresges/K-Mart said its target was the budget shopper.* Both Imperial Oil and Eatons pointed out, however, that most of their credit customers are middle-aged consumers between the ages of 40-61.

3. RETAIL, GASOLINE:
- a. CAN YOU BREAK DOWN IN DOLLARS YOUR TOTAL SALES, CREDIT SALES, CREDIT REVENUE AND CREDIT COST?
- TRIPARTITE:
- b. WHAT PERCENTAGE OF CONSUMER LOANS ARE IN THE FORM OF CHARGE ACCOUNTS? IS THIS UP OR DOWN FROM PREVIOUS YEARS?

How important is credit to a company's overall business? The credit card is a very useful marketing device; it can increase sales volume and if a substantial percentage of a company's business is transacted by credit card, it seems reasonable to assume that offering credit may contribute considerably to profit. Thus even if service charge revenues fail to cover the cost of credit operations, profit on sales may, because of the increased volume, be so great that the overall profit is substantially in excess of the same operation without credit.

4. DOES YOUR CREDIT OPERATION TURN A PROFIT? IF NOT, WHY CONTINUE THE ARRANGEMENT?

This question is especially significant in today's atmosphere of wage and price controls and talk of unjustified profits. If service charges alone account for a substantial profit in the operation of a credit system — along with increased sales volume — it may be reasonable to suppose that overall profit is quite high. Thus regulation of interest rates might not be unreasonable.

5. DO YOU USE YOUR CREDIT SYSTEM FOR ADVERTISING PURPOSES INCLUDING SPECIAL OFFERS, ETC. AND/OR USING THE MAILING LIST? HOW MUCH IS SAVED ON ADVERTISING EXPENSES?

Another phenomenon of the credit card industry is the use of the monthly or periodic statements to advertise products and services offered by the company or associate merchants. Any discussion of the profitability of a credit operation must take into account the cost of alternative forms of advertising that would reach the identical audience with the same penetration. Indeed the customer mailing list itself is an invaluable tool for advertising purposes.

Summary

Generally, the major retailers indicated that credit sales account for 35% to 50% of total sales. For gasoline companies, the range is between 20% and 40% of total sales. Both retailers and gasoline companies agreed that making credit available to their customers is intended mainly

*No new K-Mart accounts are being opened as Kresges-K Mart is phasing out its credit card.

as a marketing tool to increase sales volume and not as a profit making device. Only Canadian Tire revealed that the credit operation is run separately from the retail end with the express purpose of turning a profit. In fact, Canadian Tire merchant stores pay a commission on credit sales to the acceptance company, similar to the merchant discount in tripartite arrangements like Chargex and Master Charge. This commission combined with the interest charges on revolving accounts account for the profit figures at Canadian Tire Acceptance Ltd.

Kresges, however, is phasing out its in-house credit operation, which at present accounts for only 4% of total sales. Although the credit operation now shows a profit, it is the company's belief that credit accounts are not compatible with discounting because of the small margin on most products sold.

The major retailers generally indicated that their credit operations come close to breaking even or in fact do break even. They agreed that breaking-even is the most they should expect from their credit systems although, depending on the type of cost-accounting used, a credit division may show a paper profit for the purpose of obtaining financing from the company.

By contrast gasoline companies indicated that they do not clear a profit or even cover the cost of running their credit operations. The utilities surveyed all agreed that the interest or service charge on past due accounts is merely a collection device, an incentive for consumers to pay promptly. Consumers Gas pointed out that it does show a profit on its service charge because there is no cost in administering the system. Bell Canada is not yet certain if its new policy of service charges on accounts over fifty dollars will pay for itself, since this system began only a few months ago.

Everyone interviewed acknowledged that the billing system is used for advertising products or services and that the list of credit customers is often used for other mailings. In the case of bank cards, only other services offered by the banks are promoted and, recently, Olympic coins. American Express will often include with its statements promotional literature about various products and services backed by American Express.

It seems that retailers use advertising more heavily than the tripartite operations. No one could estimate the savings in advertising expense and it seems that no costing has been done. A rough estimation by Kresges would be of a possible 5% saving on total advertising expenditure. An official of Imperial Oil estimated that savings for his company might amount to between \$75,000 and \$80,000.

6. IS YOUR CREDIT OPERATION COMPUTERIZED? DO YOU USE DESCRIPTIVE OR COUNTRY CLUB BILLING? HOW MUCH WOULD IT COST TO CONVERT TO THE OTHER? IS A CHANGE BEING CONSIDERED?

The importance of computerization is twofold. First, it makes possible the use of various methods of computing interest charges, the most common being the previous balance, the adjusted balance and the highest daily average. The last method is considered by many to be the most equitable to both consumer and credit grantor; however, it does require a complex accounting system that, on a large scale, could only be handled by computer. Second, computerization can determine what is disclosed on the statement. It is possible to program a computer to make sufficient disclosures on a bill to enable the consumer to accurately identify the purchases he has made. It can, in principle, detail the item, the department, the store or branch and the amount.

In many billing operations country club billing has been eliminated in favour of itemized billing, but as is often the case, details of the itemization are often insufficient or incomplete for a consumer to know what was bought, when, where and at what price. Thus the onus is placed on the consumer to check all copies of receipts for each purchase. Should a person use more than one or two credit cards, the volume of paper work could become too great to handle. The increasing use of computers can make it possible to provide information more effectively in billing, especially important if the bills are itemized.

Summary

All the companies interviewed employ computers for their billing operation. With very few exceptions, descriptive or itemized statements are issued. Gasoline companies use country club billing as do Simpsons, The Bay and American Express. American Express and Simpsons both have decided to continue with country club billing which they feel gives them a special appeal. The Bay indicated, however, that it is in the process of changing to descriptive billing. Kresges/K Mart does have a system of country club billing, of a sort – copies of vouchers are included with each statement but these only reveal the department in which an item was purchased but not its nature.

Some companies pointed out that the introduction of a new cash register, such as the NCR-280 can eliminate many of the problems of descriptive billing. These newer registers have the capability of handling more than 2,000 coded descriptions. According to some of the retailers, the problem at present is that descriptive billing depends on the sales staff's description of an item. If it is illegible or incomplete, only the department number appears on a statement. Most agreed that if problems exist with descriptive billing further improvements can be and should be made – a return to country club billing would be an enormously expensive undertaking.

7. WHAT PERCENTAGE OF ACCOUNTS ARE PAID IN FULL WITHIN THE INTEREST FREE PERIOD?
8. OF THOSE THAT ARE NOT PAID IN FULL, WHAT IS THE AVERAGE LENGTH OF TIME THEY REMAIN OUTSTANDING? WHAT IS THE AVERAGE DOLLAR AMOUNT PER ACCOUNT THAT REMAINS OUTSTANDING?
9. DO YOU HAVE ANY STATISTICAL DATA AS TO WHICH INCOME GROUPS PAY IN FULL WITHIN THE INTEREST FREE PERIOD AND WHICH GROUPS INCUR INTEREST CHARGES?

