

Therefore, your Committee recommends:

- 4. That the Minister of Finance work with the relevant provincial ministers to put into force legislation requiring all credit card issuers to calculate interest-bearing balances by a common method. The method should be uniform, allow a grace period for new purchases (to ensure that payments are credited first to any interest-bearing balances), recognize the timing of payments (so being late a day on a payment does not lead to interest charges for an entire month) and allow that any partial payment lower the interest-bearing balance.**

NOTIFICATION REQUIREMENTS

Critics of the relatively high interest rates on credit cards have pointed to the stickiness of these rates as an indication of supposed monopoly pricing. Card issuers have raised the counter argument that the stickiness is a result of provincial requirements for the notification of interest rate increases. According to testimony from the Retail Council of Canada before the Committee, a large retailer with around two million accounts could spend \$1 million notifying its customers of a change in interest rates. This obviously makes card issuers avoid frequent rate changes.

Another factor inhibiting rate changes is the time period required by some provinces before a credit card rate may be increased. A witness for Petro-Canada summed up the problem:

Five provinces require that we give them 30 days' notice; Alberta requires 60 days' notice to customers; Manitoba, 90 days' notice. From the mid-1970s until recently, British Columbia required six months' notice of an increase in charge. So we as a national marketer have little choice but to apply the most stringent requirement to our total operation ...

Provinces may have different notification requirements, but card issuers will use a single notification period across Canada - the longest notification period required by any province.

Therefore, your Committee recommends:

- 5. That the Minister of Finance and the Minister of Consumer and Corporate Affairs work with the relevant provincial ministers to standardize the requirements for notification of increases in interest rates to a common period which the Committee recommends should be 30 days.**

One witness before the Finance Committee commended the provincial ministers for their recent search for ways to harmonize disclosure requirements. The Committee obviously hopes that the search is successful and that harmonization extends to other aspects of credit card regulation.

Both the federal government and the provincial governments exercise jurisdiction over some aspects of credit card borrowing. The federal government has responsibility over interest rates; provincial governments have responsibility over matters dealing with property and civil rights in the province, jurisdiction that has led to provincial laws covering disclosure, grace periods and the calculation of the interest-bearing balance for credit card accounts. There are, however, gray areas where federal and provincial jurisdiction seem to overlap. Changing the calculation of the interest-bearing balance, as called for in Recommendation 4, alters the effective interest paid on credit card balances. The Committee has made its recommendations to aid consumers across Canada, and hopes that possible jurisdictional conflicts can be avoided by co-operation between levels of government.