



COALITION DES ASSOCIATIONS DE CONSOMMATEURS DU QUÉBEC

Postal Credit Offers

Between Dream & Reality

EXECUTIVE SUMMARY

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Postal Credit offers

Between Dream & Reality

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Note to readers:

The CACQ is an organisation for the collective defence of consumer rights and for the analysis of data and interpretation of the Law as it pertains, as much as possible, to consumer protection, based on offered legal and educational assistance. However, it must be noted that only a Court of Law can render a valid legal judgement regarding the conformance of an organisation to any given Law.



The “Coalition des associations de consommateurs du Québec”

Winner of the 2009 prize from the “Office de la protection du consommateur” for its credit and debt awareness campaign “Dans la marge jusqu’au cou!” The “Coalition des associations de consommateurs du Québec” (CACQ) represents a group of consumer association.

The mission of the CACQ is to promote the defence of consumer rights at the national level. Promoting and defending consumer rights represent an intervention approach that aims for the full acknowledgement and application of human rights. This approach includes the promotion of rights to be recognized and actions meant to favour the full exercise of existing rights. Bringing together groups interested in the collective defence of rights, the CACQ’s actions include the following defence of rights components: a non supporting political action, social mobilization activities, representation activities, and autonomous popular education, all focused on rights and democratic views.

Over the past 10 years, the CACQ has positioned itself and has represented consumers with respect to several cases by defending their rights. It is actively involved in the fight for consumer deregulation, most notably when concerned with credit and indebtedness, and to protect access to reasonably priced energy for all citizens, especially for low revenue citizens.

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INTRODUCTION

In Canada, consumer indebtedness has experienced an exponential rate of growth. Since 1990, according to Roger Sauvé of the “Institut Vanier de la famille,” the indebtedness of Canadian households has grown six times faster than their revenues, and in 2009, their debts represented 145% of their revenues.¹ This means that for each dollar earned, Canadians were spending \$1.45. The rate of indebtedness could possibly climb up to 160% by 2012.² Regarding salaries, the tendencies observed in Canada show that they are only increasing slightly even though people are working more. In fact, according to the “Centre d’étude des niveaux de vie,” the number of hours worked has increased by 37.4% between 1980 and 2005.³ Most industrialized countries that have experienced an increase in productivity have seen a corresponding salary hike.⁴ This has not happened in Canada. The salaries have actually decreased between 1990 and 2003.⁵ Even though they have experienced a strong increase since 2003, salaries are decreasing by 5 cents with respect to the peak seen in 1994, and they are only 60 cents higher than salaries were in 1991.⁶ According to the data from Sauvé, household income has seen an average increase of 11.6% since 1990 while expenses have increased twice as quickly during the same period (i.e., by 24.4%).⁷ Meanwhile, the cost of living is increasing and the consumers must face the higher costs of goods and basic services.

In such a situation, credit cards become a solution to make ends meet. In their daily tasks, the consumer associations have observed that households lack liquidity and use credit to meet their basic needs while increasing their personal indebtedness. In such circumstances, the number of personal bankruptcies, the ultimate indebtedness indicator, inevitably increases since credit overuse is the principal cause of insolvency in Canada.⁸ In 2006, Canada registered the highest rate of bankruptcy after the United-States (i.e., a rate three times higher than in England and Wales).⁹

From 1968 to 2006, the number of insolvency cases registered with the “Bureau du surintendant des faillites” (BSF) has seen a yearly 8.6 % increase.¹⁰

¹ Roger Sauvé, “*L’état actuel du budget de la famille canadienne, Rapport 2009*,” (“Institut Vanier de la famille,” 2010), 3.

² Bank of Canada, *Financial system review*, (December 2009).

³ Andrew Sharpe, Jean-Francois Arsenault & Peter Harrison, *The relationship between productivity and real wage growth in Canada and OECD countries, 1961-2006, unabridged version*, (“Centre d’étude des niveaux de vie,” report # 2008-8, December 2008).

⁴ Idem.

⁵ Roger Sauvé, “*L’état actuel du budget de la famille canadienne, Rapport 2008*,” (“Institut Vanier de la famille,” 2009), 13.

⁶ Idem.

⁷ Roger Sauvé, “*L’état actuel du budget de la famille canadienne, Rapport 2008*,” (“Institut Vanier de la famille,” 2009), 9.

⁸ Janis Sarra, “*Redressement économique : Comprendre l’augmentation du nombre de propositions de consommateur en vertu de la législation canadienne sur l’insolvabilité*,” (“Bureau du Surintendant des faillites,” Canada), 35.

⁹ Iain Ramsey, *Overindebtedness and Regulation of Consumer Credit*, from “*Regards croisés sur les enjeux contemporains du droit de la consommation*,” (Cowansville, Yvon Blais Editor, 2005), 37.

¹⁰ Office of the Superintendent of Bankruptcy Canada, *Overview of Canadian Insolvency Statistics up to 2006*, (Industry Canada, 2007), 19.

This number increases significantly during an economic crisis. Between 2007 and 2008, an increase of almost 14% was recorded by the BSF, and a peak was experienced in 2008 with 123,234 insolvency cases. At that rate, Sauvé expected the number of insolvency cases to reach between 130,000 and 140,000 in 2009¹¹. In fact, Canada has received 158,441, which represents an increase of almost 29% with respect to 2008.

Savings: a thing of the past?

When household revenues do not suffice to pay for all expenses, savings suffer. Savings in Quebec and Canada have never been so low in the past twenty years. According to Sauvé, household savings went from 13% in 1990 to less than 3% near the end of 2008.¹² In Quebec, data from the “Institut de la statistique du Québec” show that the rate of savings of Quebecers keeps decreasing. It went from 4.7% in 2001 to 2% in 2007.¹³

One of the roles of savings is mitigation in case of unexpected expenses. How do households manage to face those expenses when they have practically no financial means? Credit cards appear to play a role of “safety net” at the moment. For some, credit being available at all times gives the impression of financial security or of an additional source of readily available income.

Easily available credit as the culprit

While many factors may contribute to a person’s indebtedness, including inadequate budgeting, consumer habits and loss of employment, it is certain that credit cards play an important role as well. In 2008, according to the data supplied by the Canadian Bankers Association, there were 68 million Visa and Mastercard credit cards in circulation in Canada, representing a 93% increase in 10 years.¹⁴ According to the Financial Consumer Agency of Canada, 85% of Canadians have a credit card and 58% have more than one.¹⁵

Credit cards are often cited as one of the main causes of consumer overindebtedness. In 2006, the type of debt cited most often by people presenting a reimbursement or bankruptcy plan came from debt contracted by credit cards.¹⁶ It represented the most important source of overindebtedness. In fact, 89% of all debts came from credit cards.¹⁷

¹¹ Office of the Superintendent of Bankruptcy Canada, *Insolvency Statistics in Canada – 2008*, (Industry Canada, 2007), 1.

