



Dear Valued Clients,

REGULATIONS COME INTO FORCE TO PROTECT CANADIAN CREDIT CARD USERS

On September 1, 2010, the Honourable Jim Flaherty, Minister of Finance, announced the coming into force of regulations to protect Canadians who use credit cards.

“Our Government has taken action to make financial products more transparent for consumers,” said Minister Flaherty. “The regulations that take effect today will protect Canadians and their families from unexpected costs and provide clear information to help them make better financial decisions.”

Originally announced on September 30, 2009, the new regulations will:

- Mandate an effective minimum 21-day, interest-free grace period on all new credit card purchases when a customer pays the outstanding balance in full.
- Lower interest costs by mandating allocations of payment in favour of the consumer. For example, any payment made in excess of the required minimum must either be allocated to the balance with the highest interest rate first or distributed proportionally to each type of balance (cash advances, purchases, etc).
- Provide information on the cardholder’s monthly statement on the time it would take to fully repay the balance, if only the minimum payment is made every month. For example, a balance of \$1,000 on a credit card that charges 18 per cent could take more than 10 years to pay off.
- Mandate advance disclosure of interest rate increases prior to their taking effect, even if this information had been included in the credit contract.

The regulations apply to credit cards issued by federally regulated institutions. Some provisions in the regulations have broader application to other financial products, such as fixed- and variable-rate loans and lines of credit.

These new credit card regulations are in addition to those that came into effect earlier this year, which include:

- Providing a summary box on credit contracts and application forms that sets out key features, such as interest rates and fees.
- Requiring express consent for credit limit increases.
- Limiting debt collection practices used by financial institutions.

Please feel free to contact us with your questions and comments.

Regards,

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