

# Focus: Credit Cards: Statistics and Facts

## Focus Sheet

### FAST FACTS

- Credit cards provide interest-free credit from the time of purchase to the end of the billing period
- 58% of Canadians pay their credit card balance in full each month<sup>1</sup>, 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%

### The Bottom Line

Credit cards offer valuable benefits for both consumers and retailers. And 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 in increasing numbers. 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.
- 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 customer 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. Ninety-five per cent of adult Canadians have at least one credit card<sup>2</sup> 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.
- 74.3 million Visa and MasterCard cards are in circulation in Canada.<sup>3</sup>
- There are many low-rate cards on the market and over 30 of those cards have an interest rate of under 13%.
- Canadians also love 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 nearly three-quarters of Canadians (72%) carry at least one credit card that has a rewards program and for 82%, rewards are a priority when selecting a credit card.<sup>4</sup>

Consumers are encouraged to learn more about the choices available and to select the credit card that best suits their needs. Just like any item or service that a customer buys, the customer has the control to decide on their credit product.

For longer-term borrowing requirements, a term loan or line of credit may be a better choice.

Consumers should visit the Financial Consumer Agency of Canada (FCAC) website [www.fcac.gc.ca](http://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 regulations<sup>5</sup>**

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

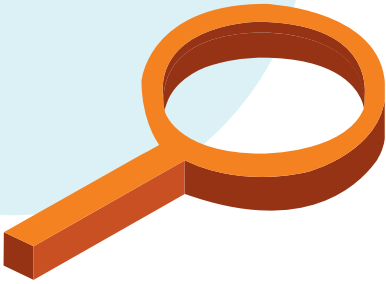
There are a number of factors that influence card fees and interest rates.

- 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.
- Costs to fight fraud and customer reimbursement. When fraud occurs, customers have zero liability. In 2017, financial institutions reimbursed close to \$800 million to their Canadian credit card customers, representing the losses these customers suffered as a result of criminal activities.

## Most Canadians pay cards off every month

- A 2016 survey by the Abacus Data found that 58% of Canadians pay their balance off in full every month.





- Of those who do not pay off their card balances each month, 15% pay it off most months and 47% pay a lot more than the minimum payment requirement.<sup>6</sup>
- 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 Abacus Data for the Canadian Bankers Association, December 2016

2 Abacus Data, December 2016

3 CBA credit card statistics as of October 2017

4 TD Maximizing Rewards Poll conducted by Environics Research Group for TD Bank Group, April 28, 2016

5 Note – these protections only extend to federally-regulated financial institutions (not other card issuers)

6 Abacus Data, December 2016

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.

Canadian Bankers Association [www.cba.ca](http://www.cba.ca)