An argument advanced by consumer interests in the United States was that credit cards are basically unfair. Generally they provide an interest free period and it is the higher income groups, who have the readily available money, that tend to pay in this period and avoid incurring interest charges. On the other hand those in the lower income groups tend more to use a credit card as a borrowing device. With the credit card, they can buy an item which they cannot afford to pay for in a lump sum, and they make the minimum monthly payment until the debt is discharged. This can mean that the cost of the credit being afforded the higher income groups is being borne by the interest payment made by the lower income groups. During the U.S. Senate hearings this was cited as a classic case of the poor subsidizing the rich.

Summary

Since there was no agreement of response to questions 7 and 8 , all the answers are reproduced below:

	% of accounts paid in full within interest free period	average length of time outstanding (months)	average amount per account outstanding (\$)
American Express	90% pay to satisfaction of company within 90 days		
Master Charge—			
Bank of Montreal	40	revolves — don't know	250
Chargex — Commerce	—	—	—
Nova Scotia	22	revolves — don't know	300
Royal	45	—	300
Toronto Dominion	33-1/3	revolves — don't know	—
The Bay	22	15	160
Canadian Tire	10	—	148
Eaton's	—	8	450
Kresges	very few	—	—
Simpson's	don't know	9-10	212
Simpson-Sears	15-18	9-10	200
Imperial Oil	60-65	3	97
Shell	70	—	—
Bell	(service charge recently began, too soon to tell)		
Consumers' Gas	80	1	—

Generally it was revealed that no specific data are kept on income group and paying habits. However, several of the credit officials considered that the higher income groups would pay within the interest free period and lower income groups would take advantage of revolving credit. Only the Bay could point to its own experience that those earning under \$8,000, transportation workers and lawyers accounted for collection difficulties. Surprisingly, the 19-25 year old group was the most prompt in paying.

10. RETAIL AND GASOLINE: WOULD YOUR PRICES BE HIGHER, LOWER OR THE SAME IF YOU DID NOT OFFER ANY CREDIT ARRANGEMENT?

Some people maintain that cash customers subsidize credit card users, that the costs involved in granting credit are passed on by raising the prices of goods and services. We asked the retail and gasoline credit grantors, therefore, for their personal opinion regarding the impact of their in-house credit operation on pricing.

Summary

Again there is no consensus of response. Only spokesmen for Kresges and Imperial Oil felt that in the long run prices would be lower. Those who argued that prices would stay about the same or increase seemed convinced that loss of in-house credit would mean lower sales volume. This lower sales volume, it was felt, was bound to raise prices.

11. HOW DO YOU CALCULATE YOUR SERVICE CHARGES – ON THE PREVIOUS BALANCE, ADJUSTED BALANCE, HIGHEST DAILY AVERAGE, ETC.? WHAT MADE YOU CHOOSE THIS METHOD?

This question is self-explanatory. Its objective is to obtain a view of credit grantors' service charge policy. Is interest calculated on the previous balance in order to break even, or is it used as a means of increasing profit margin. Would money be lost if the adjusted balance was employed? Is the daily average too complicated? Have any studies been undertaken to assess the consequences of using the different methods?

Summary

Master Charge uses the average daily balance method of computing interest. According to the company this method is not only the most equitable to the consumer, but is the fairest for both parties. Some Chargex operations, as well as Shell (gasoline) and Kresges, use the adjusted balance method. All other companies, except the utilities, use the previous balance method; those using it agreed that the adjusted balance method would decrease revenues and interest charges might have to be raised. Some retailers do adjust the balance, however, if a payment exceeds 50% of the amount owing. (This is required by law in Quebec.)

Several credit officials were cautious about implementation of the average daily balance method. It seems that this method calls for rather complex calculations that would need computers if any substantial number of accounts are to be handled. Although all companies in this survey use computerized billing it was the opinion of some that if legislation required adoption of the daily average method, smaller companies that do not use computers would necessarily be forced out of credit operations.

In general, the service charge or penalty imposed by the utilities is a flat charge applied only once. But utilities have, of course, the added ability to enforce payment through threat of cutting off service.

12. HOW LONG DOES IT TAKE FOR A PAYMENT TO CLEAR THE ACCOUNTING DEPARTMENT? HOW LONG AFTER THE BILLING DATE IS A STATEMENT MAILED OUT?

All the credit card programs surveyed offer the customer an interest free period, usually 25 to 30 days. This is a provision with many built-in ambiguities. Does this period start from date of purchase, from the billing date on a statement or on the day a statement is received? If payment is made by mail, must time be allowed for postal delivery? Must time also be allotted for the credit grantor's accounting department to process the payment? Just how much time does a customer really have to pay a bill and avoid incurring interest charges? This question was an attempt to obtain a more precise definition of interest-free periods.

Summary

Most companies indicated that once a payment is received at the computer centre, it will normally take less than 24 hours and no more than 48 hours for payment to be posted to an account and therefore to appear on the next statement. Eaton's and the Bay pointed out that the new "280" registers being installed in many of their stores eliminate much of the former time delays. These registers are connected to the data processing centre and a payment is posted immediately it is paid.

Delays in posting payments to an account occur when payments are made at a branch of a store or a bank on the due date. It will often take several days after a payment is made until it can be transferred to the data centre and posted to an account. In these cases a customer might find that interest is computed on the balance of his account even though he has made a payment. Canadian Tire, however, allows a grace period and no interest is charged unless a payment is not received by the next billing cycle. This policy was instituted because of the slow mail service to Canadian Tire's data processing centre in Welland, Ontario. Eaton's says it posts payments on the transaction date rather than on the processing date and adjustments are made on next month's statement if necessary. Kresges on the other hand must receive a payment by the due date at its data centre if a payment is to be, in fact, received; otherwise interest will be computed.

It was agreed that the length of time between billing date and date of receipt by the consumer does reduce the interest free period. Many companies indicated that statements are mailed between two and four days after the billing. Allowing for mailing time of two or three days, a customer's interest free period is shortened by at least six to eight days. Only Master Charge said it mails out statements on the billing date or no more than one day later.

Companies using country club billing take longer to mail out statements, possibly not until seven or eight days after the billing date. This is attributed entirely to the additional processing of receipts required in country club billing.

13. DO YOU HAVE ANY DATA ON THE NUMBER OF PURCHASES THAT ARE MADE WITH LOST OR STOLEN CREDIT CARDS? WHAT IS THE POLICY TOWARD THE CARDHOLDER IN THIS SITUATION?

