

Answer the questions using the credit section of the Office de la protection du consommateur [website](#)¹.

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

Type of contract

- Financial plan
- Cash loan agreement
- Variable credit contract
- Credit contract

Example

- Credit card
- Instalment sale
- Personal loan
- “Pay in 24 instalments”
- Line of credit

- 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: _____

Example: _____

- 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: _____

Example: _____

- 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: _____

Example: _____

- 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: _____

Example: _____

1. opc.gouv.qc.ca/en

- 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: _____

Example: _____

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: _____

- 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

› 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)

› 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

› 6. **Answer the following questions after you check out section on backcharges on the Office de la protection du consommateur [website](#)².**

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

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

2. opc.gouv.qc.ca/en

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

› **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](#)³ web page to help you answer the following questions:

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: _____

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

Answer: _____

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: _____

3. opc.gouv.qc.ca/en/minimumpayment

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: _____

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

Answer: _____

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](#)⁴ of the Office de la protection du consommateur:

i. What is a collection agency?

Answer: _____

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

Answer: _____

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

Answer: _____

4. opc.gouv.qc.ca/en

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: _____

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: _____

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

Answer: _____

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