

Answer the questions using the credit section of the Office de la protection du consommateur [website](http://opc.gouv.qc.ca/en)<sup>1</sup>.

➤ 1. Match each of the examples below to its corresponding contract type and definition.

Type of contract	Example
<ul style="list-style-type: none"><li>■ Financial plan</li><li>■ Cash loan agreement</li><li>■ Variable credit contract</li><li>■ Credit contract</li></ul>	<ul style="list-style-type: none"><li>■ Credit card</li><li>■ Instalment sale</li><li>■ Personal loan</li><li>■ “Pay in 24 instalments”</li><li>■ Line of credit</li></ul>

- a) Allows you to borrow money, subject to a fee called a “credit charge.” The borrower is free to use the amount borrowed as he or she wishes.

**Type of contract:** *Cash loan agreement*

**Example:** *Personal loan*

- b) Amount allocated by a financial institution under a predetermined credit limit. Can be used to cover a shortfall in a bank account up to the credit limit.

**Type of contract:** *Variable credit contract*

**Example:** *Line of credit*

- c) Issued by financial institutions or department stores. Allows you to pay for goods and services by committing to repay the amount on a specific date.

**Type of contract:** *Variable credit contract*

**Example:** *Credit card*

- d) A purchase financed by the merchant. The consumer pays for the good through a series of payments made over a period of time. There are also credit charges in addition to the amount financed.

**Type of contract:** *Credit contract*

**Example:** *Instalment sale*

- e) A loan of money via a credit card. The merchant often requires that the taxes be paid up front. The statement of account for this loan usually appears on the credit card statement.

**Type of contract:** *Financial plan*

**Example:** *“Pay in 24 instalments”*

1. [opc.gouv.qc.ca/en](http://opc.gouv.qc.ca/en)

## The content of a contract for a credit card or a line of credit

The contract must specify:

- the date the contract was made;
- the place where the contract was made, if both you and the merchant are present when it is made;
- the merchant's name and address;
- your name and address;
- the credit limit, if any;
- enrolment or renewal fees;
- the length of each period for which a statement of account is provided;
- the minimum payment required for each period;
- the period you're granted to reimburse the account's balance without having to pay credit charges;
- the annual credit rate, which is an annual percentage showing credit charges;
- examples of credit charges in a table format;
- the mandatory information concerning your rights and obligations and those of the merchant.

- 2. Before you enter into a credit contract, make sure it is compliant or, in other words, that it contains all the mandatory information. For a CREDIT CARD, what constitutes the contract's signature?

**Answer:** 1- Giving the card to the consumer is considered the financial institution's signature  
2- Using the card constitutes the consumer's signature

- 3. Unless you have specifically asked it to, a financial institution cannot:

*You can choose more than one answer.*

- ☒ issue you a credit card
- ☒ increase your credit limit
- ☒ issue you a credit card with the same number as yours, for example, for your brother or sister

**Explanation:** *Unless you have specifically asked it to do so in writing, a financial institution cannot issue you a credit card, increase your credit limit, or issue a credit card with the same number as yours.*

*Some consumers mistakenly believe that if a financial institution offers them a credit card or a higher credit limit, that institution thinks the consumer is able to pay off the debt. That's not the case. Remember that financial institutions are businesses that want to make a profit: the more money consumers borrow from them, the more credit charges they will collect. So it's up to the consumer to refuse the many offers they receive.*

➤ 4. Where are merchants prohibited from offering a credit card or a line of credit to consumers?

- ☒ In a CEGEP, college or other educational institution (except a university)
- ☐ In a grocery store
- ☐ In a business (for example, a bank) if it is located inside an educational institution
- ☐ None of the above (merchants are free to offer me a credit card anywhere)

**Explanation:** *The law prohibits any merchant, or its representative, from offering you a credit card or a line of credit in a CEGEP, college or other educational institution (except a university). However, it can make this type of offer inside its business if that business is located in an educational institution.*

➤ 5. You want to have some cash in your wallet or pocketbook but you forgot your debit card at home. A friend of yours suggests that you take a cash advance, that is, use your credit card to withdraw money.