¹² Roger Sauvé, “L’état actuel du budget de la famille canadienne, Rapport 2008,” (“Institut Vanier de la famille,” 2009), 10.

¹³ “Institut de la statistique du Québec,” “*Le Québec chiffres en main, édition 2009*,” (Gouvernement of Quebec, March 2009), 38.

¹⁴ Canadian Bankers Association, *Credit cards statistics - VISA & Mastercard, Table DB 38 - PUBLIC*, (April 2009), 1.

¹⁵ Financial Consumer Agency, “*Sondage général sur la connaissance, les attitudes et le comportement des consommateurs de services financiers*,” (December 2006), 10.

¹⁶ Office of the Superintendent of Bankruptcy, “*Un survol des statistiques sur l’insolvabilité au Canada jusqu’en 2006*,” (June 2007), 10.

¹⁷ Office of the Superintendent of Bankruptcy, “*Un survol des statistiques sur l’insolvabilité au Canada jusqu’en 2006*,” (June 2007), 10.

CACQ members consider that easy access to credit incites consumers to accumulate more debt. In fact, many researchers see a correlation between easy access to credit and consumer bankruptcy.¹⁸

Consumers have a world of choice when comes time to select a credit card. They are in fact highly solicited by institutions offering credit cards that launch important promotional campaigns to build existing customer loyalty and to recruit new ones. This involves radio, television and newspaper advertising as well as direct marketing activities such as direct mail advertising and telemarketing campaigns. According to a survey completed by the CACQ in 2006 on the attitude of Quebecers regarding solicitation, Quebecers receive 2.8 unsolicited postal credit offers per month, which represents over 30 per year.¹⁹ In consequence, the heavily marked presence of institutions offering credit cards in the Canadian landscape contributes without a doubt to the easy access to credit.

Indebtedness: a shared responsibility

Canadians are known for their low level of understanding of the workings of financial products and credit. According to a general survey published in 2006 by the Financial Consumer Agency of Canada on the understanding, attitudes and behaviour of consumers regarding financial services, an important portion of Canadian consumers show a low or non existing level of understanding regarding interest rates, the calculation of interest, and their responsibilities concerning credit cards.²⁰ Disregard of how credit works and lack of knowledge of costs related to credit bring consumers to use credit cards as an unplanned means of borrowing money, therefore contributing to the rise of indebtedness, according to the CACQ. This puts a focus on the importance of education regarding personal finances, including budgeting as a solution to the increasing rate of indebtedness.

However, the solutions must go beyond individual responsibilities as far as the institutions offering credit cards share responsibility by facilitating access to credit. We mean the social responsibility of the credit cards issuers. In that sense, the Consumer Agency notes that a majority of Canadians consider that debt problems come from a shared responsibility between the people who have difficulties managing their personal finances and the credit issuers who grant credit too readily.²¹ The CACQ goes further by saying this responsibility is not only that of the credit issuers, but also of the federal and provincial governments whose responsibility is to legislate credit approval in order to establish adequate protections against consumer overindebtedness. Until 2008, the favourable economic situation allowed to relativize indebtedness growth with that of the economy in general. This is no longer the case given the present recession and the consumer protection laws with respect to variable credit which appear insufficient in that regards.

¹⁸ Consumer Agency, *Consumer Trend Report*, (Industry Canada, 2005), 151.

¹⁹ "Coalition des associations de consommateurs du Québec," *"L'attitude des Québécois face à la sollicitation sur le crédit,"* (l'Observateur, 2006).

²⁰ Financial Consumer Agency of Canada, *General Survey on Consumers' Financial Awareness, Attitudes and Behaviour*, (December 2006), 15.

²¹ Consumer Agency, *Consumer Trend Report*, (Industry Canada, 2005), 159.

Unsolicited postal credit offers put under the microscope

In light of the Canadian economical and legal contexts, this study targets one of the contributing factors facilitating access to credit, publicity and promotion, by taking a closer look at unsolicited postal credit offers and by attempting to answer three main questions:

Which promotional techniques are used by credit issuers to incite consumers to accept their offers?

To that end, the postal credit offers will be analyzed in order to identify, describe and understand the techniques used to positively influence the consumers. Which slogans, phrases and key words are most often used? How are the consumers convinced? Do the offers vary according to the time of the year?

Do credit offers incorporate all the information required by the consumer to understand how the offered credit works?

The informational content of those offers will be analysed in order to determine if the information supplied to the consumer is sufficient and if the language is simple and easy to understand. Do the offers present all the information required by the consumer to make an informed decision? In what order is the information provided? How much detail is provided in the information?

Do the offers respect federal and provincial legislative standards?

In Canada, federal and provincial jurisdictions have established laws governing the issue of credit cards. Each jurisdiction manages this sector according to different authorities: the federal government creates laws governing variable credit with respect to its authority over banks, while the provincial governments do as much as far as their authority on regulating contracts is concerned. Do unsolicited credit offer mailings respect those standards? It is important to note that some of the main sections of the federal legislation reviewed in this document, most particularly the ones relating to credit application forms, and certain provincial laws bearing on loans against salaries, in Ontario and Manitoba more precisely, have been amended since the collection and analysis of the data presented herein.

As a means to inform and protect the consumers, this analysis will present recommendations aimed at the government, the credit issuers, and the consumers.

PRESENTING THE RESULTS BASED ON QUESTIONS ASKED AT THE ONSET OF THE RESEARCH PROJECT

Which promotional techniques are used by the issuing institutions to seduce the consumers?

Aesthetically pleasing, the postal credit offers are plain while focusing on certain promotional aspects. What follows is a quick review of the methods used.

The envelop

To capture the attention of the consumer, most of the postal offers that were reviewed were sent in envelopes on which slogans, advertising messages, logos and other catchy graphic elements were printed. In direct marketing, the envelope is considered a primordial element since it must incite the consumer to open the mail and read its content.²² One offer out of two contained a stamped response envelope, a technique regularly used in direct marketing. Such an envelope would appear to significantly increase the response rate of a direct mail campaign.²³ We assume that it aims to facilitate the consumer's task.

