

Credit cards: Use and benefits

Focus Sheet

FAST FACTS

- Credit cards provide interest-free credit from the time of purchase to the end of the billing period
- 71 per cent of Canadians pay their credit card balance in full each month¹, so for them the interest rate is zero
- For those who choose to carry a balance:
 - Credit cards offer access to unsecured credit (no collateral required)
 - There are many low interest rate cards on the market and over 30 of those cards have an interest rate of under 13 per cent

The bottom line

Credit cards offer valuable benefits for both consumers and retailers. The majority of Canadians use their credit card as a method of payment rather than a means of borrowing.

Credit card benefits

For Consumers

A credit card is a convenient and flexible payment tool accepted in more than 200 countries and at millions of locations worldwide. Benefits include:

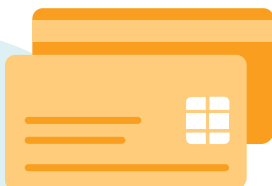
- Access to unsecured credit (no collateral required against amounts charged).
- Interest-free payment from time of purchase to the end of the billing period.
- Instant payment of purchases, allowing for instant receipt of goods and services.

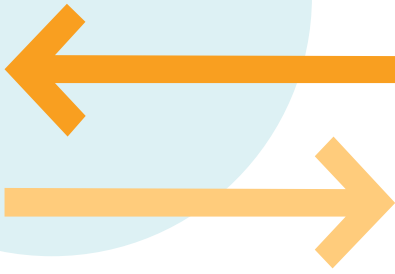
- Coverage for purchases if the item is damaged, stolen or not delivered within 90 days.
- 24/7 access.
- Fraud protection with zero liability to the consumer in cases of fraud.
- Other rewards and benefits, such as air travel points, car insurance, damage and loss insurance and extended warranty programs.

For retailers

Retailers are not required to accept credit cards, but do so to provide payments options for their customers. Retailers that do accept credit cards receive many benefits, including:

- Reaching a large customer base – Credit cards are the preferred method of payment for many customers, and customers will select retailers that allow them to choose their preferred method of payment.
- Fast, guaranteed payment, which can reduce line-ups at checkout. If every credit card transaction took an extra 30 seconds, it would use up an additional 27 million hours of staff time each year.
- The ability of accepting credit without worrying about the creditworthiness of customers, insufficient funds or outstanding receivables.
- Reduced cash on hand and cash handling time and costs, including counting cash at the end of the day, armoured transport, higher likelihood of theft and pilfering and potential mistakes by cashiers.





- Expanded markets – ability to sell to customers throughout Canada and around the world in the currency used by the retailer.
- Access to innovative new payments – innovations in payment options introduced by banks and credit card companies, such as contactless cards and online and mobile payments, benefit retailers and make it easier for customers to make purchases.

Competition and choice

When making a purchase, consumers can choose to use cash, cheques, debit cards, credit cards as well as electronic payments services like PayPal and Interac Online. Nearly nine out of ten adult Canadians (89 per cent) have at least one credit card⁴ and this method of payment is the choice for the overwhelming majority of retail e-commerce transactions.

When it comes to choosing a credit card, banks offer consumers a wide variety of products. Customers may choose among standard cards without an annual fee, premium cards that offer rewards and features, and low-rate cards if the interest rate is a key consideration influencing the card choice.

- Hundreds of institutions in Canada, including banks, credit unions, retailers, caisses populaires, trust companies and finance companies offer credit card products.
- 100 million credit cards are in circulation in Canada.⁵
- There are many low-rate cards on the market and over 30 of those cards have an interest rate of under 13 per cent.



- Eight in 10 (84 per cent) consumers are satisfied with their credit cards and roughly the same proportion (86 per cent) say they offer great value.⁶
- Canadians appreciate their rewards points programs and the majority use them to help make a family vacation more attainable with travel points, save money on their grocery bills with cash-back rewards or use their rewards points to donate to a favourite charity.
- Research has found that 85 per cent of consumers use a credit card that provides them with rewards.⁷
- Fifty eight per cent of Canadians who are frequent credit card users listed “receiving discounts/loyalty points/rewards” as their **main** reason for frequently using credit cards for purchases.⁸

Consumers should visit the Financial Consumer Agency of Canada (FCAC) website www.fcac.gc.ca, for an extensive list of cards and features, and use the credit card comparison tool to help select the card that best suits their needs.

Strong regulations⁹¹⁰

Consumers with credit cards from banks are protected by *Bank Act* regulations that require:

- Statements to include itemized transactions, the amount you must pay on or before the due date in order to have the benefit of a grace period.
- Disclosure of the previous month’s payments and the current month’s purchases, credit advances, as well as interest and non-interest charges.
- Disclosure of the interest rate at the time of solicitation or application, and on every monthly statement.
- Plain language information for customers.



- Rules on advertising.
- Limits on consumer liability in the event of fraud.

Credit card pricing

There are a number of factors that influence card fees and interest rates.

- An interest-free period from purchase to payment, depending on the card, as long as the balance is paid in full when owing.
- Access to unsecured credit where no collateral is needed, which makes it a higher risk for the credit card issuer.
- Significant costs to operating the credit card system including processing a large volume of transactions, technology that is constantly updated to support transactions, preparing and mailing statements, collecting payments and the costs for providing value-added rewards programs.

Most Canadians pay cards off every month

- A Bank of Canada survey found that 71 per cent of Canadians pay their balance off in full every month.¹¹
- Banks work with clients who are concerned about their debt, helping them get control of their finances or choose more suitable credit products. Banks also support non-profit credit counseling services.

- 1 Bank of Canada - 2023 Methods-of-Payment Survey Report (released in 2024)
(Source for footnote: Christopher Henry, Doina Rusu, Matthew Shimoda, 2023 Methods-of-Payment Survey Report: The Resilience of Cash, Bank of Canada Staff Discussion Paper 2024-8, July 2024)
- 2 Merchant Acceptance Survey, 2023.
<https://www.bankofcanada.ca/banknotes/bank-notes-research-reports/merchant-acceptance-survey/#:~:text=96%25%20of%20SMBs%20in%20Canada,cards%20remains%20stable%20and%20high>.
- 3 Abacus Data survey commissioned by the Canadian Bankers Association, October 2022
CBA credit card statistics as of January 2021
- 4 Christopher Henry, Doina Rusu, Matthew Shimoda, 2023 Methods-of-Payment Survey Report: The Resilience of Cash, Bank of Canada Staff Discussion Paper 2024-8, July 2024
- 5 Canadian Payment Methods and Trends Report 2023. Pg 28
- 6 Abacus Data survey commissioned by the Canadian Bankers Association, October 2022
- 7 Canadian Payment Methods and Trends Report 2023, pg 28:
https://www.payments.ca/sites/default/files/PaymentsCanada_Canadian_Payment_Methods_and_Trends_Report_2023_En.pdf
- 8 Ibid
- 9 Abacus Data survey commissioned by the Canadian Bankers Association, October 2022
- 10 Note – these protections only extend to federally-regulated financial institutions (not other card issuers)
- 11 Christopher Henry, Doina Rusu, Matthew Shimoda, 2023 Methods-of-Payment Survey Report: The Resilience of Cash, Bank of Canada Staff Discussion Paper 2024-8, July 2024

The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

Last updated: August 2024