

The Canadian Banker's Association did not present evidence on the proportion of applications rejected, but the table of statistics on MasterCard and Visa they included in their brief showed delinquent accounts at 0.7% of outstanding balances. Fraud pushes the bad debt proportion up slightly, but it is still below 1%. This is about half the typical bad debt ratio found on bank cards in the U.S. There is some anecdotal evidence that U.S. banks that mail out cards indiscriminately have loan losses in the order of 5%.

Canadian card issuers appear reasonably prudent in managing credit risk. If there is too much credit card lending, therefore, it would be because interest rates on credit cards are too low—an argument never raised before a Parliamentary Committee.

The tentative finding of this Committee is that credit card lending is not a major cause of bankruptcy. However, unwise credit card borrowing, together with the unwise use of credit in general, can lead to financial hardship. Consumers would obviously be better off with more education about the wise use of all credit.

WHAT SHOULD THE CONSUMER DO?

Up to this point, the emphasis has been on finding a way to improve the information provided by card issuers (or third parties such as the Department of Consumer and Corporate Affairs). This emphasis is probably reasonable. After all, if the consumer is to make a wise choice of a credit card or use cards wisely, the consumer must have information about the relative costs of different cards.

The information must be available, timely and in a form that is useful to the average consumer. Previous recommendations have in the main been directed at improving the disclosure of information and thus the competitiveness of the credit card market.

Consumers also have a role to play in improving the competitiveness of this market. If consumers complain about the high cost of credit cards—and they do—they must be willing to act on information that would show them the relative costs of using different cards.

Even now, when information is far from ideal, some consumers do respond to relative costs. Almost 10% of the respondents to the Ottawa *Sun's* write-in campaign, for example, said that they were cutting up some of their cards or not using them (and relying on cash, credit cards with lower rates or