14. WHAT PERCENTAGE OF TOTAL CREDIT REVENUES DO THESE LOSSES REPRESENT?

The Consumer Protection Acts of all the provinces contain a provision that limits liability for unauthorized purchases made with lost or stolen cards. In some cases liability is abolished while in others it is limited to \$50.00. American legislation also contains provisions that regulate consumer liability.

This question was asked firstly, to test the feasibility of legislative abolition of liability altogether, and secondly, to understand the impact of the legislation that already exists. Does this legislation force credit grantors to upgrade security as a result? Are all consumers paying for these types of losses in the form of higher prices?

Summary

All companies indicated that losses are minimal due to the unauthorized use of a lost or stolen credit card. It was reported that losses amount to as much as 2% and as little as 0.01% of total credit revenues. Generally, most figures are well under 1%.

The policy towards the cardholder in this situation is normally explained in the credit agreement. In many agreements it is understood that the cardholder is responsible for the first \$50. Several companies reported, however, that as long as a cardholder has notified the proper office of his loss, the \$50 charge is never made. But all agreed that removing customer liability completely from the credit agreement would reduce consumer responsibility toward safeguarding the card.

15. IF MERCHANDISE IS RETURNED AS DEFECTIVE, ARE SERVICE CHARGES RETROACTIVELY WIPED OUT?

If a consumer buys merchandise that turns out to be defective within the allowable return period, or if a credit-grantor's policy allows for free returns even where there is no defect, is a consumer subjected to service charges on such transactions? In other words, is the entire transaction erased and does the consumer receive credit for the purchase price as well as the interest charged?

Summary

There was no consensus of policy on this matter by the retailers and tripartite credit grantors. Kresges/K Mart indicated that service charges are wiped out automatically when an item is returned. Simpsons Sears reported that service charges are removed retroactively when the date of purchase is known. However, customers themselves often present a problem in this area: a customer, believing that returns must be made within a specified time period, will lie to the salesclerk and say an item was bought "last week" when in fact it was purchased "two months ago."

Most companies do not remove the service charge, but, at a customer's request, will often do so to promote good customer relations.

This situation does not arise with American Express due to the nature of its card member accounts.

15a. TRIPARTITES:

- a. DO YOU ENFORCE PAYMENTS ON DEFECTIVE MERCHANDISE?
- b. WOULD IT AFFECT YOUR OPERATIONS IF YOUR COMPANY WAS FORCED TO ASSUME RESPONSIBILITY IN THIS SITUATION?
- c. HOW LONG FROM THE TIME AN ITEM IS RETURNED FOR CREDIT DOES THIS INFORMATION REACH YOU? ARE SERVICE CHARGES ON THE ITEM WIPED OUT RETROACTIVELY?

Perhaps the most innovative aspect of the U.S. Fair Credit Billing Act was to make both tripartite credit grantor and the merchant responsible, in defined circumstances, for consumer complaints about goods and services. At present Canadian law regarding the major tripartite companies – Chargex, Master Charge and American Express – does not hold them accountable. It is the consumer alone who is responsible for payment of the principal and any service charges incurred, even if he has a valid claim against the merchant in the transaction, for example, if the merchandise is defective.

What would be the impact on Canadian tripartite companies if they were forced to assume the liability dictated by the Fair Credit Billing Act? At the U.S. Senate hearings the major tripartite companies claimed that it would be virtually impossible for them to continue charging the present rates without incurring losses if this provision were passed. Do their Canadian counterparts share a similar view, and, if so, what concrete information have they to support it? It should be noted that in the U.S. the Federal Trade Commission has promulgated a new rule (14 CFR 433) which requires all consumer credit contracts to indicate that the holder of the contract will be subject to any defence the consumer has against his seller.

Under present conditions a consumer can, in many instances, successfully obtain credit from a merchant on returning an item purchased with a tripartite card. Credit information is relayed to the credit card company by the merchant and the consumer's account is adjusted accordingly. Question 15b was asked to determine how long this process takes and whether service charges are wiped out retroactively in these cases as well.

In addition, an attempt was made to discover if tripartite companies have a mediation policy. If a consumer complains in a case where a merchant is proved to be intransigent, would the company then try to mediate the dispute? Would a tripartite company intervene to right a wrong or does policy prevent this?

Summary

These questions were asked of American Express, Master Charge and the banks handling Chargex.

American Express and the Royal Bank Chargex indicated that they intervene in disputes between consumers and merchants. Toronto Dominion Chargex said it will cancel a merchant account if many complaints are received, and Nova Scotia Chargex says it will credit a customer's account in the case of a valid claim. Only Master Charge reported that its initial position is impartial but it will intervene on either side of a consumer-merchant dispute if circumstances so indicate. In some cases it will even absorb a loss.

If Canadian tripartite companies were forced to assume consumer defences, American Express and Nova Scotia Chargex believed that this would not substantially harm their operations. Both the Royal Bank and Toronto Dominion agreed that they could not absorb the added losses without raising the interest charges.

It was explained by all companies that the receipt and posting of credit vouchers to a customer's account depends on the merchant alone – when a merchant makes his deposits. In general, credit vouchers are posted within a week of issue, but it can take as long as two weeks if a merchant is delinquent.

16. DO YOU HAVE A SPECIAL OFFICE THAT HANDLES BILLING ENQUIRIES AND COMPLAINTS?
17. HOW MANY STAFF ARE IN THIS OFFICE?
18. WHAT IS THEIR DEGREE OF RESPONSIBILITY AND INDEPENDENCE? ARE THEY AUTHORIZED TO MAKE DECISIONS ON CREDIT MATTERS OR MUST THEY REFER TO A HIGHER DEPARTMENT?

19. IS THERE A SPECIAL PROCEDURE TO DECIDE THE MERITS OF A CUSTOMER'S CLAIM?
20. IS THERE ANY ATTEMPT TO SETTLE DISPUTES WITHIN A SPECIFIC TIME PERIOD? DO YOU FURNISH DOCUMENTED REASONS ALONG WITH A DECISION ON A CLAIM?
21. IS THERE A RECORD KEPT OF THE NUMBER AND TYPE OF COMPLAINTS HANDLED? IS IT AVAILABLE FOR STUDY?

One of the major consumer criticisms of billing practices is the so called "unresponsiveness of the computer." We have all heard stories of people getting automatic print-out answers completely irrelevant to their enquiries for years after making a complaint to a credit grantor. Thus one of the most important factors in the regulation of credit card industry must be the procedures that the credit grantors follow in cases of consumer inquiry and/or complaint. These questions are aimed at obtaining a comprehensive view of the credit grantors' present policies and procedures in this area.

Summary

All companies surveyed have set up facilities for handling consumer enquiries or complaints regarding billing. Either there is a separate consumer relations department or the credit department itself handles these enquiries. It was reported that generally the clerks answering phone enquiries can clarify a problem. They are authorized to make adjustments on a customer's account up to a certain dollar limit. Beyond that limit (not specified to us by the companies) a complaint will probably not be rectified that same day, and must involve either a credit manager, the sales staff, or both.