The promotional letter

A promotional letter is also used by almost all of the offers that were analysed. It is written in a clear, concise and direct editorial style. The text generally requires a low literacy level (i.e., the text can be understood by people with a grade school or high school education). Everything is set so as to facilitate reading: the texts are structured using sub-titles and bullet points, and the important promotional elements are underlined using color and bold characters. The font used is sufficiently large (11.3 points on average) to facilitate reading.

The majority of promotional letters use personalisation techniques. Incorporating the first name, last name, the address, and even some of the consumer's bank data also appears to be a technique that increases response²⁴.

The pitch

The arguments used in the promotional letter focus first and foremost on valorizing the consumer. This technique calls upon personalisation of the offer, among other techniques, which requires a very good knowledge base of the targeted consumer on the part of the institutions in order to properly adapt the product offered and generate loyalty.²⁵ The institutions achieves that using target

²² Rémi-Pierre Heude, "*Guide de la communication pour l'entreprise*," (Maxima, Laurent du Mesnil - editor, 2005), 168.

²³ Idem.

²⁴ Rémi-Pierre Heude, "*Guide de la communication pour l'entreprise*," (Maxima, Laurent du Mesnil - editor, 2005), 178.

²⁵ Marc Vandercammen, Nelly Jospin-Pernet, "*La distribution*," (Éditions De Boeck, 2005), 452.

market segmentation techniques that allow to accurately determine the preferences, needs, desires, values, expectations, lifestyles and socio-economic characteristics of the targeted consumers.²⁶

This valorization can take several forms. Here are a few examples:

- Respond to or incite the consumer's needs and desires is a technique observed in 62% of all cases. The consumer is encouraged to take a vacation, to travel or to undertake home improvements. It is also suggested to pay household expenses (rent, groceries, electricity, and dental bills) using the offered product. Credit is presented as a solution to common problems such as the replacement of large appliances or the payment of a car loan or other debt.
- In 88% of studied cases, we note the presence of an executive's signature to generate a sentiment of importance and to inspire confidence with the consumer.
- In 29% of all cases, the pitch refers to the need to belong to a group by stipulating that the offer is meant exclusively for the issuing company's clients.
- 20% of all offers count on social and personal success by mentioning that the consumer is a client in excellent standing, that he is part of the elite or that he was selected in view of his excellent credit rating.
- In 21% of all offers that were studied, the pitch capitalizes on periods throughout the year that are deemed critical from a consumer expenses standpoint such as back to school and the year's end holidays.
- A focus is placed on reward programs (in 44% of all cases studied) such as Air Miles and Aeroplan in order to attract and retain consumer loyalty. A consumer already using these programs is likely to show greater interest in the offer if it allows him to increase his capacity to accumulate points. Also, he might be tempted to use the credit product more regularly and make more purchases. This aims to increase the client's value, which is one of the objectives of loyalty programs²⁷.

All those valorization elements are put in place to act upon the consumer's emotions and impulsiveness. In fact, presenting the product as a means of direct access to happiness, to a social status, or as a well-earned reward, is a strategy often encountered in advertising pitches. This type of pitch is meant to rationalise and legitimize impulsive purchases.²⁸

The arguments used can also focus on periods throughout the year that are critical for the consumer in terms of expenses such as back to school or the Holidays. A focus can also be placed on reward programs such as Air Miles and Aeroplan in order to attract and retain consumer loyalty. A consumer already using these programs is likely to show greater interest in the offer if it allows him to increase his capacity to accumulate points. Also, he might be tempted to use the credit product

²⁶ Danielle Maisonneuve, "*Les relations publiques : le syndrome de la cage de Faraday*," (Presses de l'Université du Québec, 2004), 61.

²⁷ C Benavent, L. Meyer-Waarden, "*Programmes de fidélisation : Stratégies et pratiques*," (Revue Française de Marketing, 197(2/5), 2004), 95-116.

²⁸ Annie Bonnefont, Magali Giraud, "*Réflexion sur le lien entre achat impulsif et modèles de communication*," (conference, University of Toulouse I, 2002).

more regularly and make more purchases. This aims to increase the client's value, which is one of the objectives of loyalty programs.²⁹

Easy access to the offered product

However, one of the most significant characteristics of the offers that were studied is the easy access to credit products. Consumers have a tendency to avail themselves to the quickest and easiest ways of getting what they desire. As a consequence, promotional strategies tend to use techniques that render purchasing goods and services as easy as possible.³⁰ Direct-mail advertising consists in sending out massive amounts of advertising flyers through the mail or by email in order to obtain a quick response. It is one of those techniques that manage to reach the consumer directly into his home. The recipient therefore doesn't have to leave his home, which is a factor that considerably facilitates the sale of a product. In the case of the offers that were studied, ease of access to the credit product is often underlined using an action message inciting the consumer to obtain the product quickly. Let us also note the plurality of the methods made available to the consumer to obtain the product (Internet, telephone, attached form, postage-paid return envelope, fax), which also facilitates action.

The pitch presenting credit as a solution to indebtedness

However, the arguments used to present credit as a solution to debt is the most worrisome point from a consumer protection standpoint. The following arguments are very explicit in that regard:

- “We can help you to easily restore your credit.”
- “Approval is guaranteed even if you've experienced credit problems in the past.”
- “Do not miss out on this opportunity to rebuild your credit.”

This type of argument is adapted in response to the present climate of economic crisis by targeting a specific sentiment: the consumer's anguish over having to deal with existing debts, the multiplication of his credit obligations, his unaddressed basic needs, non existing savings, unexpected expenses, urgent family obligations, and the desire to maintain a certain lifestyle. As some offers mention, “Who wouldn't want to pay less?” or “who wouldn't want to save more?” Quite often, the arguments do not leave it at that. While the offers suggest to some consumers to solve their debt problems by getting an additional credit product, the offers also present this new credit product as a means of spoiling the consumer, paying for the necessities, and to consume even more. By targeting a clientele that's already indebted, by presenting credit as a means of resolving that problem, and by inciting the consumer to purchase things using credit, those offers contribute to the explosion of the risks of overindebtedness.

²⁹ C. Benavent, L. Meyer-Waarden, “*Programmes de fidélisation : Stratégies et pratiques*,” (Revue Française de Marketing, 197(2/5), 2004), 95-116.

³⁰ Jacques Pelletier, Raymond P. Dubois, “*Commerçant futé*,” (Montreal, Observator Phenicia, 2002), 165.

Is the information required to provide an understanding of how credit works included in the offers?

Information presentation

Although the promotional content is written in a clear language using a sufficiently large font to facilitate reading, the information incorporated into the promotion deals first and foremost with the promotional characteristics of the product, such as the reduced interest rate, the nonexistent administrative fees, and the rewards. That information is often only partially disclosed. For example, a promotion that focuses on a reduced interest rate does not indicate the regular interest rate applicable after the end of the promotional period, or the terms and conditions to be met in order to benefit from the reduced rate. That information is often found on another page, printed in a smaller font, and written in a more complex language.