**When will credit charges begin to accrue (add up)?**

- ☐ 21 days after you receive the statement of account, as usual
- ☐ Never, as no credit charges apply to a cash advance
- ☒ As soon as you withdraw the money

**Explanation:** *When you take a cash advance, credit charges start to accrue, or add up, right away. There is no 21-day interest-free grace period. This means you'll pay credit charges even if you pay off your balance in full by the due date. In addition, the interest rate is generally higher for cash advances than for regular purchases.*

➤ 6. Answer the following questions after you check out section on backcharges on the Office de la protection du consommateur [website](https://www.opc.gouv.qc.ca/en)<sup>2</sup>.

- a) If you make an online purchase with your credit card and the merchant does not meet its obligations, you can contact the merchant to cancel your purchase. How long does the merchant then have to refund you?
- ☐ 90 days
  - ☐ 30 days
  - ☒ 15 days
  - ☐ 10 days

**Explanation:** *If you ask the merchant to cancel your purchase because it didn't meet its obligations, the merchant must refund you within 15 days, cancel the delivery charges and cover the reasonable costs for returning the goods.*

2. [opc.gouv.qc.ca/en](https://www.opc.gouv.qc.ca/en)

b) If the merchant doesn't refund you within 15 days of cancelling an online purchase you paid for by credit card, you can make a written request for a chargeback. Who should you send the request to?

- ☐ The merchant
- ☐ The manufacturer of the good you bought
- ☒ Your credit card issuer

**Explanation:** *You can request a chargeback from the issuer of the credit card you used. The issuer must then credit your account with the amount paid and cancel any charges to your account related to the purchase.*

c) Chargebacks cannot be made for certain types of online purchases. Which ones?

*You can choose more than one answer.*

- ☐ Purchase of a show ticket
- ☒ Enrolment in a series of courses
- ☒ Gym membership
- ☒ Purchase made through a web auction

**Explanation:** *Chargebacks can apply to most online purchases, like when you buy a ticket to see a show. However, you cannot claim a chargeback for the other purchases on this list or to certain others, like goods with a short shelf life (for example, food), a lottery ticket or a contract for a day camp or summer camp.*

## ➤ 7. Read the scenario below.

Max's parents live in Saguenay. Last year, Max moved to Montreal for his studies. Since he found these boring, he soon found a full-time job as a waiter in a restaurant. That's when he began to spend as though there were no tomorrow. With all his new friends, there were just so many opportunities to get out and have fun! Max also decided to buy himself a brand new car, which he paid for in part with his student loan and with a loan from the dealership. Before he knew it, Max found himself with a balance of \$5,000 on his credit card. Now he has to pay off this balance, in addition to covering his rent, car payment and groceries.

a) The credit rate on Max's credit card balance is 20%, and the minimum payment each month is 5% of the balance. Use the calculator on the [Minimum Payment, Maximum Interest](https://opc.gouv.qc.ca/en/minimumpayment)<sup>3</sup> web page to help you answer the following questions:

3. [opc.gouv.qc.ca/en/minimumpayment](https://opc.gouv.qc.ca/en/minimumpayment)

- i. How long will it take Max to pay off his credit card balance in full if he makes the minimum payment every month?

**Answer:** *10 years or 120 months (assuming he stops using his credit card to pay for purchases)*

- ii. When the balance is fully paid off, what total credit charges will Max have paid?

**Answer:** *\$2,445.28 (in addition to the \$5,000 balance, for a total of \$7,445.28)*

**Explanation:** *A credit card is among the most costly forms of credit (compared to a line of credit or a personal loan, for example) because of its high credit rate. That's why you need to use it carefully and pay off the balance as quickly as possible.*

- iii. To get rid of his debt faster, Max decides to make equal monthly payments. If his goal is to pay off his balance in 24 months, how much must his payments be?

