



Industry Industrie
Canada Canada

Credit Card Costs Report

Office of Consumer Affairs

December 2000

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Credit Cards – Rate Changes Update

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

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JAN 24 2001

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Publication available on-line at: <http://consumerconnection.ic.gc.ca>

Aussi disponible en français sous le titre Coûts d'utilisation des cartes de crédit



30 % recycled
material

Canada

Consumer Advisory

Interest Rate Changes

Interest rates have changed little since the last update of Credit Card Costs in July 2000. In September 2000, the Bank of Canada announced a regular series of scheduled rate announcements: the first announcement occurred on December 5th, with the Bank of Canada holding the **Bank Rate** steady at 6%. This announcement followed a series of three 25 basis point increases in early 2000 (the last on May 17th). The next announcement is scheduled for January 23rd, 2001 (although the Bank of Canada has indicated that it will alter rates between scheduled announcements if circumstances warrant this). In the United States, the **Federal Reserve's** Open Market Committee (FOMC) opted to leave its key short-term interest rate unchanged at 6.5% in December 2000. However, on January 5th, the Federal Reserve unexpectedly cut the federal funds rate by 50 basis points, to 6%. The Federal Reserve is next scheduled to meet at the end of January, 2001.

Since July, there has been only one change in credit card interest rates: effective December 1st, 2000 the reduced rate option at **Laurentian Bank** increased to 10.5% (from 9.5%) and the annual fee increased \$5 per year to \$29. This reduces to four the number of institutions that have not raised interest rates in 2000: **CS Co-op MasterCard**, **Niagara Credit Union MasterCard**, **Canadian Tire MasterCard**, and the **Royal Bank Visa**.

For the first time the interest rate table in this publication includes information on **Capital One**. Unlike long-established Canadian financial institutions, the Capital One Mastercard charges a different interest rate to different customers, depending on numerous factors including the current cost of funds and the credit history of the applicant. Currently, Capital One charges a minimum of 9.9% and a maximum of 19.8%. Capital One states that the average rate charged to its customers is currently 14.9%. The Capital One MasterCard has no annual fee and offers a special introductory interest rate for the first 6 months.

General Credit Cards¹

Card Issuer	Annual Fee	Interest Rate	Grace Period
MasterCard	\$	Annual %	Days
Bank of Montreal Standard	--	18.90	19
Basic	--	15.90	19
Low Rate - Retail	15	13.90	23
Low Rate - cash advances, MC Cheques	15	9.90	23
Capital One	--	9.9% - 19.8%	25
CS CO-OP	--	18.4	21
National Bank Standard	--	18.40	21
Low Rate - Cash Adv. / Balance Transfers	15	8.90	21
- Purchases	15	13.90	21
Niagara Credit Union	--	17.50	21
Low Rate Option	25	9.25	21
Canadian Tire	--	18.9	21
VISA			
Scotiabank no-fee Standard	--	18.99	26
Scotiabank Standard	8	18.50	26
Value Visa	29	10.50	26
ScotiaLine	--	Prime +	26
CIBC Classic	--	18.50	24
Select Visa	29	10.50	24
Caisses Populaires Desjardins Classic	--	18.90	21
Low Rate Option	25	10.90	21
Laurentian Bank	--	17.99	21
Reduced Rate Option	29	10.50	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	--	18.50	21
Emerald Visa	12	10.90	0
Vancouver City Savings	--	18.50	21
Low Rate Option	25	10.50	21
American Express			
Standard	--	9.90 (6 months)	21
	--	17.99 (Preferred)	21
	--	19.99 (Standard)	21
Optima	15	18.99	21

¹ Interest is calculated from the date of purchase for all credit cards listed.

Other Credit Cards¹

Card Issuer	Annual Fee (\$)	Interest Rate (%)	Grace Period (days)	Interest Calculated From	
				Purchase Date	Statement Date
Canadian Tire	--	28.8	25-30		x
Hudson's Bay	--	28.8	25-30		x
Petro-Canada	--	24.0	30	x	
Sears	--	28.8	25-30		x
Zellers	--	28.8	25-30		x

¹ The Esso personal credit card was discontinued as of April 27, 2000, and replaced by the Royal Bank Esso Visa.