Prioritization of the information types

It has been observed that the information generally appears to be presented in an order of priority that ensures the first page is almost exclusively used for promotion, while the terms and conditions, when present, are generally presented on page two or three.

Presentation of the information

We also notice that the information regarding how credit works is not presented in as attractive a fashion, and it is generally printed using small characters (8.5 points on average), which makes reading harder. The two types of information are also presented differently as far as text density (space between letters) is concerned. The letters are closer together in text explaining how credit works.

Font size

- Promotional information: 11.3 points
- Credit terms information: 8.5 points

Text density (spacing between letters)

- Promotional information: 2.13 points
- Credit terms information: 1.77 point

However, we must note that new federal legislation that came into effect in January 2010 requires that all information be presented using an easy-to-read font (i.e., at least 12 points, using bold for titles and numbers, most notable for interest rates, delays, dates and amounts; and at least 10 points for all other text).³¹

³¹ DORS/2001-101, Sec. 6 (2,4).

Information fragmentation

The information on how credit works is often fragmented (i.e., disseminated throughout the text), which adds additional obstacles to gaining a clear understanding of the process.

- Average of 5.4 notes as page footer.
- Average of 8.9 notes at the end of the document.

Language level used

Although those obstacles are considered to be important, they do not represent the main obstacle to grasping a good understanding of how credit works. According to the CACQ, the language level used to explain credit terms represents the greatest constraint. If the promotional information is meant for people with a low literacy level, the information on how credit works is presented using a more complex language level meant for people benefiting from a higher literacy level.

- In 53% of studied offers, the promotional information is aimed at people with a low level of literacy (level 2).³²
- In 72% of all cases, the information on how credit works is written for people with literacy level 3 (minimum convenient).³³ In 28% of all cases, a level 4 (i.e., superior) is required.³⁴

Making an informed decision

If a consumer only reads the promotional section of an offer (such as appears on the first page, which is easy to read and presented in a structured, attractive manner), he will not be exposed to information that would have allowed him to understand the terms of the offered creditQ65. Also, even if he reads the rest of the information, he may not understand fully due to information fragmentation and the literacy level used. This finding is worrisome for the consumer given the possible consequences. All those obstacles to gaining a proper understanding of the product give reason to doubt that the information will be understood and therefore taken into consideration when making an informed decision that might lead to credit approval or rejection.

Do postal credit offer meet provincial and federal legislation?

FEDERAL LEGISLATION

In Canada, the laws governing postal credit solicitation are listed under the *Cost of Borrowing (Banks) Regulations* of the *Bank Act*. Following the evaluation of the data gathered during conformance evaluation, it appears that only 31% of the offers that had to conform (189) met all requirements listed under the *Cost of Borrowing Regulations*. Most of the non conforming offers

³² Level 2: the person can only read simple, explicit text associated with simple tasks. This level is associated with a low level of competency.

³³ Level 3: represents the approximate level for completing high school studies and an initiation to superior level studies. As for higher levels, it requires the capacity to integrate various sources of information and to resolve more complex problems.

³⁴ Level 4: the person displays mastery of superior information processing skills.

were offers for transfers and advances against credit cards (94%), and credit card offers (71%). Among the studied samples, they were mostly offers issued by Capital One (100%), RBC (100%), and MBNA (97%). Principally, the offers studied do not conform to 2 regulations. One deals with provisions over publicity on margins and credit cards (Sections 21 and 22), which specify that the offers must indicate the interest rate in effect at the time of the advertising. The other deals with a standard regarding the application form (Section 11) which requires companies to supply a toll-free number if the mandatory information is not provided on the form.

If this high level of noncompliance appears important at first glance, the CACQ feels that the situation is not critical as such. In fact, provisions regarding the interest rates in effect at the moment of the advertising appear to be a piece of information that can be easily rectified by the issuing institutions. Also, when the mandatory information that must appear on forms is concerned, the new federal regulation should be able to resolve the situation by removing the option for a toll-free number as an alternative to listing the mandatory information.

PROVINCIAL LEGISLATION

Most Canadian provinces have adapted their legislation with respect to federal laws. New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island, Saskatchewan, Alberta and British Columbia had not introduced any complimentary legislation to existing federal laws at the time of this study.

As far as other provinces are concerned (such as Ontario which have additional regulations on top of federal laws, or Quebec which has specific regulations), the rate of compliance is far from satisfactory. In Ontario, 71 % of the offers do not comply. In Quebec, noncompliance reaches 97 %. In the opinion of the CACQ, those results are very worrisome from the perspective that provincial regulations aim to provide additional protection to the consumers.

Quebec

In Quebec, 69 offers were received and evaluated. The results reveal that 97% of those offers do not comply with the requirements of the *Consumer Protection Act*. In general, the offers do not conform due to the fact that they do not respect all of the provisions listed under the regulations governing publicity: noncompliance to the requirement plan for the credit rate (75%), and to the terms and conditions of credit (63%). More than half (58%) did not comply due to the incitation to procure goods or services using credit, which is an illegal practice. All the credit card offers (100%), loan offers (100%), balance transfer and cash advance offers (100%) do not comply with Quebec regulations. The nonconforming offers come from nine issuing companies³⁵ out of ten. One company (HSBC) complies with all legal requirements. However, only one offer coming from that company could be studied. It was an offer for a credit margin.

Ontario

In that province, 51 postal credit offers were received by our participants. In general, the study reveals that 29% of the credit offers comply with *Ontario Legislation 17/05*. The offers that did not

³⁵ American Express, Scotia Bank, CIBC, Citi financial, Desjardins, MBNA, RBC, Sears, Ultramar.

comply showed noncompliance with respect to the laws regarding solicitation. They did not contain at least one of the four elements required by Section 62 (3). They consisted mostly of credit card offers (75%) and of balance transfer and cash advance offers (100%). They were issued almost exclusively by (100%), MBNA (100%), and RBC (100%).