Almost all the companies stated that their goal is to clear up billing problems "as soon as possible — within 24 hours." Some companies pointed out that disputed items are removed from an account and placed in a suspense account. Only when the dispute is settled is the amount reposted, thus eliminating the possibility that interest might be charged before a dispute is cleared up.

Most companies keep records of phone enquiries but in many cases it was felt that this was confidential information. Some companies do not categorize complaints according to type; billing enquiries are simply combined with other types of enquiries. We shall therefore not reveal the few statistics we were able to gather.

If an enquiry cannot be answered quickly (this time period ranged from one week to one month) or if further research is required, almost all companies stated that a phone call is made or a letter is sent out informing the consumer that an investigation is underway. It was generally reported that rarely would a dispute go on longer than two months (or into the second billing cycle.)

22. IF PAYMENT IS NOT MADE ON A DISPUTED CLAIM, DO YOU PASS THIS INFORMATION TO A CREDIT BUREAU? DO YOU STATE THAT THE AMOUNT IS IN DISPUTE?
23. IF AT A LATER DATE PAYMENT IS MADE, DO YOU PASS THIS INFORMATION ALONG TO THE CREDIT BUREAU AND CORRECT THE PREVIOUS REPORT?

The credit grantor possesses valuable information about a consumer, and its dissemination has the potential of affecting a consumer's ability to obtain credit.

Summary

Ontario Hydro, Consumers' Gas, and American Express report that they never pass on credit information to a credit reporting agency. Bell Canada does not generally exchange information with a credit bureau but will report an account that has been written off.

The other companies surveyed indicated that they do not pass on information to a credit reporting agency about delinquent accounts; if there is an ongoing dispute regarding an account no report would be passed on until a final decision had been made on the status of the account.

On request by a credit reporting agency, companies said they will disclose the status of an account but in all cases it was explained that an account in dispute would be reported as such or not reported at all (especially if the amount has been placed in a suspense account).

Almost all companies indicated that information to update a previous report to a credit bureau is never sent automatically. Kresges will update a report but only on request of a customer, and Master Charge will report if an account that was written off has now been paid. The exceptions are Bell Canada and Texaco who stated that corrections and updates are forwarded automatically to a credit bureau.

RESULTS OF CONSUMER SURVEY

The following are the highlights of the findings of the consumer survey. The questions and detailed results are given in Appendix V.

Awareness (Part I of questionnaire results)

It appears that most consumers are aware that their accounts offer an interest free period (if such is the case) but in almost all instances they believed that the period is 30 days, which is, in fact, correct for only Eaton's, Simpsons and the Bay. It also appears that most consumers know that interest or a service charge will be added to their accounts if the balance is not paid in full by a specified date, but the number of respondents who were not sure was significant. Furthermore it seems that very few know the exact rate of interest or service charge. It is interesting to note that 48.2% of those interviewed indicated that if interest or a service charge is detailed on their bills, they will check the calculation for possible errors. But such a calculation is impossible, and futile as well, unless the rate and method of computation are known.*

Users of tripartite accounts seemed to have the most accurate knowledge of the terms of their accounts. An overwhelming majority knew that in case of dispute the merchant is responsible for settling a claim although a small percentage of those interviewed (6.8%) have sought redress from the credit card company. In 66.7% of these cases, the credit card company assumed responsibility. This sample was very small; however, results of the credit grantor survey similarly revealed that some tripartite companies often become involved in consumer/merchant disputes.

Bill Paying Habits

A majority of consumers (for most accounts, usually over 70%) indicated that the most popular way of keeping track of items on a statement is to retain the receipts, although a significant number uses other methods. In the case of some utilities, namely Hydro and the home fuel companies, people generally pointed out that they really have no way of knowing whether a bill is correct or not. Since people often hold a number of accounts, the volume of paper that must be collected, sorted and retained is growing at a phenomenal rate, especially as more companies switch to descriptive billing.

Of those interviewed, however, 33.8% are not satisfied (see Appendix IV, with descriptive billing and the major complaint is that it is not clear from the statement what items have been purchased. The most frequent suggestion was that companies should provide receipt vouchers along with the statement.

Interestingly enough, 41.5% of the respondents said that if they had a choice they would prefer to choose their own billing date. The credit grantors indicated that this could probably be arranged except where the billing system is alpha-numeric (according to last names) or, in the case of Hydro, where the billing date is determined by the time of the meter reading. Texaco pointed out, however, that a choice of billing date was available on its credit card application several years ago, but so few people responded positively to the offer, that it was removed in the subsequent printing.

*Provincial legislation requires disclosure of the rate in the Master Agreement and notification of any changes. In addition, the statement itself may disclose the rate of charge.

Incidence of Finding Errors:

Of the total sample surveyed by telephone 48.2% recall having found an error in a bill or statement.* Checking statements would not prevent or correct an error, and no correlation was found between such variables as sex, knowledge of credit terms, income and education (to name but a few) and the incidence of finding errors. Anyone, it seems, can be a victim, without even knowing it.

To determine the extent of other consumer complaints on record regarding billing errors, several consumer complaint offices were visited and their files examined. These were the Box 99 Headquarters in Ottawa and the Toronto regional office of the Department of Consumer and Corporate Affairs, the Consumer Protection Bureau of the Ontario Department of Consumer and Commercial Relations, and the Toronto Better Business Bureau. In comparison to our survey findings, the figures from these sources appear extremely low. It must be noted that these findings involve billing matters "received" and not necessarily the number of billing problems "found" by consumers or indeed the number that may "exist". It is our opinion that most consumers, whether for lack of knowledge that these avenues of complaint exist or for some other reason, do not take advantage of these complaint channels. This is indicated by the total number of complaints handled by the various offices and the results of our survey. We found that only 2.9% of people who found a billing error took their problems elsewhere. Consumers may feel, perhaps rightly, that a billing problem involving a few cents or dollars simply does not warrant the effort necessary for further complaint.

A further word of caution must be sounded. The searches of files carried out at the various bureaus were done by hand and in some cases, files were not clearly organized and others were unavailable for study. Therefore the probability of error is rather high. We looked at the number of consumer complaints on all subjects and the complaints about billing only for 1973 to 1975. Billing complaints were few in number and percentage compared to the total number of complaints received by the Department of Consumer and Corporate Affairs (Ontario Region), the Consumer Protection Bureau, the Better Business Bureau, and "Box 99" Headquarters.

It was our wish also to examine the files of "Star Probe", a daily column in the *Toronto Star* which attempts to solve all types of consumer problems. These files, however, were not available, but by reading the column over a period of a few months, there were indications that billing errors are often a subject of public concern. Indeed this is confirmed in a recent article on computerized billing in the *Toronto Star* dated September 15, 1975: "Star Probe files are filled with cases where people found errors in their computerized bills."

