

Focus: Canada's Efficient and Secure Payments System

Focus Sheet

FAST FACTS

- When it comes to credit cards, consumers in Canada have tremendous choice with hundreds of institutions – including banks, credit unions, and retailers – offering credit cards, with a wide range of features.
- 58 per cent of Canadians who are frequent credit card users listed “receiving discounts/loyalty points/rewards” as their main reason for frequently using credit cards for purchases.



The Bottom Line

Canada benefits from a secure, efficient and innovative payments system built on the foundation of strong financial institutions. Canadians value and trust the payments system which enables them to make the transactions that are part of their daily life. And those transactions are driving the country's economy.

The well-functioning payments system in Canada

When making a purchase or paying someone money that you owe, consumers can choose to use cash, cheques, debit and credit cards, as well as other electronic payments services like *Interac* e-Transfer, online bill payments and mobile payments. Many of these options are available for both in-store or online transactions. Canadians have come to rely on the choice and the overall reliability of their payments system. They assume, with good reason, that the payments they initiate will be processed efficiently,



accurately and securely. That confidence is a key part of a healthy and productive Canadian economy.

The pandemic accelerated an increase in digital payments, particularly contactless payments, as Canadians changed the way they transacted given concerns about the physical handling of cash and restrictions that prevented some in-person purchases.¹ According to a 2021 study on [payments trends during COVID-19](#) by Payments Canada, 42 per cent of Canadians say the pandemic has changed their payments preferences to digital and contactless for the long-term.² And a [December 2021 survey](#) by the Canadian Bankers Association found that three out of four Canadians (75 per cent) intend to keep the digital banking habits developed during the past two years.

Innovation in payments technology has increased the country's productivity and expanded the size of the Canadian economy. Banks in Canada are heavily invested in Payment Canada's payment modernization project, including the [Real-time Rail](#) which will allow Canadians to make payments and receive funds in seconds every hour of every day. This is in addition to investments that have been made in Canada's high-value payment system, which is the backbone of Canada's financial market infrastructure.

The expanded range of payment options offers consumers a great deal of choice in how they pay:

- The range of payment options can include cheque, credit card, debit card, prepaid credit card, cash, online transfers (such as Interac e-transfer) and electronic funds transfer (such as pre-authorized debits).
- More than 99% of adult Canadians have an account with a financial institution³, so the accessibility of banking services in Canada is incredibly high.

- The average Canadian uses Tap & Pay 10 times a month and buys something with their credit card and debit card eight times and seven times a month, respectively.⁴

Safe, secure and convenient payments by debit card

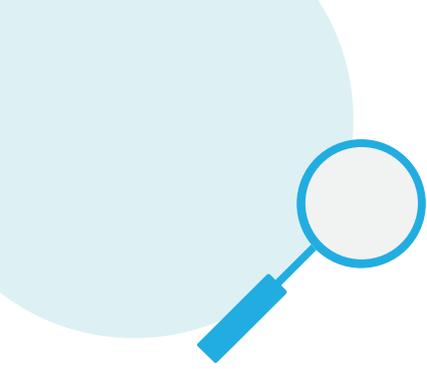
With a variety of payment methods to choose from, many Canadians use their debit card because it allows them to quickly and conveniently make payments from their bank account, without the need to carry large amounts of cash. Debit cards remain one of the most popular payment methods accounting for 30 per cent of total payment volume in Canada, second only to credit cards.⁵ Electronic debit payments are becoming more widespread as Canadians can use their debit card to make purchases at online retailers and pay money owed to friends and family through email money transfers. Regardless of the type of transaction, debit card users are always protected so, if they become the victim of fraud, they will be reimbursed by their financial institution.

The credit card system: benefitting both consumers and retailers

Credit cards are an essential part of our payments system. Every day, Canadians rely on their credit cards to buy household supplies, sign up their kids for swimming and soccer, make a hotel reservation and pay for parking. From gifts to necessities to travel, Canadians use their cards and derive a great deal of benefit from the system.

Canada benefits from a well-functioning credit card system that offers many benefits to both consumers and retailers who accept credit cards as payment.





Benefits to consumers

When it comes to credit cards, consumers in Canada have tremendous choice with hundreds of institutions – including banks, credit unions, and retailers – offering credit cards, with a wide range of features that can fit every profile and pocketbook.