Incitation to procure goods and services through the use of credit

In Canada, Quebec is the only province with regulations governing the incitation to purchase goods using credit. Unfortunately, we have noticed that this regulation is not being respected very well. Out of the 69 offers from Quebec that were reviewed, 40 (58%) did not comply. The tendency to incite usage of credit to procure goods and services also appears to be a recurring technique used in the offers coming from the other provinces. Out of the 121 offers that were reviewed, 54 (45%) used some form of incitation to use credit for purchasing goods and services. Even though legislation formally prohibiting such practices only exists in Quebec, we are forced to note that it has very little effect in curtailing the industry's tendency to incite consumers to use credit to buy goods and services. In fact, the rate of noncompliance in Quebec was higher than anywhere else in Canada in our sampling. The prohibition to incite consumers to use credit to buy goods and services is based on the influence of consumer impulsivity with regards to credit transactions. This Quebec regulation is the only one that targets debt and overindebtedness prevention. In that perspective, uniformity of this legislation, coupled with other provisions governing credit solicitation, would make an important difference in the protection of consumers (as long as the law is enforced and that sanctions are appropriate for the violations).

A LACK OF LEGISLATION

Even though the rate of conformance is deplorable at the federal level as well as the provincial level, another major problem is of concern to the CACQ: lack of legislation. If we consider the ensemble of all federal and provincial laws governing postal credit offers, we believe that they are insufficient in general to help the consumer make informed decisions. In fact, the law still allows an institution to disclose as little as possible while still being within the permitted limits. According to the CACQ, to allow institutions to decide whether or not to disclose certain information represents a major obstacle to clear decision making. Such legislation provisions are not to the advantage of the consumer and do not help him build a sense of responsibility.

Also, certain current practices are not governed adequately (and sometimes not at all), whether it is at the provincial or at the federal level. We are referring to promotional activities that target retention of client loyalty (i.e., credit limit increases and additional cards offers made to existing clients), and reward program announcements (credit cards that permit the accumulation of points). Whether it is because certain practices are new, or because laws are not being updated regularly, and rarely go through a global consolidation, the objective to protect the consumer is not achieved. In fact, both federal and provincial laws remain silent regarding the marketing strategies that credit institutions can use. Also, the actual governance of the law over postal credit offers does not extend to the ensemble of the offers analysed during this study. The law is silent when it comes to certain types of offers while other offers benefit from the evolving nature of the various credit practices in order to avoid legal characterization.

Loans against salaries

Although not covered by this study, those offers are part of the Canadian financial landscape and benefit from the absence of explicit federal regulations governing them. At the provincial level, legislation governing loans against salaries has been in place in Ontario and in Manitoba for some time, and some include provisions covering advertising. Note, however, that following data collection during this study, a new element concerning the limit of the cost of borrowing has been modified. However, the offers of loans against salaries target a specific need (small, short term loans) **without having to disclose any of the future obligations regarding the credit offered. According to the CACQ, offering short term loans against salaries under conditions and rates set at the limits of legality represents a considerable risk of overindebtedness. We can only denounce the absence or insufficiency of explicit regulations governing this type of solicitation.**

Limited duration reduced rate credit offers

Given our previous position on limited duration reduced rate credit offers and the fact that they do not fall under the authority of regulations regarding interest-free periods, we can only underline the legal gap in that area. Without any specific regulations, clients already affected by indebtedness become even more vulnerable. Attracted by the possibility of debt consolidation, clients risk getting mired in overindebtedness in the months following acceptance of this new credit. In fact, reduced rate offers - usually being short duration offers with very high credit limits - can aggravate consumer debt dramatically especially if we consider how difficult to understand the information that might help the consumer make an informed decision really is. It is important for the consumer to be aware of the limits of this type of offer, notably the real effect duration of the reduced interest rate, the conditions applying to retroactive interests (if applicable), and the standard interest rate applicable after the end of the reduced rate period. This information is essential for the consumer to be able to make an informed decision; in consequence, it should be mandatory.

Offers made to existing clients

Whether it is for offers of superior cards or for balance transfers/cash advances, it is difficult to define which regulations apply to that type of credit. Which regulations de facto apply to activities targeting retention of client loyalty? Must the communications between the issuing institution and the existing clients be regulated closely? We believe so. Once solicitation takes place with the goal of inciting consumers to use credit (new or existing), the overindebtedness stakes persist. Within the framework of our study, it appears evident that the grey area regarding the applicability of regulations concerning postal credit offers benefits the issuing institutions. Those institutions fail to disclose the credit information related to the contract and depend greatly on the incitation to obtain goods and services and resolve debt problems through the use of credit. The techniques used (absence of mandatory information, sending ready-to-be-cashed cheques, interdiction to use those cheques to pay balances due at higher rates from the same institution, and targeting annual periods possibly involving greater expenditures) are not governed at all by existing laws.

Activities targeting retention of client loyalty

Regarding offers of balance transfers and cash advances (which we treat as attempts to secure consumer loyalty), we observe a proliferation of such practices. Other offers used to maintain client loyalty or attract new customers can also include a rewards program (in partnership with an organisation such as Air Miles or other organisations using points such as HBC), cash-back rewards, partnership programs with associated companies (a gas company, for example), or any other types of advantages such as contests, offers of superior cards, free gifts, etc. There are no regulations presently in place to govern such practices. This discrepancy needs to be noted for several reasons. Firstly, the larger number of client loyalty programs probably justify themselves due to their positive industry fallouts. Competition is fierce and the tools used to secure client loyalty must be innovative, attractive, and efficient. However, the reality is different for the consumers. The loyalty processes become intrinsically linked to consumerism through credit. Attracted by the possibilities of bonuses, gifts, and rewards, the consumer can lose sight of how these are attached to his use of credit. The regular usage of credit cards to purchase milk or pay the phone bill with the intent of winning a contest or accumulating future rewards runs the risk of trivialising a financial transaction with indebtedness potential while minimizing the consequences for the consumer, for his habits, and financial obligations.

CONCLUSION

According to the census analysis grid completed by the CACQ, our study shows that the majority of postal credit offers does not comply with federal and provincial regulations that were in effect at the time of the study. Those provisions were nevertheless put in place to protect the consumers. From a marketing point of view, our study confirms that the promotional techniques used by credit card companies are no different from the techniques recommended by direct mail specialists for any type of goods and services or companies. However, credit is not a consumer product like the others. It is a powerful financial tool that is difficult to master. Also, the present economical climate in Canada and throughout the world clearly shows that credit products can have severe consequences on the lives of consumers, including, most notably, overindebtedness which can cause additional physical and mental health repercussions.³⁶ From a perspective aimed at fighting overindebtedness and at protecting consumers, a question needs to be asked: Can we offer credit products the same way other consumer goods are being offered to the consumers? This question bears closer scrutiny regarding the responsibility regarding the fight against overindebtedness.