The types of errors reported by consumers seem to bear no relationship to the terms of the credit agreement. The two most often cited errors were mechanical in nature. People complained mostly that they were charged for something that should not have been on the account (53.8%) and that a credit did not correctly appear on the statement (13.9%). And as it turns out, according to the consumers interviewed, in 97.1% of complaints the errors were the fault of the companies.

At the time of the survey the vast majority of complaints (more than 90%) had been resolved to the satisfaction of the consumers interviewed. In 61.4% of cases this occurred within a month and

*The probability that any one of the general group considered might answer the same way is 0.482 ± 0.051 to a 95% confidence interval. This result is rather startling because it is likely that many billing errors go unnoticed.

before the next billing date. But for those errors not resolved immediately, fewer and fewer errors were disposed as time progressed (7.4%) until a low point in the 2-3 month period had been reached. Then, after three months had passed since an initial inquiry, the percentage of errors corrected increased (15.9%).

These results seem to contradict the reports of the credit grantors interviewed. Most indicated that if billing errors could not be satisfactorily cleared up within a few days or, at worst, by the next billing cycle, the disputed amount would be placed in a suspense account and no interest would be computed, or consumers would be sent a letter informing them of the investigation procedures. But 29.6% of consumers indicated that interest was or is charged during the dispute and only a small percentage reported having received any letter or explanation.

CONCLUSIONS

The consumer survey showed that a significant number of consumers had discovered billing errors. The vast majority of these were of a mechanical nature, e.g. billing an item to the wrong person. Only a small number involved disregard of the provisions of a statute or credit agreement. Data were not sufficient to draw conclusions from this. Generally, problems were resolved quickly, although most enquiries (69.5%) were not formally acknowledged, causing frustration among consumers.

As for the credit grantors surveyed, retailers tended to undertake credit operations to expand sales and not with a view to profit therefrom. Credit transactions did indeed account for a significant portion of sales. The various methods used to compute credit charges (average daily balance, adjusted balance, previous balance) are a cause of consumer confusion. A further lack of standardization occurs in the handling of charges relating to returned goods. However, every company surveyed had a consumer enquiry department, indicating that an emphasis is placed on consumer relations and that the volume of consumer enquiries is considerable.

It would be inappropriate to make firm recommendations based on what is in effect a preliminary study of billing practices; this was not the intention of the study. Several points, however, can be made.

The present legislation appears ineffective. This is due in part to statutes that give few rights and weak remedies, and in part to ambiguity within the statutes, e.g. whether credit application forms must contain the full terms of the credit agreement. Further, the various Consumer Protection Acts across Canada lack uniformity. From our empirical study, we can see a need for legislation, perhaps similar to the Fair Credit Billing Act, compelling credit grantors to answer consumer enquiries. We also think it desirable that the method of computation of interest charges should be standardized. Here, too, legislation seems to be the answer, and uniformity of legislation becomes even more important. Informing consumers of their rights is another vital concern, for without such information the rights are useless. It may be that legislation should also be considered requiring the credit grantor to include this information periodically with billing statements.

It is sometimes said that public administrative enforcement of remedies is cumbersome and costly. Whether or not this is true is beyond the scope of this study. But it is clear that public enforcement cannot remedy all the breaches of statute or contract.

Private remedies, as they now stand, are also of questionable value. It is unrealistic to pursue a minor complaint through the courts. Class actions are only possible in those few situations where the consumer has a common ground of complaint with other consumers, e.g. systematic violation of the statute by the credit grantor. Even where a class action would lie, most provinces do not allow the contingency fee basis of pursuing a claim, so the nominal plaintiff risks the burden of overwhelming costs if he loses. Further, class actions in Canada have been plagued with preliminary motions to stall the action and discourage the plaintiff. Many claims are abandoned before the case is heard in court.

Some solutions, of course, are now being considered on both the federal and provincial levels. We shall not discuss them here, except to mention that the federal government intends soon to bring forth its own trade practices legislation. As previously noted, provincial uniformity would be welcome.

APPENDIX I

CREDIT GRANTOR SURVEY

1. How many active consumer accounts do you hold?
2. Do you aim at any particular segment of the consumer population? Do you in fact reach that target?
3. Retail, Gasoline:
 - a. Can you break down in dollars your total sales, credit sales, credit revenue and credit cost?
Tripartite:
 - b. What percentage of consumer loans are in the form of charge accounts? Is this up or down from previous years?
4. Does your credit operation show a profit? If not, why continue the arrangement?
5. Do you use your credit system for advertising purposes including special offers, etc. and/or using the mailing list? How much is saved on advertising expenses?
6. Is your credit operation computerized? Do you use descriptive or country club billing? How much would it cost to convert to the other? Is a change being considered?
7. What percentage of accounts are paid in full within the interest free period?
8. Of those that are not paid in full, what is the average length of time they remain outstanding? What is the average dollar amount per account that remains outstanding?
9. Do you have any statistical data as to which income groups pay in full within the interest free period and which groups incur interest charges?
10. Retail and Gasoline: Would your prices be higher, lower or the same if you did not offer any credit arrangements?
11. How do you calculate your service charges – on the previous balance, adjusted balance highest daily average, etc? What made you choose this method?
12. How long does it take for a payment to clear the accounting department? How long after the billing date is a statement mailed out?
13. Do you have any data on the number of purchases that are made with lost or stolen credit cards? What is the policy toward the cardholder in this situation?
14. What percentage of total credit revenues do these losses represent?

15. If merchandise is returned as defective, are service charges retroactively wiped out? a, b and c apply to Tripartite only.
 - a. Do you enforce payments on defective merchandise?
 - b. Would it affect your operations if your company was forced to assume responsibility in this situation?
 - c. How long from the time an item is returned for credit does this information reach you? Are service charges on the item wiped out retroactively?
16. Do you have a special office that handles billing enquiries and complaints?
17. How many staff are in this office?
18. What is their degree of responsibility and independence? Are they authorized to make decisions on credit matters or must they refer to a higher department?
19. Is there a special procedure to decide the merits of a customer's claim?
20. Is there any attempt to settle disputes within a specific time period? Do you furnish documented reasons along with a decision on a claim?
21. Is there a record kept of the number and type of complaints handled? Is it available for study?
22. If payment is not made on a disputed claim, do you pass this information to a credit bureau? Do you state that the amount is in dispute?
23. If at a later date payment is made, do you pass this information along to the credit bureau and correct the previous report?
24. Is it possible for a customer to choose his own billing date?
25. What is your policy on billing matters during a postal delay or strike?
26. How many days pass from the billing date on a statement until the statement is mailed out?

APPENDIX II

60 St. Clair Avenue West
Suite #6
Toronto, Ontario
M4V 1M7

July 21, 1975.

