



Industry Industrie
Canada Canada

Credit Card Costs Report

Office of Consumer Affairs

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Credit Cards – Rate Changes & New Products Year End Facts and Figures

Data compiled by the Office of Consumer Affairs of Industry Canada from information given by card issuers. Information accurate as of February 1, 2000.

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30 % recycled
material

Canada

Consumer Advisory

Interest Rate Changes

The Bank of Canada raised its Bank Rate by $\frac{1}{4}$ of one percentage point (to 5 $\frac{1}{4}$ %) on February 3, 2000. This followed a similar hike by the Federal Reserve in the U.S. on February 2, 2000. The trend of higher interest rates may continue, as the Federal Reserve announced a policy bias towards future rate increases to combat inflationary pressures. Effective November 1st 1999, the **American Express** standard rate increased from 14.95% to 16.99% for preferred holders and from 18.25% to 19.99% for standard holders. In addition, **Caisses Populaires Desjardins** announced that effective March 1st 2000, interest on its standard rate card will increase from 17.50% to 17.90% and the low rate option will increase from 10.50% to 10.90%.

New Products Offered

On December 1st 1999, **Vancouver City Savings** introduced a new low rate option on their Envirofund Visa card. The interest rate is 9.90% with an annual fee of \$25 and a grace period of 21 days. Also on December 1st 1999, **Royal Bank** altered the structure of its standard card. The interest rate changed from 17.50% (for all transactions) to 17.90% for purchases and 18.50% for cash advances. The **National Bank of Canada** has announced that effective March 1st 2000, the interest rate for its low rate option is changing from 9.50% (for all transactions) to 13.90% for purchases and 8.90% for balance transfers and cash advances. In addition, the annual fee on the low rate card will be cut in half, from \$30 to \$15. The Royal Bank and National Bank of Canada now join the Bank of Montreal as financial institutions that charge separate rates of interest for purchases and cash advances.

Year End Facts and Figures

There are an estimated 53.8 million credit cards¹ in circulation² in Canada, or 2.30 cards for every adult Canadian over the age of 18. Of these cards, 37.7 million are Visa or MasterCard and 16.1 million are cards issued by large department stores, gasoline companies, and other issuers such as American Express and Diner's Club/enRoute.

The total number of Visa and MasterCards in circulation increased from 35.3 million in 1998 to 37.7 million in 1999. These cards were used for 1076.4 million transactions in 1999. The dollar value of Visa and MasterCard sales increased approximately 12.1% from \$84.1 billion in 1998 to \$94.3 billion in 1999. Outstanding balances owed on MasterCard and Visa cards at the end of October 1999 totalled \$28.2 billion, up \$4.3 billion from 1998. The average value of a Visa and MasterCard sale increased from \$89.96 in 1998 to \$90.35 in 1999.

¹This estimate only includes cards issued by Visa and MasterCard issuers and the other card issuers listed in this report. Their assistance and that of the Canadian Bankers Association in compiling this information is gratefully acknowledged.

²The basis for estimation of the number of cards in circulation may differ from one issuer to another.

General Credit Cards¹

Card Issuer	Annual Fee	Interest Rate	Grace Period
MasterCard			
Bank of Montreal Standard	--	18.40	19
Basic	--	15.90	19
Low Rate Option - Retail	15	13.90	23
- cash advances, MC cheques	15	8.90	23
Canada Trust	8	17.90	21
CS CO-OP	--	18.40	21
National Bank Standard	--	18.40	21
Low Rate - Cash Adv. / Balance Transfers ²	15	8.90	21
- Purchases ²		13.90	21
Niagara Credit Union	--	17.50	21
Low Rate Option	25	9.25	21
Canadian Tire	--	18.90	21
VISA			
Scotiabank Standard	8	17.50	21
Value Visa	29	9.90	25
CIBC Classic	--	17.50	24
Select Visa	29	9.90	24
Caisses Populaires Desjardins Standard ²	--	17.90	21
Low Rate Option ²	25	10.90	21
Laurentian Bank	--	17.99	21
Reduced Rate Option	24	9.50	21
Royal Bank Standard - Purchases	--	17.90	21
Royal Bank Standard - Cash Advances	--	18.50	21
Low Rate Option	25	10.50	21
TD Bank Standard	--	17.50	21
Emerald Visa	12	9.90	0
Vancouver City Savings	0	17.50	21
Low Rate Option	25	9.90	21
American Express			
Standard	--	9.90 (6 months)	21
	--	16.99 (Preferred)	21
	--	19.99 (Standard)	21
Optima	15	17.95	21