The fight against overindebtedness: a shared responsibility

Individual responsibility

The fight against overindebtedness does not exclude individual responsibility. The consumer is responsible for his choices and actions. Given the easy access to schooling in Canada, we can assume consumers are capable of making informed decisions concerning their personal financial situation and the usage of credit. **However, the study shows that while the promotional messages contained in the offers are written using a clear, concise language, and a simple vocabulary, the credit information supplied is difficult to interpret even for our analysts who are specialists in the area of consumerism and for the other experts consulted.** For example, the mandatory information concerning the terms and conditions is fragmented and so spread out that it is lost in a sea of information. This might account to some extent for the low level of comprehension of Canadian consumers regarding their responsibilities when it comes to credit and its associated costs.³⁷ Regarding this subject, a study conducted by the Government Accountability Office in the United States (GAO, 2006) explains very well this problem that also exists in other countries. According to this study, the information that issuing institutions must disclose as required by the law is not clearly explained and difficult to understand. As a consequence, the consumers do not fully grasp the meaning of what they read and therefore agree to a contract without understanding the associated costs and its workings.³⁸

The postal credit offers, as they are presented, do not take the consumer's capacity for judgement into consideration. Even though this study did not specifically determine whether or not the postal credit offers had an impact on consumer impulsiveness, **it clearly shows that promotional strategies used capitalise on consumer emotiveness and impulsivity. This fact underlines the**

36 "Coalition des associations de consommateurs du Québec," *"Enquête sur les conséquences de l'endettement sur la santé des consommateurs,"* (2008).

37 Financial Consumer Agency of Canada, *General Survey on Consumers' Financial Awareness, Attitudes and Behaviour*, (December 2006), 15.

38 United States Government Accountability Office, "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers," <http://www.gao.gov/new.items/d06929.pdf> (September 2006).

importance of literacy and education in personal financial matters, including budgeting, as part of the solution to increasing debts.

Social responsibilities of issuing institutions

Given the quantity of solicitation material that was compiled and the amount and quality of the documents that were posted, we can suppose there is a marked intention within the institutions to reach existing or potential clients through postal solicitation and that considerable amounts are invested in those promotional activities. According to a guide published in 2008 by the Ministry of Economic Development, Innovation and Export Trade, an average of 3.5% of total annual sales are invested in advertising activities by Quebec enterprises (all sectors) every year.³⁹ In consequence, it would be surprising if this important investment wasn't profitable for the credit card institutions.

What about the consumer's own interest, then? The amounts involved for the consumer are considerable as well, whether it is regarding the credit limits offered, the total indebtedness levels, or the additional costs associated with credit. If we factor in the attractive promotional techniques and the difficulty experienced in understanding how credit work, we can suppose that the consumer's interests and any notion of social responsibility are not being considered in the promotional activities of the issuing companies.

Still, according to a CACQ survey of Quebec consumers who had already accepted unsolicited credit offers, 57% of respondents thought the financial institution had reviewed their credit standing and deemed them capable of taking on extra debt before offering them additional credit. In almost half of the cases (45%), the average amount of credit granted was \$8,079. Let us note that 14% of respondents were granted a credit limit over \$10,000 (4% for \$20,000 or more and 1% for \$100,000 or more).⁴⁰

Even though no determination was made concerning the possible focus of issuing companies on highly indebted consumers, we can still ask ourselves the question given the high credit limits offered to consumers. We can also question why consumers believe the opposite. Is it because the offers are addressed to their attention? Because they are told they were selected in view of their excellent client status? That they are part of the elite? Or is it because of their excellent credit? According to the CACQ, the sales pitch is not insensitive to the consumer's perception of the issuing institutions' social responsibilities. In that context, the CACQ feels that the issuing institutions should take the consumer's debt capabilities before offering new credit or a limit increase for an existing product.

It might be appropriate to note that Section 9 of the new *Code of Conduct* of the Canadian Debit and Credit industry that came into effect on May 18, 2010⁴¹ addresses the issue to a limited extent by including some restrictions regarding approval of more expensive forms of credit. In fact, the Code stipulates that privilege cards, generally incorporating higher annual fees and interchange rates, can only be issued to consumers who request them or who give their consent AND whose

³⁹ "Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec," "*Guide de planification d'une campagne de communication*," (2008), 14.

⁴⁰ "Coalition des associations de consommateurs du Québec," "*L'impact des offres de crédit non sollicitées sur les consommateurs*," (survey completed by l'Observateur, April 2010).

⁴¹ http://www.fin.gc.ca/n10/data/10-049_1-fra.asp

revenues and/or expenses were evaluated as a function of a certain threshold. The CACQ considers that this provision is insufficient since general credit cards - not privilege cards - are identified as the cause of consumer overindebtedness. This measure, however, does have the merit of demonstrating the capacity of the issuing institutions to complete a rigorous analysis of the consumer's debt capacity. Let us note once again that the majority of Canadians consider the problem of indebtedness to be a shared responsibility between the individuals who experience financial difficulties and the financial companies who grant credit too readily.⁴²

Also, one of the solutions to debt is consumer education on financial matters. On that subject, it is important to note that issuing institutions offer more and more educational material regarding financial matters, whether it is through their websites, brochures or information sessions in schools. (Examples: Desjardins in Quebec high schools, Canadian Bankers Association retirees in schools elsewhere in Canada.) Since those institutions earn a lot of profit thanks to credit products, it only shows responsibility on their part to use some of those profits to educate the consumers regarding personal finances. However, the following question regarding objectivity arises: can issuing institution still sell the financial products while maintaining an objective educative role in matters of personal finances while still upholding their objectives of product retention and customer loyalty? Given the quality of the credit information material included in the postal credit offer, the CACQ doubts it. In the opinion of the CACQ, in order to insure a certain neutrality for the educative activities, the government should allocate funds for the creation of an education program on personal finances. A certain percentage of the required funds should come from the assets of the issuing institutions and ownership of those educative activities should be given to organisations with no monetary interest in those activities. This would allow those institutions to put their financial education and social implication desires into concrete form while distancing them from any possible implications of subjectivity.