Dear CAC Member:

The Consumers' Association of Canada (Toronto) has received funding from the Consumer Research Council and from the Secretary of State to continue our study into billing practices that was begun more than two years ago. We have hired several students for the summer to research various aspects of billing practices.

As a major part of this study, a number of local members are being asked to assist in a telephone survey. Your name was randomly selected from the membership list and a researcher will call to speak to a member of your household in a few days. To ensure anonymity, the researcher will know only your telephone number. The questionnaire should take only a few minutes of your time.

Your help is very important for the success of this study. Should you have any questions about the survey, please call our project office at 923-3439.

Yours truly,

CONSUMERS' ASSOCIATION OF CANADA (TORONTO)

Lou Rubino

(Mrs.) L.J. Rubino
President

Catherine M. Barrick

(Mrs.) C.G. Barrick
Project Coordinator

APPENDIX III

60 St. Clair Ave. West
Suite #6
Toronto, Ontario
M4V 1M7

July 21, 1975.

Dear Consumer:

The Consumers' Association of Canada is a non-profit, voluntary organization which presents the consumer viewpoint to government, business and industry, and publicizes information and test results about products and services available in the market place.

We are asking for your help in a study that we are conducting into computerized billing of credit accounts. This study is being done in cooperation with the Consumer Research Council, a federal government agency, and the results will be of benefit to you and other citizens.

As a major part of this study, a number of local residents are being asked to assist in a telephone survey. Your name has been randomly selected from the telephone book and a researcher will call to speak to a member of your household in a few days. To ensure anonymity, the researcher will know only your telephone number. The questionnaire should take only a few minutes of your time.

Your help is very important for the success of this study. Should you have any questions about the survey, please call our office at 923-3439.

Yours truly,

CONSUMERS' ASSOCIATION OF CANADA (TORONTO)

Rose Rubino

(Mrs.) L.J. Rubino
President

Catherine M. Barrick

(Mrs.) C.G. Barrick
Project Coordinator

APPENDIX IV

LOG OF RESPONSES TO TELEPHONE SURVEY

Completed calls:

valid responses	367	
disqualified answer sheets	33	
		390

Non-responses:

language difficulty	55	
lines not in service	65	
refusals	166	
businesses reached	46	
		332

Call backs:

never reached		<u>778</u>
		1,500

APPENDIX V

RESULTS OF THE CONSUMER QUESTIONNAIRE

The figures shown are percentages of the sample surveyed.

PART I

1. Screening the respondent.
2. Screening the respondent.
3. Is there a limit to how much you can charge on your account?

	Yes*	No	Not sure	No answer
Bay	27.8	47.2	22.2	2.8
Canadian Tire	43.8	31.3	25.0	—
Eaton's	37.4	44.4	17.2	1.0
Esso	10.7	67.9	21.4	—
Kresges	50.0	50.0	—	—
Shell	10.0	53.3	33.3	3.3
Simpson's	27.7	52.1	19.1	1.1
American Express	50.0	35.7	14.3	—
Chargex — Royal	92.3	7.7	—	—
Commerce	79.5	7.7	5.1	—
T.D.	76.9	19.2	3.8	—
Nova Scotia	84.2	—	15.8	—
Master Charge — B. of M.	78.6	7.1	14.3	—
Bell Canada				
Consumers' Gas				
Hydro				
Shell (home fuel)				Not applicable
Texaco (home fuel)				

* Indicates correct answer.

4 a. Does your account offer an interest free period before you are required to make a payment?

	Yes*	No	Not sure	No answer
Bay	72.2	5.6	19.5	2.8
Canadian Tire	50.0	18.8	31.3	—
Eaton's	80.0	8.1	11.1	1.0
Esso	60.7	10.7	28.6	—
Kresges	50.0	50.0	—	—
Shell	56.7	13.3	26.7	3.3
Simpson's	72.3	8.5	18.1	1.1
American Express	50.0	21.4	28.6	—
Chargex — Royal	84.6	7.7	7.7	—
Commerce	76.9	2.6	15.4	5.2
T.D.	82.6	4.3	13.0	—
Nova Scotia	68.8	12.5	18.8	—
Master Charge — B. of M.	73.1	11.5	15.4	—
Bell Canada				
Consumers' Gas				
Hydro				
Shell (home fuel)				
Texaco (home fuel)				

Not applicable

*Indicates correct answer.

4 b. How many days interest free is allowed on your account?

	Right	Wrong	Of those wrong ' (% and days)	Not sure
Bay (30)*	70.4	11.1	—	18.5
Canadian Tire (25)	—	45.5	72.7 said 30	27.3
Eaton's (30)	65.8	13.9	—	20.3
Esso (25)	5.3	47.4	84.2 said 30	10.5
Kresges (25)	1 person said 25		1 person said 30	
Shell (60)	15.8	73.2	47.4 said 30	10.5
Simpson's (30)	62.9	18.5	—	18.6
American Express (60)	15.4	69.2	38.5 said 30	15.4
Chargex — Royal (25)	4.0	84.0	44 said 30	12.0
Commerce (25)	9.4	81.2	43.8 said 30	9.4
T.D. (25)	9.1	80.3	54.5 said 30	13.6
Nova Scotia (25)	7.7	84.6	61.5 said 30	7.7
Master Charge — B. of M. (25)	16.7	61.1	33.3 said 30	22.2
Bell Canada				
Consumers' Gas				
Hydro			Not applicable	
Shell (home fuel)				
Texaco (home fuel)				

*Bracketed number indicates days of interest free period.

5 a. Are you required to pay interest or other charges on your account if you do not pay in full by a certain date?

	Yes*	No	Not sure	No answer
Bay	88.9	5.6	5.6	—
Canadian Tire	75.0	6.3	12.5	6.3
Eaton's	97.0	1.0	2.0	—
Esso	92.6	3.7	3.7	—
Kresges	—	100.0	—	—
Shell	76.7	10.0	10.0	3.3
Simpson's	89.4	5.3	4.3	1.1
American Express	73.1	19.2	7.7	—
Chargex — Royal	95.8	4.2	—	—
Commerce	87.2	2.6	10.3	—
T.D.	84.6	15.4	—	—
Nova Scotia	73.7	5.3	15.8	5.3
Master Charge — B. of M.	88.5	3.8	3.8	3.8
Bell Canada	48.4	30.3	19.7	1.6
Consumers' Gas	80.0	11.4	5.7	2.9
Hydro	74.7	15.4	8.8	1.1
Shell	37.5	25.0	37.5	—
Texaco	33.3	58.3	8.3	—

*Indicates correct answer.

5 b. What is the rate charged on your account?