Charge Cards

Card Issuer	Annual Fee (\$)	Late Penalty Rate (%)	Grace Period (days)	Interest Calculated From	
				Purchase Date	Statement Date
American Express	55	30.0	30		x
Diners Club/enRoute	65	30.0	52-60		x
Irving Oil	--	24.0	25		x

Definitions

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

Charge Cards: Cards requiring payment in full each month.

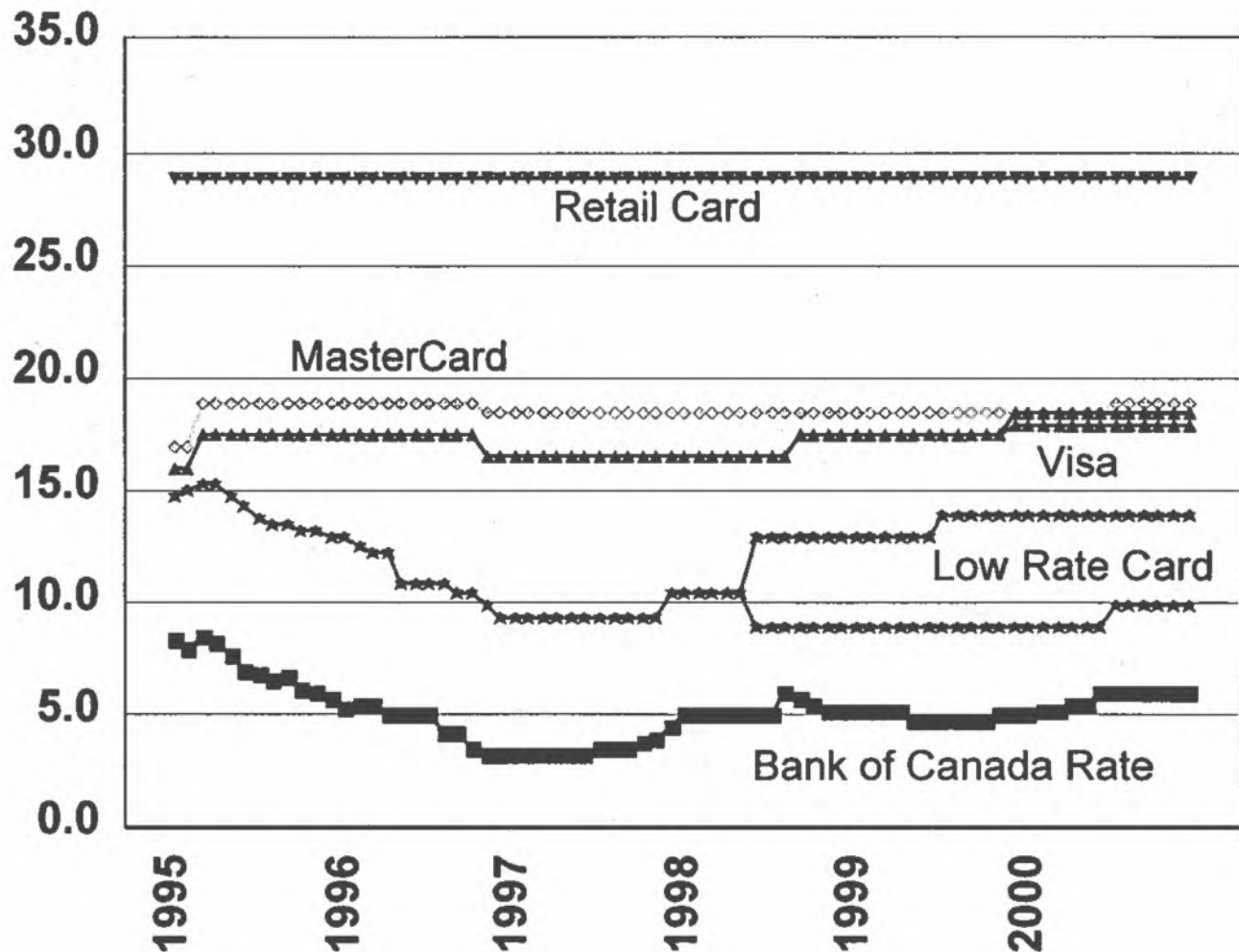
Fees: Charges such as transaction fees, administration fees or annual fees.

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: 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 9.9% 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.