

issued on the day Mr. Blenkarn presented his bill put it: "Thus one bank's 15% may be another bank's 20%." The intent of Bill C-238 is to ensure that the apparent difference between posted interest rates is not simply an artifact of the way interest balances are calculated. According to the News Release: "Mr. Blenkarn's amendment to the *Interest Act* sets the measuring stick by which Canadians may compare interest rates. The amendment creates one standard making interest rate calculation understandable to all, and thus giving financial institutions an incentive to have competitive rates."

There are several possible problems with Mr. Blenkarn's private bill. Among the problems are:

- (a) The effective price of a credit card includes several elements in addition to the rate of interest. These other elements include annual (or monthly) fees and transaction fees. Cards with different interest rates (but the same method of calculating the interest-bearing balance) could have the same effective price, while cards with the same rates could have different effective prices.
- (b) Within card-issuing groups—for example, financial institutions as a group or retailers as a group—the method of calculating the interest-bearing balance tends to be uniform.
- (c) By restricting card issuers to one method of calculating interest balances, the bill removes some consumer choice. Consumers may now recognize the differences between cards issued by different types of card issuers and choose their cards accordingly.
- (d) Restricting the way card issuers can price their cards could arrest the evolution of credit cards—for example, the move towards a debit card. Some groups may, of course, now oppose any move towards replacing charge cards with debit cards, but this is something the market (meaning all potential users of the cards) should decide. Rigid legislation would affect all future innovations, including innovations that are not now foreseen.
- (e) The restrictions in the bill would be extremely costly to financial institutions that now use a daily balance method for calculating interest charges. The response of the affected institutions would probably be to increase interest rates,