**Answer:** *The monthly payment will be \$254.48 and the credit charges will be \$1,103.34.*

**Explanation:** *For equal monthly payments that are practically the same as the minimum payment, there's a big difference in the applicable credit charges (\$2,445.28 - \$1,103.34 = \$1,341.94) and in the repayment period (120 months - 24 months = 96 months).*

- iv. To pay off his debt faster, Max can choose to make even higher payments. If he's making \$400 monthly payments, how many months will he need to pay off his balance in full?

**Answer:** *15 months*

**Explanation:** *The higher the amount of Max's monthly payments, the lower his credit charges will be and the fewer months it will take him to pay off the entire balance.*

*A small difference in the amount of the monthly payment makes a big difference in the credit charges paid. It's interesting to see what happens when you change the amounts in the calculator (balance payable, interest rate, monthly payment and repayment period). This shows you how a higher or lower monthly payment will affect the credit charges you pay.*

- v. Why are consumers legally required to make a minimum monthly payment on their credit card balance?

**Answer:** *So that consumers pay lower credit charges, and therefore less interest. In addition, it will take them less time to repay their debt.*

**Explanation:** *The minimum payment is the portion of the credit card balance that you need to pay off every month. If you only pay this amount, in the long run it becomes very expensive and it will take you many years to repay your debt. The purpose of this legal provision is to encourage consumers to pay off their balances faster and pay lower credit charges.*

- b) Since Max hasn't made the minimum payment on his credit card balance for several months, the company that issued his card has handed his file over to a collection agency. Since then, he says he's being harassed by a debt collector who calls him all the time on his cell phone, calls the restaurant where he works and threatens to contact his parents. Max doesn't know what to do anymore. Answer the following questions, referring to the [website](http://opc.gouv.qc.ca/en)<sup>4</sup> of the Office de la protection du consommateur:

4. [opc.gouv.qc.ca/en](http://opc.gouv.qc.ca/en)

- i. What is a collection agency?

**Answer:** *A collection agency is an intermediary. Creditors hire this type of company to recover money they say they are owed. A creditor can be a financial institution or a business, among other organizations. According to law, collection agencies must follow specific rules of conduct. They can only use regulated means to recover money. They also need to be licensed by the Office de la protection du consommateur to operate as collection agencies.*

- ii. What can Max do to put a stop to the never-ending phone calls from the debt collector?

**Answer:** *Max has the right to ask the agency to contact him only in writing. To exercise this right, he must send the collection agency a written notice. This notice is valid for 3 months. Max will have to send the agency another notice after this 3-month period if he still wants to restrict the agency's contact with him to written contact.*

- iii. Is the debt collector allowed to call the restaurant where Max works in an attempt to reach him? Explain why.

**Answer:** *Yes, but the debt collector can contact Max at work **only once** and only in one of the following situations:*

- *if the debt collector doesn't know the debtor's address or a personal telephone number*

- *if the debt collector was unable to reach the debtor at his or her home phone number*

*However, if Max gives the debt collector permission to contact him at work, the collector can call more than once.*

- iv. Since Max's parents are not the guarantors for his debts, when would the debt collector be permitted to contact them and subject to what conditions?

**Answer :** *The debt collector can only contact Max's parents if she doesn't know Max's address or personal phone number. In this case, she would be allowed to contact them **only once** for the purpose of obtaining his contact information.*

- v. The debt collector asks Max to pay extra an amount of money in exchange for more time to pay off his debt. Max asks you if this is legal. What do you tell him?

**Answer:** *The debt collector can demand that Max pay the amount owed, but no more. Max should ask the debt collector to provide him with details or proof as to how much money she claims is owed. This will ensure that the debt collector is not asking for more than Max actually owes.*

- vi. What can Max do if the debt collector is not following the law?

**Answer:** *He can file a complaint with the Office de la protection du consommateur. Max can also take his case to court. He generally has three years to do so from the day the problem started. In particular, he can seek damages, which is a sum of money to compensate for the wrong done to him.*