According to the CACQ, if the credit institutions play a major role in consumer indebtedness by granting credit too readily and without regards to the consumer's debt capacity, they should share the responsibilities in terms of costs. This shared cost idea was also proposed in the "*Rapport sur la protection du consommateur de crédit*" produced by the "*Office de la protection du consommateur*" published in March 1995. The report considers that overindebtedness represents an "intrinsic incident" to credit and that the industry should "collectively contribute to its remedy, namely in assuming its cost."⁴³ One of the solutions proposed in the report, to ensure that institutions assume their social responsibility with respect to fighting overindebtedness, is to make them financially support the consumer associations that offer budgeting consultation services.⁴⁴ Also, according to a report prepared by Jacques St-Amant on the history of credit supervision in Quebec, a similar practice would have already existed in Quebec in the past: "Up until 1977 or 1978, "Mouvement Desjardins" consented to give 1/200th of one percent of its assets to the ACEF's; this agreement ended after the ACEF convention in 1977 which marked a (brief) radicalization of the ACEF's orientation that "Mouvement Desjardins" apparently did not feel it could support. Considering that in 2007 the total assets of "Mouvement Desjardins" were in excess of 144 billion dollars, the contribution today would amount to the order of seven million dollars."⁴⁵ However, the CACQ

⁴² Office of Consumer Affairs, "Rapport sur les tendances en consommation," (Industry Canada, 2005), 159.

⁴³ St-Amant, "Le métier de Pénélope : l'encadrement du crédit au Québec depuis 1978," (July 2008), 24.

⁴⁴ Idem, 27.

⁴⁵ Idem.

believes that direct financial support from financial institutions might affect the objectivity of the consumer rights groups. This is why the option of a government-run fund appears more appropriate for all concerned. An independent personal finance education fund would maintain the autonomy and integrity of the consumer associations. Also, the financial institutions would not have to “support” the political orientations of those associations. Finally, no doubt could be cast over the objectivity of the educational content presented in schools or elsewhere.

Governmental responsibility

In order to be able to make an informed decision regarding his actual needs, the consumer must have access to all the elements that will allow him to understand the conditions, the stakes and his obligations. Although education plays a primordial role in this decision-making process, it is not the only element to be taken into consideration. Both the federal and provincial governments share some of the responsibility in the fight against overindebtedness by passing laws that protect consumers with respect to credit. Laws that would incorporate the notion of social responsibility for the issuing institutions, such as granting credit as a function of the consumer’s debt capacity, taking into account all their existing debts, and other laws providing a framework for all commercial activities related to solicitation and publicity for credit. Canada has been introducing legal reforms concerning credit over the past few years aimed at increasing consumer protection. Quebec presently works on actualizing the provisions concerning credit in its *Consumer Protection Act*. The CACQ feels it would be desirable for all those reforms to share a common vision and orientation within the perspective of fighting consumer overindebtedness. The challenge is considerable and it involves the governance of promotional activities for postal credit offers using legal provisions (i.e., to harmonize existing laws). The various provincial and federal laws share some common traits. However, confusion does arise out of the small details found in their differences. The terminology used is not uniform, and jurisdiction varies. It is easy to get confused over the definitions of credit practices. The industry can comply “by default” to regulations, most notably when the laws allows to inform the consumer or not. Also, out of all the regulations that were reviewed, we note that some do not grant the same level of importance to the consumer. Given that it aims to protect the consumer, the primary objective of any legislation must be to ensure real access to consistent, clear and universal information. By granting free choice to the industry to disclose information regarding the consumer’s future obligations, or by minimizing or diluting the industry’s obligations, or by rendering the conditions so complex that even consumerism specialists have difficulty defining their scope or signification, consumers will not be protected adequately and will not be able to make informed decisions

As an alternative, legislators can and should intervene concerning the promotional strategies being used in order to help limit overindebtedness of Canadian consumers. Presently, nothing prohibits institutions from sending out massive quantities of credit offers to consumers. Except for Quebec, no other province provides a framework to govern the arguments of those promotions. Enterprises are free to use multiple promotional techniques such as loyalty programs, the issue of non requested emergency cheques, associations with partner companies, stickers, credit card imitations, etc.

On top of the contents specific to solicitation, publicity and application forms, the most evident loophole remains the posting of those unsolicited credit offers that play on consumer impulsiveness. A survey of Quebec consumers who have accepted unsolicited credit offers reveals that 78% of

respondents would not have applied for credit on their own.⁴⁶ This survey also showed that 40% of respondents would not accept the offer if it was offered to them again.⁴⁷ The CACQ has been campaigning for the past years to ban credit solicitation and advertising in order to limit its easy access. We are concerned here with solicitation via mail, phone, email, or other means. The youth must also be protected by prohibiting solicitation in areas where young people go, such as schools. This would make it the most radical regulation regarding credit solicitation put into place but it would also constitute the simplest and easiest way to control, and the most efficient one for the consumer. Despite all the possible legal precautions that can be taken, surveillance of industry practices and compliance remains the weak point of any attempt at modernising regulations.

Looking for legal solutions

The profile of variable credit laws throughout the world (most notably in the United States and in countries of the European Union such as France, Belgium, and Switzerland) allows to outline several possible solutions to various problems regarding variable credit. Some of those laws could serve as inspiration for Canada and its provinces.

Advertising

No state prohibits advertising for variable credit. However, several countries, including Switzerland, France and Belgium provide a legal framework for that type of advertising. The information is the element being regulated such that a defined quantity of objective information must appear in all advertising messages whether it is televised, printed, mailed or distributed otherwise. Switzerland and Belgium go even further with their regulations by explicitly incorporating messages stating that granting credit is illegal if it causes overindebtedness for the consumer.⁴⁸ Those same advertising message must avoid promoting the ease with which credit can be obtained or promoting credit as a solution to overindebtedness.⁴⁹ Finally, advertising that capitalize on how quickly and easily credit can be obtained is illegal.⁵⁰

Solicitation for variable credit

Solicitation is different from advertising in the sense that it is a direct offer to accept or refuse credit through the general promotion of a credit product in a newspaper (for example). Mailing an application form for a credit card is a typical example of solicitation. No state fully prohibits solicitation for variable credit. However, Belgium has very strict regulations that make solicitation difficult. In fact, it is prohibited to solicit a person at home or at work if that person has not requested it,⁵¹ which greatly limits postal solicitation.

⁴⁶ “Coalition des associations de consommateurs du Québec,” “*L’impact des offres de crédit non sollicitées sur les consommateurs*,” (survey performed by l’Observateur, April 2010).

⁴⁷ Idem.

⁴⁸ Federal law against unfair competition (Switzerland, December 19, 1986, Sec. 3 n).

⁴⁹ Federal law on consumer credit (Belgium, June 12, 1991, Sec. 57).

⁵⁰ Idem.

⁵¹ Consumer credit law (Belgium, June 12, 1991, Sec. 9).

Issuing credit cards

As is the case in Quebec, most of the countries studied prohibit issuing a credit card to a person without prior request. Only Ontario still allows issuing a credit card without a prior express demand from the person.

