

# New changes coming for prepaid cards

By Kira Vermont

Canadian prepaid card users will no longer be slapped with extraneous fees and expiration dates.

On Oct. 24, 2012 Finance Minister Jim Flaherty announced new regulations for the prepaid card market, giving Canadians a better idea of exactly what prepaid cards are actually costing them.

"We want to be sure Canadians understand what fees and conditions apply to prepaid products so that they can continue making informed financial decisions in their day-to-day lives," Flaherty said in a press release. "These changes will ensure that Canadians get the full value of their hard-earned dollar when using a pre-paid credit card."



Prepaid cards don't require a credit check so they are especially appealing for people who are unable to get regular credit cards or have a poor credit history. Rather than buying products or services on credit and paying the balance off as you would with a traditional card, prepaid cards allow you to load money onto them to spend or withdraw later. But the cards come with a price tag. Some cards charge top-up fees that are applied when consumers load more money onto their cards. Others impose fees for transactions, replacement cards, and monthly maintenance or load fees for overseas purchases.

"As a government, we need to ensure that an appropriate consumer protection framework applies to this new payment product offering so that Canadians can take advantage of them fully aware of all the fees and conditions that might apply," Flaherty said.

Coinciding with Financial Literacy Month, Flaherty hopes the new regulations will help consumers be more informed about prepaid cards. Here's a summary of the changes to come:

- Not only will a card's fees be prominently displayed in an information box on its packaging, but the fees must be described in "clear, simple and unambiguous language."
- No more maintenance fees or dormancy fees for the first year after the card has been activated. In other words, you won't be charged for *not* using your card.
- Expect to get advance notice if the financial institution plans to change a fee or tack on a new one.

- Cards can't expire. Good news if you routinely forget to spend that last \$20 or \$30 on the card by year's end.

Judith Cane, a money coach with Money Coaches Canada in Ottawa, says that prepaid cards have merit in some situations. For instance, they're great for buying things online if you're worried about your conventional credit card being compromised. If there's only \$500 loaded onto the card, thieves can only do so much damage. A prepaid card might also be the way to go if your children are going away to school and you want to give them spending money, but not access to a conventional credit card.

Though prepaid cards can be helpful, consumers have to be aware of the fine print.

"The problem with prepaid cards is that people just didn't really understand what they were paying for," she says. "With these new rules, they will."