Benefits of credit cards for consumers:

- Access to unsecured credit (no collateral required against amounts charged).
- Interest-free credit from time of purchase to the end of the billing period. And 71% of Canadians pay their credit card balance in full each month, so for them the interest rate is zero.⁶
- Instant certainty of payment for merchants means instant receipt of goods and services for consumers.
- Other rewards and benefits, such as air travel points, car insurance, damage and loss insurance, extended warranty programs and affinity programs.
- Ability to make purchases over the Internet.
- Fraud protection with zero liability to the consumer in cases of fraud.
- Convenience and safety associated with not having to carry large amounts of cash.
- Protection from losses for consumers when they pay for something in advance, like travel packages, concert tickets or goods on order that do not arrive.
- Detailed expenditure tracking.
- 24/7 access.

- Eight in 10 (84 per cent) consumers are satisfied with their credit cards and roughly the same proportion (86 per cent) say they offer great value.⁷

Canadians Appreciate Rewards Points Programs

Canadians appreciate their rewards points programs and the majority use them to help make a family vacation more attainable with travel points, save money on their grocery bills with cash-back rewards or use their rewards points to donate to a favourite charity.

- Research has found that eighty-three per cent of consumers use a credit card that provides them with rewards.⁸
- 58 per cent of Canadians who are frequent credit card users listed “receiving discounts/loyalty points/rewards” as their **main** reason for frequently using credit cards for purchases.⁹
- Roughly two-thirds of consumers (65 per cent) say credit card purchases are advantageous to merchants and directly help them grow their businesses.¹⁰

Benefits to Merchants

For merchants, payment cards speed up the checkout line, reduce cash handling time and costs, increase sales and more.

Merchants are not required to accept credit cards but do so in increasing numbers to attract customers by making this convenient payment method available to them. Merchants that do accept credit cards receive many benefits, including:

- Fast, guaranteed payment, which can reduce line-ups at checkout. If every credit card transaction took an extra 30 seconds, it would use up an additional 27 million hours of staff time each year.
- The ability to accept credit without worrying about the creditworthiness of customers, insufficient funds or outstanding receivables.
- Increased sales by offering customers a variety of payment options.
- Expanded markets; ability to sell to customers throughout Canada and around the world in the currency used by the retailer.
- The ability to enter into co-branding relationships: merchants can have their own branded credit card to build their brand recognition and encourage cardholders to shop at their establishment.
- Card payments also mean less cash on hand. Cash is often assumed to be a “free” form of payment for merchants – it’s not. In fact, it can be very expensive if you include effort spent on cash count and handling, armoured transport, a higher likelihood of theft and potential mistakes by cashiers.

Moreover, a very large majority (94 per cent) of merchants say their business benefits from accepting credit cards.¹¹

- Sixty-nine per cent of merchants say they benefit from letting customers earn rewards on their purchases.¹²



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The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

www.cba.ca

Canada has a very sophisticated credit card market with a lot of choice and competition for consumers. The system works well for both individuals and retailers, and is a critical element in Canada's efficient payments system.

Further reading on payments in Canada

- [Credit Cards: Statistics and Facts](#)
- [Payment Canada website](#)
- [American Express Canada website](#)
- [Interac website](#)
- [MasterCard Canada website](#)
- [Visa Canada website](#)

1 Payment Methods and Trends (CPMT) report, Payments Canada, September 2021: <https://www.payments.ca/industry-info/our-research/pandemic-sparks-evolutionary-year-payment-landscape-reveals-new-payments>

2 2021 Payments trends during COVID-19 study, Payments Canada: <https://www.payments.ca/about-us/news/canadian-consumers-cautiously-optimistic-about-financial-outlook-%E2%80%93-continue-tighten>

3 World Bank, Global Findex Database 2017: pg. 123 <https://bit.ly/3cPauyB>

4 Source: CBA Poll "How Canadians Bank" December 2021 Number of transactions per month: credit card 8 times, Tap & Pay with card 10 times, Buy with debit card 7 times

5 Canadian Payment Methods and Trends Report 2022: https://payments.ca/sites/default/files/PaymentsCanada_Canadian_Payment_Methods_and_Trends_Report_2022_En_0.pdf

6 Ibid

7 Abacus Data survey commissioned by the Canadian Bankers Association, October 2022

8 Ibid

9 Canadian Payment Methods and Trends Report 2022, pg 27: https://payments.ca/sites/default/files/PaymentsCanada_Canadian_Payment_Methods_and_Trends_Report_2022_En_0.pdf

10 Abacus Data survey commissioned by the Canadian Bankers Association, October 2022

11 Ibid

12 Ibid