

Credit Card Debt

Credit cards can be very convenient, but they can also lead to serious debt problems. That's why it's important to know your rights and responsibilities—and your options—if you get into trouble.

What can happen if you default on your credit card debt

If you are carrying a large balance on your card, or are unable to make the minimum monthly payment, the credit card provider may, without first telling you, cancel your credit card, have the debt recorded on your credit report, and take a number of steps to collect the money. The company can:

- take money from your bank account to pay for the debt, if your credit card company is also your bank;
- raise your interest rate if you've been getting a promotional lower rate; or
- send your file to a collection agency.

Also, with notice to you, the credit card provider or collection agency can take you to court where a judge can order you to pay the outstanding amount plus interest and legal costs. If you don't pay, the creditor may seize your money, income or even take steps to sell your home.

Liability for shared or jointly held credit cards

If you share a credit card with someone, generally the credit card provider can claim the full balance on the account from either cardholder, regardless how much they used the card.

Cancelling your card

If you want to cancel your card, you must contact the credit card provider directly. Simply cutting up the card or not using it will not automatically cancel your account.

Your rights

B.C. law protects consumers in several ways:

- If you get a credit card in the mail that you didn't ask for, you don't have to use it. However, if you do use the card, you will have to repay your debt.

- If your credit card is lost or stolen, you are not responsible for any unauthorized purchases made with the card after you inform the credit card provider. If your card was used without your authorization before your report, your liability is limited to \$50. However, this protection does not apply if your credit card is used with your PIN to withdraw money from a cash machine.

Additional rules apply to banks that issue credit cards. These protections do NOT apply to credit cards issued by stores. Banks must:

- provide a minimum 21-day grace period during which no interest can be charged on new purchases; and
- have a clear complaint process, and if a consumer's complaint is not resolved, the federal government will accept complaints.

Your options

If you have a debt problem, you have several options:

- Negotiate with the creditor for time to pay. Be careful about agreeing to a repayment schedule that is unrealistic.
- Get help from a reputable financial counselling agency such as the Credit Counselling Society. You may decide to enter into a debt repayment program where you make a monthly payment.
- Negotiate a settlement. To settle the debt, sometimes a creditor will accept a lump sum payment on a portion of what is owed. Be sure to get this agreement in writing before sending any money.
- Dispute the debt in writing and ask the creditor to take it to court. You may have a legal defence if, for example, your name is not on the credit card account.
- Do nothing and see whether the creditor takes you to court. It's best to get legal advice before deciding that this is a reasonable option in your situation.
- Declare bankruptcy. This is a last resort. See a bankruptcy trustee for a free consultation.

Resources

Credit Counselling Society

A non-profit organization that offers financial counselling.

1 888 527-8999

www.nomoredebts.org

Consumer Protection BC

Regulates debt collection agencies and follows up on complaints about unreasonable debt collectors.

1 888 564-9963

www.consumerprotectionbc.ca

People's Law School

This website provides multilingual consumer law fact sheets, animations and audio clips, as well as links to government sites with topics, such as Choosing the Right Credit Card for You.

www.publiclegaled.bc.ca

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