	Correct	Incorrect	Not sure	No answer
Bay (1.75% mo./21% yr.)	9.4	43.8	37.5	9.4
Canadian Tire (2/24)	30.8	46.2	23.1	—
Eaton's	14.6	39.6	41.7	4.2
Esso	4.0	48.0	48.0	—
Kresges	—	—	100.0	—
Shell (1.5/18)	33.3	29.2	33.3	4.2
Simpson's (1.75/21)	14.8	38.6	39.8	6.8
American Express*	16.7	29.2	54.2	—
Chargex — Royal (1.5/18)	60.9	13.0	46.2	—
Commerce (1.5/18)	41.2	20.6	38.2	—
T.D. (1.5/18)	50.0	9.1	40.9	—
Nova Scotia (1.5/18)	50.0	21.4	28.6	—
Master Charge — B. of M. (1.5/18)	39.1	30.4	30.4	—
Bell Canada	7.8	17.2	70.3	—
Consumers Gas	13.8	31.0	55.2	—
Hydro	—	—	—	—
Shell (home fuel)	33.3	—	66.7	—
Texaco (home fuel)	16.7	16.7	66.7	—

*American Express does not charge interest as such. The \$20 annual fee replaces services charges. There is a further penalty for failure to pay within 90 days.

6. Have you ever paid interest on your account?

	Yes	No	Not sure	No answer
Bay	13.9	86.1	—	—
Canadian Tire	50.0	50.0	—	—
Eaton's	46.5	53.5	—	—
Esso	25.9	74.1	—	—
Kresges	50.0	50.0	—	—
Shell	26.7	70.0	3.3	—
Simpson's	38.9	61.1	4.0	—
American Express	8.0	88.0	4.0	—
Chargex — Royal	47.8	52.2	—	—
Commerce	47.2	52.8	—	—
T.D.	56.5	43.5	—	—
Nova Scotia	43.8	50.0	6.3	—
Master Charge — B. of M.	28.0	72.0	—	—
Bell Canada	4.2	95.0	0.8	—
Consumers' Gas	8.3	91.7	—	—
Hydro	18.7	81.3	—	—
Shell (home fuel)	12.5	75.0	12.5	—
Texaco (home fuel)	—	100.0	—	—

7. Do you think that companies offering credit are required to tell their customers before raising the interest rate or service charge on an account? (367)*

yes — 83.9 no — 8.5 not sure — 6.1 no answer — 0.6

*Bracketed numbers after a question indicate the total number of responses for that question. All responses are percentages.

8. What should a customer who loses a credit card do? (367)

phone the company	66.2
write the company	6.8
phone and write the company	19.1
not sure	3.0
do nothing	0.5
other:	3.9
no answer	0.5

9a. Is a customer responsible for paying the bills on an account that was used without his or her permission? (367)

yes — 49.0 no — 41.1 not sure — 8.2 no answer — 0.5

b. In dollars, how much is a customer responsible for if an account is used without the customer's permission? (180)

\$50	27.2
more than \$50, less than \$100	2.2
more than \$100	8.9
not sure	42.8
different for each account	11.7
no answer	7.2

10. If a customer has a problem with something bought with Chargex, Master Charge or American Express, there are three parties involved in the purchase — the customer, the store and the credit card company. Do you think the store or the credit card company is responsible for satisfying the customer who has a complaint? (117)

store	87.2
credit card company	6.0
both	4.3
neither	0
not sure	2.6
other:	0
no answer	0

11a. Have you ever gone to a credit card company with a complaint about a purchase? (117)

yes — 6.8 no — 93.2 not sure — 0 no answer — 0

b. What happened? (9)

told merchant is responsible	33.3
credit company took responsibility	66.7
both took responsibility	0
neither took responsibility	0
still in dispute	0
gave up complaining	0
no answer	0
other:	0

12. Do you think a utility company such as Bell Canada, Ontario Hydro or Consumers' Gas can cut off service to a customer's home if his account is overdue? (if a customer does not pay his bills)

yes – 87.7 no – 10.9 not sure – 1.4 no answer – 0

PART II

1. For your account, how do you know the statement you receive is correct?

	Keep receipts	Keep track another way	Itemized bill	Trust co. or computer	No way of knowing	Other	No ans.	Other
Bay	82.9	8.6	—	5.7	—	2.9	—	—
Canadian Tire	62.5	—	6.3	6.3	6.3	6.3	12.5	—
Eaton's	74.7	13.1	4.0	4.0	3.0	—	1.0	—
Esso	77.8	11.1	7.4	3.7	—	—	—	—
Kresges	50.0	—	—	—	—	50.0	—	—
Shell	79.3	6.9	6.9	6.9	—	—	—	—
Simpson's	77.4	11.8	4.3	4.3	—	1.1	1.1	—
American Express	72.0	16.0	4.0	4.0	4.0	—	—	—
Chargex — Royal	78.3	17.4	4.3	—	—	—	—	—
Commerce	82.1	10.3	2.6	2.6	2.6	—	—	—
TD	82.6	8.7	—	—	4.3	—	4.3	—
Nova Scotia	68.8	18.8	—	12.5	—	—	—	—
Master Charge — B. of M.	72.0	16.0	4.0	8.0	—	—	—	—
Bell Canada	2.6	46.7	23.0	13.1	13.1	0.8	—	0.8
Consumers' Gas	—	22.2	—	27.8	44.4	2.8	—	2.8
Hydro	—	23.7	1.1	29.1	46.2	—	—	—
Shell	22.2	33.3	—	22.2	22.2	—	—	—
Texaco	—	33.3	8.3	41.7	8.3	8.3	—	—

2. For your account, how much time do you have from the day you receive a bill or statement until a payment is due?

	1 wk	1-2 wks	2-3 wks	3-4 wks	4 wks	Not sure	Other	No answer
Bay	2.9	20.0	22.9	22.9	2.9	28.6	—	—
Canadian Tire	—	18.8	—	18.8	12.5	43.8	—	6.3
Eaton's	6.1	22.2	15.2	35.4	2.0	18.2	1.0	—
Esso	7.4	11.1	7.4	33.3	3.7	33.3	—	3.7
Kresges	—	50.0	—	50.0	—	—	—	—
Shell	10.3	13.8	10.3	20.7	6.9	34.5	—	3.4
Simpson's	5.4	21.5	14.0	35.5	1.1	20.4	1.1	1.1
American Express	17.9	21.4	3.6	32.1	10.7	14.3	—	—
Chargex — Royal	3.8	23.1	38.5	26.9	—	7.7	—	—
Commerce	12.8	17.9	25.6	30.8	2.6	10.3	—	—
TD	—	30.8	23.1	38.5	—	7.7	—	—
Nova Scotia	—	26.3	21.1	42.1	5.3	5.3	—	—
Master Charge — B. of M.	—	21.4	39.3	21.4	—	17.9	—	—
Bell Canada	18.0	21.3	5.7	23.0	5.0	26.2	0.8	—
Consumers' Gas	16.2	46.0	8.1	13.5	—	13.5	—	2.7
Hydro	10.8	51.6	8.6	8.6	1.1	19.4	—	—
Shell (home fuel)	—	11.1	—	55.6	11.1	11.1	11.1	—
Texaco (home fuel)	41.7	8.3	8.3	8.3	8.3	25.0	—	—