¹ For all credit cards listed, interest is calculated from the date of purchase.

² These changes do not take effect until March 1st 2000.

Other Credit Cards

Card Issuer	Annual Fee	Interest Rate	Grace Period	Interest Calculated From	
				Purchase Date	Statement Date
Canadian Tire	--	28.80	30		x
Hudson's Bay ¹	--	28.80	25-30		x
Imperial Oil (Esso)	--	24.40	30	x	
Petro-Canada	--	24.40	30	x	
Sears	--	28.80	25-30		x
Zellers	--	28.80	25-30		x

¹ The Simpsons card was amalgamated into the Hudson's Bay portfolio in September 1998 and no longer exists as a separate entity.

Charge Cards

Card Issuer	Annual Fee	Late Penalty Rate	Grace Period	Interest Calculated From	
				Purchase Date	Statement Date
American Express	55	30.00	30		x
Diners Club/enRoute	65	30.00	52-60		x
Irving Oil	--	24.00	25		x

Definitions

Credit Card: Cards that provide revolving credit. Minimum monthly payments are required.

Charge Cards: Cards requiring payment in full each month.

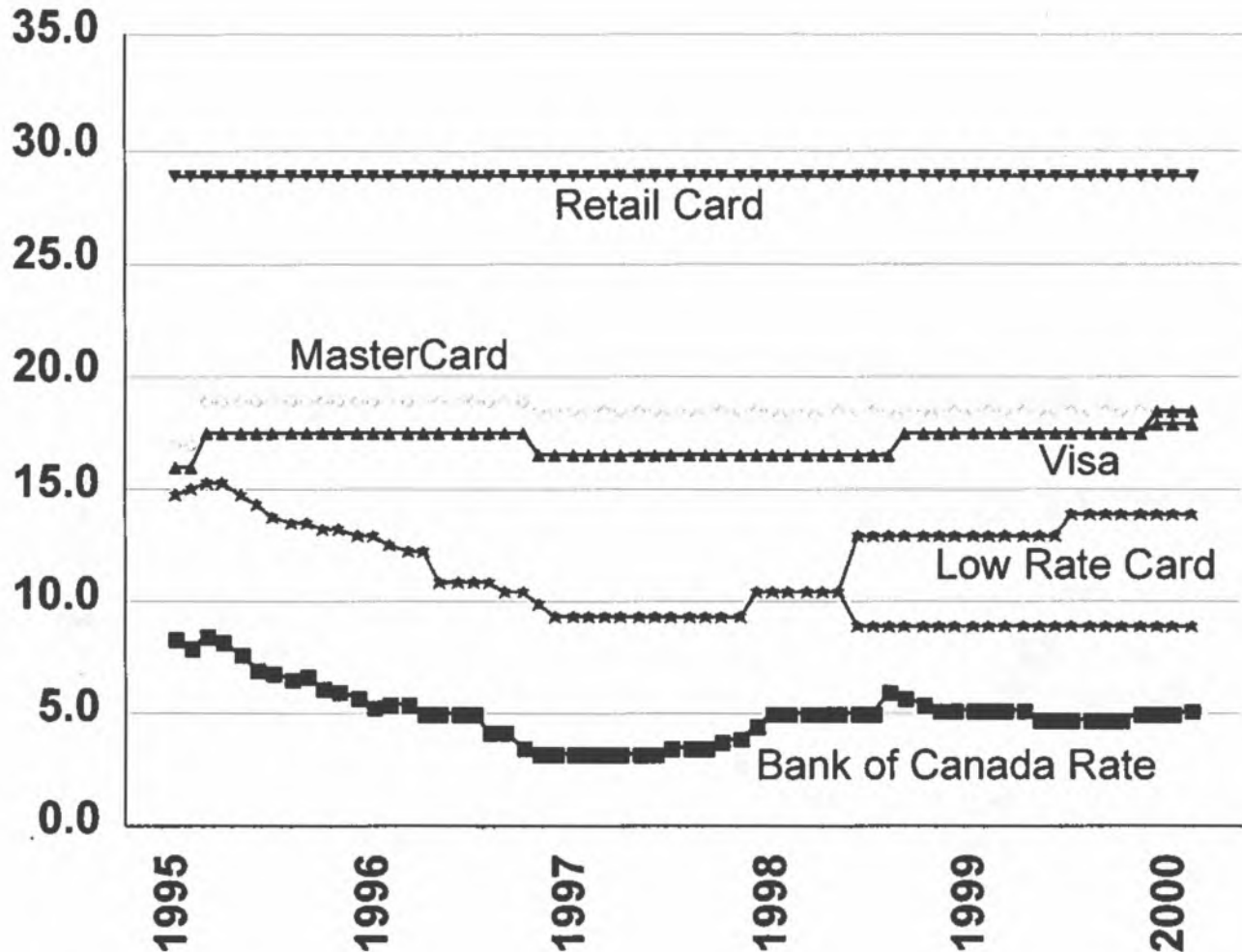
Fees: Charges such as transaction fees, administration fees or annual fees.

