

The Finance Committee found that competition was fierce among card issuers and that there did exist lower cost alternatives to the credit cards issued by the large banks. The puzzle to the Finance Committee—and one that remains for this Committee—was “Why don’t Canadians switch their Visa and MasterCard accounts from the large banks to other financial institutions?”

The Finance Committee offered three possible answers. The first, and most important, was a lack of information about the credit card market. The second was the uncertainty that a prospective card issuer might increase its rates and fees to match those of the large banks. The third reason was that Canadians were insensitive to the high rates on credit cards—the costs of finding and obtaining a lower cost card were greater than the expected savings on interest costs.

An important finding of the Finance Committee was that credit card debt rose with the income of the card user. Over half of those with 1983 incomes below \$25,000 had no instalment debt, either because they had no credit cards or because they had paid off all their instalment debt. (These findings were based on a 1984 Statistics Canada survey that is still the source of the most recent data on the distribution of instalment debt.)

The Finance Committee made a number of recommendations in its March 1987 report. Some were aimed at having card issuers lower their rates. Others were aimed at improving the understanding by consumers of credit card pricing. The recommendations acknowledged the overlapping jurisdiction by the federal and provincial governments with respect to credit cards.

Soon after the report was tabled, the major issuers of bank cards lowered rates and fees by the equivalent of about 3 percentage points. Some rates, most notably the rates charged on retail credit cards, did not change.

WORK OF MINISTERS RESPONSIBLE FOR CONSUMER ISSUES

The work of the Finance Committee on credit cards and its recognition of overlapping jurisdiction stimulated the federal, provincial and territorial ministers responsible for consumer and corporate affairs to pursue the issue. In June 1987, the Ministers struck a working group to “propose a consistent standard for the disclosure of the rates, terms and conditions of the cost of credit.”