3. Did any bills or statements arrive at your home later than usual during the postal strike? (367)

yes – 64.9 no – 22.1 not sure – 12.3 no answer – 0.8

4a. Did the postal strike delay any payment from reaching a company? (367)

yes – 34.1 no – 53.4 not sure – 11.2 no answer – 1.3

b. Which company charged you interest during the delay? (122)

None of the companies	78*
Not sure	15
Chargex – Royal Bank	2
Chargex – Commerce	2
Chargex – T.D.	4
Consumers' Gas	1
Eaton's	6
Esso	2
Hydro	5
Master Charge – Bank of Montreal	2
Simpson's	3
Woolco	2
	122

5a. Generally, are you satisfied with the description of items given on your statements? (237)

no – 33.8 not sure – 3.0 yes – 60.3 don't care – 1.3 no answer – 1.7

b. Why not? (80)

don't know what items bought	48.3
no proof (signatures) that I bought items	2.2
no copy of receipts	29.2
other:	4.5
no answer	3.4
poor or incomplete description of items	7.9
don't recognize place of business	3.4
don't understand statement	1.1

*Direct count only.

6. If there is interest or a service charge added on any bills or statements received at your home, do you check the calculations to be sure they are correct? (367)

yes	48.2
no	23.2
sometimes	7.9
no interest ever charged/not applicable	19.3
no answer	1.4

7. Have you ever experienced the situation in which an item you bought on credit was charged on your account before you received it? (such as when you placed an order for an out-of-stock item) (239)

yes – 33.9 no – 64.9 don't know – 1.3 no answer – 0

8. If it were possible for companies to send out your bills at any time of the month, would you prefer to choose your own billing date, perhaps closer to your pay day? (342)

yes – 41.5 no – 36.8 not sure – 0.3 don't care – 20.5 no answer – 0.9

PART III

1a. Have you ever found a mistake in any bills or statements received at your home? (from the accounts we have been talking about or other accounts) (367)

yes - 48.2 no - 41.1 not sure - 9.8 no answer - 0.8

b. Is it from an account you look after? (179)

yes - 98.3 no - 1.7 no answer - 0

2. With what company or credit card? (170)

Air Canada	
American Express	1*
The Bay	2
Bell Canada	4
Chargex, Royal Bank	37
Chargex, Commerce	3
Chargex, T.D.	4
Chargex (not sure which bank)	4
Consumers' Gas	9
Eaton's	4
Gulf	63
Hydro	2
Esso	7
Shell	4
Simpson's	3
Supertest	18
Texaco	1
	1

*Direct count only, which does not indicate the response by the companies to a complaint (if in fact a complaint was made.) Cross tabulations indicated that Bell Canada was quickest in responding to complaints by customers and clearing up queries within one billing cycle. Both Eaton's and Simpsons failed to react as promptly to customer enquiry. Very little can be said about the other companies since the samples are so small. The variation in numbers responding to these questions is due to the fact that some could not recall the name of the company during the telephone conversation.

3. What was the problem?

charged for something that should not have been on my account	53.8
amount of interest was incorrect	4.6
charged too much/too little for some item on the bill	11.0
a payment made did not appear on the statement	2.9
a credit did not appear on the statement	13.9
clerical error (addition, etc.)	4.0
billed in advance and did not receive goods yet	5.8
other:	4.0
Not sure	0
No answer	0

4a. Did you telephone the company about the error?

yes – 81.6 no – 17.8 not sure – 0.6 no answer – 0

b. How many attempts did it take to reach the right department?

1	54.1
2-3	27.1
4-5	8.1
more than 5	7.4
not sure	3.4
no answer	0

5a. Did you take your problem to any other place?

yes – 2.9 no – 97.1 not sure – 0 no answer – 0

b. Where else?

Box 99	30.8
Consumer Protection Bureau	30.8
Better Business Bureau	7.7
Star Probe	0
other:	15.4

not sure	0
no answer	0
merchant/3rd party	15.4

6a. After that, did the company notify you that it received your complaint? (174)

yes – 29.3	no – 69.5	not sure – 0.6	no answer – 0.6
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b. How were you notified? (52)

phone call	46.2
letter	51.9
other:	0
not sure	1.9
no answer	0

7. Has the problem been cleared up and your account adjusted, if necessary? (174)

yes – 96.0	not sure – 0	no – 4.0	no answer – 0
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8. Whose mistake was it? (173)

the company	97.1
consumer's error	1.2
combination of both	0
not sure	0.6
other:	1.2
no answer	0

9. Did you ask the company for an explanation? (173)

yes – 28.3	no – 71.7	not sure – 0	no answer – 0
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10a. Were you given an explanation? (172)

yes – 33.1	no – 64.5	not sure – 2.3	no answer – 0
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b. What form of explanation were you given? (Was it a call, a letter or xeroxed material?) (58)

verbal	74.1
letter	17.2
proof – – xerox, copy, etc.	8.6
other	0
no answer	0

11. How many times were you in touch with the company about this problem? (by phone, letter or in person?) (175)

once	49.1
twice	15.4
3-4	17.1
5 or more times	17.1
not sure	0.6
no answer	0.6

12. How long did it take to clear up the problem from the time you first inquired at the company? (176)

less than 1 month	61.4
1-2 months	14.2
2-3 months	7.4
more than 3 months	15.9
not sure	1.1
no answer	0

13a. Are you still trying to correct the error? (11)

no – 72.7 yes – 27.3 no answer – 0

b. Why? (7)

not worth the few cents	14.3
no time	42.9
can't fight the company/computer	0
gave up, frustrated	28.6
can't be bothered	13.4
no reason	0
other:	0
not sure	0
no answer	0

14a. How has the use of your account been affected by this dispute? (127)

Credit limit reduced	0.8
credit cut off	5.5
no effect	81.9
other:	3.9
not sure	0
no answer	0.8
customer cancelled account	3.1
uses account less	3.9

b. Was there a threat to cut off service to your home at any time during the dispute? (49)

yes - 0 no - 98.0 not sure - 2.0 no answer - 0

15. Were you charged interest on the amount in question while trying to clear up the problem? (169)

yes - 29.6 no - 68.6 not sure - 1.8 no answer - 0

16. Do you have any suggestions to improve the handling of billing that would eliminate problems? (181)

1. No suggestion	51.9
2. Other:	7.2
3. Would like country club billing (receipts returned)	16.0
4. Better description of items	8.3
5. Faster, more efficient billing operation	6.6
6. Experienced personnel to avoid mistakes	1.7
7. All bills should come at once	1.1
8. Better customer service to handle complaints	6.1
9. Don't use computers	1.1