Interest/Penalty Rate: The nominal annual rate at which interest or penalty payments are calculated.

Grace Period: The number of days between the statement date and the payment date.

Late Payment Fees: A late payment fee will be charged, if the minimum monthly payment is not made by the due date.

Credit Card Rates and the Bank of Canada Rate



Bank of Canada Rate: is the rate at which banks can borrow money from the central bank.

Retail Card: based on the Sears card.

MasterCard: based on the Bank of Montreal.

Visa: based on the Royal Bank. Note that on December 1, 1999 the interest rate increased from 17.5% (for all transactions) to 17.9% for purchases and 18.5% for cash advances (i.e. split rate).

Low Rate Card: based on the Bank of Montreal low rate option (rate split in June 1998. Current interest rate is 8.9% for cash advances and 13.9% for retail purchases).

Terms and Conditions

Remember these facts and save money:

Bank, Trust Company and Credit Union Cards

Interest is charged daily. So, if you make payments between statements, you save money.

Interest is charged on cash advances from the day you borrow until they are paid in full.

Interest is not charged on purchases showing up on your statement for the first time if the entire statement balance is paid by the due date.

And don't forget:

When the balance is not paid in full by the due date, interest is charged on the daily balance from the date purchases have been posted to the account until it is paid in full.

Other Credit Cards

In most cases, you pay less interest if you pay off at least half the balance each month. Retail stores (except in Quebec) subtract payments equal to 50% or more of the balance from the balance on the statement before charging interest. In Quebec, interest is calculated daily so in that province, you save money if you make payments between statements.

Interest is compounded, so if you miss a payment, the next month you will pay interest on the balance plus interest. For example, at the current rate of 2.4% per month, one month's interest on \$100.00 is \$2.40. If no payment is made on this at all, the next month's interest will be charged on \$102.40 and will amount to interest of \$2.47.

Charge Cards

Irving Oil calculates penalties on the outstanding daily balance.

The American Express and Diners Club/enRoute account balances are due on receipt of statement. A delinquency assessment equal to 30% per annum is charged on unpaid balances. Cards are cancelled if balances remain unpaid.