



## RECOMMENDATIONS

The Standing Senate Committee on Banking Trade and Commerce

### **TRANSPARENCY, BALANCE AND CHOICE: CANADA'S CREDIT CARD AND DEBIT CARD SYSTEMS**

[www.parl.gc.ca/40/2/parlbus/commbus/senate/Com-e/bank-e/rep-e/rep04jun09-e.htm](http://www.parl.gc.ca/40/2/parlbus/commbus/senate/Com-e/bank-e/rep-e/rep04jun09-e.htm)

#### RECOMMENDATION 1:

- The federal government appoint an “oversight board”, within an existing federal organization, that would consult with participants from Canada’s credit card and debit card payment systems as well as relevant federal stakeholders.
- The proposed oversight board’s mandate should be to:
  - make recommendations, by 31 December 2009, on any regulatory or legislative measures that it considers to be required to ensure fairness for participants in the credit card and debit card payment systems;
  - monitor and publish annually information on trends in interchange, switch, merchant and other associated payment systems fees; and
  - establish a code of conduct for payment systems participants and practices for setting fees and rates, in respect of which it should ensure compliance.
- Finally, merchants should be permitted to bargain collectively regarding payment card conditions and fees, and this form of cooperation should be exempt from the provisions of the Competition Act.) (page 20)

#### RECOMMENDATION 2:

The federal government take appropriate action to:

- permit surcharging and/or discounting by merchants;
- require merchants to display, at the point of purchase, the amount of any applicable surcharge or discount;
- permit merchants to inform customers about relatively lower-cost payment methods; and
- prohibit any “honour-all-cards” rules, including those that require merchants to accept a network operator’s higher-cost premium cards and those that link credit card and debit card merchant acceptance. (page 23)

### RECOMMENDATION 3:

The federal government take appropriate action to:

- require the calculation of switch and interchange fees on the basis of a flat fee for debit card transactions;
- set the interchange fee at zero for a period of three years for all debit card transactions; and
- prohibit priority routing in order that cardholders are able to select, at the point of sale, their preferred payment method when using a co-badged card. (page 32)

### RECOMMENDATION 4:

- The federal government require card issuers to disclose, in a clear, simple and conspicuous fashion, the following information on each monthly statement:
  - the number of months it would take to pay off the balance owing and the cost that would ensue if no further advances and/or purchases were made and if the consumer were to make only the minimum monthly payment;
  - the monthly payment required to pay off the outstanding balance within 36 months if no further purchases and/or advances were made; and
  - the year-to-date total of all interest costs and other fees that have been paid and/or accrued from use of the credit card.
- Moreover, the government should require card issuers to provide cardholders with information about the range of their credit card products, including all associated fees and interest rates, and with information that would direct the cardholder to the Financial Consumer Agency of Canada's online credit-card selection tool.
- Finally, the government should direct the Financial Consumer Agency of Canada, and provide it with the resources necessary, to take a more vigorous approach to enforcing existing and future disclosure requirements. The Agency should also be required to monitor and report on card issuer practices, including compliance with new and existing federal regulations in respect of disclosure requirements. (page 39)

## RECOMMENDATION 5:

- The federal government act expeditiously on selected 21 May 2009 proposals to regulate certain credit card terms and conditions under which card issuers would be required to:
  - provide a minimum 21-day, interest-free grace period on all new credit card purchases to cardholders when they pay the outstanding balance in full;
  - obtain explicit consent from cardholders before increasing credit card limits;
  - direct debt collectors to refrain from calling cardholders on statutory holidays, before 7:00 a.m. or after 9:00 p.m. Monday through Saturday, and/or before 1:00 p.m. or after 5:00 p.m. on Sundays; and
  - eliminate over-the-limit fees that result from merchant holds.
  
- In addition to these proposed measures, the government should expeditiously introduce the necessary legislative and/or regulatory measures to ensure that card issuers are required to:
  - allocate all cardholder payments in excess of the required minimum to higher-interest-rate balances;
  - charge interest costs on the net balance owing only;
  - protect cardholders from unexpected interest charges, including increases in the rate during the first year after account opening and increases in the rate charged on pre-existing credit card balances;
  - give cardholders a notice period of at least 45 days prior to any significant changes to the terms of their credit card agreement (such as fees, interest rates and finance charges), including at the time of renewal;
  - offer promotional rates for a minimum period of six months;
  - refrain from issuing a new credit card to, or increasing credit limits for, existing cardholders unless it considers the ability of the cardholder to make required payments under the terms of his or her credit card agreement;
  - post, on their website, copies of all of their cardholder agreements; and
  - end the practice of offering “tangible items,” such as t-shirts, to induce students to apply for a credit card while promoting the credit card on or near the campus of a higher-education institution. (page 48)