Protection of minors and schools

Many countries have adopted protective measures for minors and young adults with respect to solicitation and credit cards. The United States have done extensive work in that regards. An American minor (i.e., less than 21 years old) who wants to obtain a credit card must have the approval of a tutor and supply a document testifying to his capacity to pay his debts. Similar provisions are in place in Switzerland. In the United States, credit solicitation is now forbidden on a university campus or nearby.

Consumers' capacity to pay

A movement of accountability among credit issuers seems to have arisen over the past few years, although Canada has not joined in. Within the framework of those new values, the analysis of the consumers' capacity to pay debts is primordial. Switzerland has shown its progressive nature in that regards. In that country, a consumer who owns more than three credit cards must be registered, and he will be evaluated before he can received any additional credit.⁵² Some other countries have gone even further, recently. In the United States, this new approach has been added to the existing legislation, but the obligation to take the consumer's financial situation into consideration remains vague. Matters have been more clarified in the European Union where the credit issuer must verify the solvency of the debtor before issuing him any credit.⁵³ This directive uses a pan-European database to access debtors' solvency information.⁵⁴ Thanks to this innovating measure, the once marginal notion of "responsible loan" by which the lender must avoid causing the debtor's overindebtedness is now active across Europe. In Belgium, the consumer must supply all the necessary information for evaluation and credit will only be granted if he can meet his obligations.⁵⁵ The issuer must find a package that fits the consumer's financial situation. Still in Belgium, any change in the consumer's financial situation can bring about the cancellation of the credit contract.

Retraction period

The European Union has proposed the interesting possibility of a 14-day retraction period for a credit contract.⁵⁶ In Quebec, the *Consumer Protection Act* incorporates a retraction period for several types of contracts, but not for variable credit.

Credit limit

Following the example provided by Quebec, several countries provide a legal framework for credit limits by prohibiting unilateral increases (i.e., without a request coming from the consumer).

⁵² Federal law on consumer credit (Belgium, March 23, 2001, Sec. 23, Par. 1 & 25 Par. 1).

⁵³ Directive 2008/48/CE of European Parliament and Council, April 23, 2008, regarding consumer credit contracts and abrogating directive 87/102/CEE of the Council (official journal # L 133, May 22, 2008, p. 66-92, Sec. 8).

⁵⁴ *Idem*, Sec. 9.

⁵⁵ Federal law on consumer credit (Belgium, June 12, 1991, Sec. 15).

⁵⁶ Directive 2008/48/CE of European Parliament and Council, April 23, 2008, regarding consumer credit contracts and abrogating directive 87/102/CEE of the Council (official journal # L 133, May 22, 2008, p. 66-92, Sec. 14).

Belgium is particularly intolerant of limit overruns and has adopted a series of measures that aim to restrict consumer indebtedness when the limit is exceeded. In case of a limit overrun, usage of the card is barred and the consumer must reimburse the excess balance within 45 days to avoid having his contract either cancelled or modified,⁵⁷ but always according to the conditions of responsible loan as per the law. In the United States, the law is more concerned with the fees charged when the limit is exceeded by curtailing the amounts that can be charged and the number of times they can be charged to the consumer.⁵⁸

Surveillance role of governments

Even the most severe law will be to no avail if it is not enforced. Following our study, it appears evident that the industry's noncompliance with federal and provincial regulations is almost common practice – an industry that uses to its advantage the law's interpretative complexity, the ambiguities encountered in applying the law and the governing bodies' powerlessness when faced with the extents of the evolution of commercial credit practices. Despite inspiring laws passed in other jurisdictions around the world, Canada and its provinces do not allocated enough resources to organizations that aim to enforce laws targeting credit such as the *Financial Consumer Agency of Canada* and the "*Office de la protection du consommateur*." In Quebec, credit issuing institutions will continue their (sometimes prejudicial) practices despite strict laws that would be best used to maintain equilibrium between the issuing institutions and the consumers.

⁵⁷ Consumer credit law (Belgium, June 12, 1991, Sec. 60 bis 1).

⁵⁸ Credit Card Act of 2009, § 102 (United States, Truth in lending Act, § 1637).

RECOMMENDATIONS

From a fight against overindebtedness point of view, CACQ members, being established experts in the field of consumer protection, have campaigned to ban all forms of credit solicitation in Quebec for over 6 years. The results of this study have served to strengthen that position.

Considering that postal credit offers:

- give easy access to credit;
- are advertising elements that capitalize on consumer impulsiveness;
- do not contain all the information required to gain a proper understanding of how credit works;
- and incite consumer to sink deeper into debt.

The CACQ recommends that federal and provincial governments ban postal credit solicitation.

In the alternatives, considering that:

- a large number of postal credit offers are sent to consumers;
- the great majority of credit offers analysed in the course of this study do not respect federal and provincial laws;
- the postal credit offers analysed do not contain all the information required to make an informed decision;
- there are several obstacles preventing comprehension of how credit works (literacy level, information fragmentation, lack of uniformity in the presentation of important information, etc.);
- present laws governing credit solicitation are inadequate (no provision for certain solicitation practices, lack of uniformity of provincial laws, etc.);
- and Canadian indebtedness is higher than ever.

The CACQ proposes the following recommendations to the federal and provincial governments:

- fully assume their surveillance role by undertaking legal procedures to ensure their respective laws are being obeyed;
- to impose dissuasive sanctions to offenders under the appropriate laws;
- to compensate for any loopholes in existing laws regarding various practices (client retention/loyalty, loans on salary, etc.);
- to regulate promotional arguments and strategies used in credit offers;
- to establish a standard for information communicated to consumers (promotional information details regarding how credit works);
- to endeavour to harmonize federal and provincial laws regarding credit solicitation in a perspective aimed at strengthening consumer protection measures;

- to incorporate a notion of social responsibility into legislation so that credit can be granted to the measure of the consumer's capabilities to pay his debts and by taking the extents of all their obligations into consideration;
- and to set up a financial education fund for the consumers to be supported financially by the credit issuing institutions.

The CACQ recommends the following to the credit issuing institutions:

- to respect the laws presently in place in Canada and the additional laws put in place in its province to govern unsolicited postal credit offers;
- and to adopt socially responsible practices with regards to credit solicitation matters that do not encourage overindebtedness, and that would allow consumers to make informed decisions.

The CACQ recommends the following to consumers:

- to be wary of postal solicitation and not give in to emotions and impulses;
- to take time to consider their credit needs and repayment capacities;
- to make sure they fully grasp how the offered credit product works, and to understand the obligations and costs that come with the product before signing on to it;
- to compare the characteristics of the credit products being offered to them;
- and to seek counsel from not-for-profit financial organisations in order to secure objective information on how credit works in general and concerning the specific products being offered to them.