



Shopping Around for a Pre-paid Card

WHAT IS A PRE-PAID CARD AND WHERE CAN YOU USE IT?

A pre-paid card is also known as a “payment card” or a “stored value” card, because you pay upfront to “load” money onto the card before using it. Some pre-paid cards are reloadable; others are not. You can get a pre-paid card at various cheque-cashing outlets, retail stores and financial institutions. As with a credit card, you can use a pre-paid card to pay for purchases or for services. You can also use it to withdraw cash at an automated banking machine (ABM).

A pre-paid card is different than a gift card, which you can only use in certain stores.

How can you get a pre-paid card and how does it work?

To get a pre-paid card you must fill out an application form. However, since the card is pre-paid, you do not have to go through a credit check or verification of your income or employment history. When you get the card, you load money onto it, then spend it until the expiry date. Once you have spent all of the money on the card, you must reload it before using it again.

How much does a pre-paid card cost?

There are several different kinds of fees with pre-paid cards. These include the following:

- a set-up fee for loading the card
- monthly fees
- fees for all purchases and cash withdrawals
- fees for currency conversions
- fees for balance or transaction inquiries (unless you made the inquiry on-line)
- fees for printed statements
- fees for reloading
- fees for moving funds to another pre-paid card
- fees for disputed transactions, when the merchant was not in error
- fees for replacing a lost or stolen card
- fees for inactive cards
- fees for processing a refund of money remaining on the card when it expires

What are the advantages of a pre-paid card?

- A pre-paid card offers the same convenience as a credit card but allows you to control the amount of money you spend.
- A pre-paid card can be handy if you don't have a bank account, or don't want to carry cash for security reasons.
- You can give a pre-paid card as a gift for a child. In some cases, the child must be 16 years of age or older. However, certain cards allow teens from the age of 13-15 to get a card, if a parent or guardian buys the card and takes financial responsibility for it.
- If you don't have a credit card and you want to rent a car, buy a plane ticket or make a purchase on-line or by phone, a pre-paid card can be useful.
- If your card is lost or stolen, you may not have to pay for fraudulent purchases.

What are the disadvantages of a pre-paid card?

- The many fees on pre-paid cards can add up quickly.
- There are limits on pre-paid cards, such as a limit on the amount of money you can load onto the card, or on how much you can spend in a day.
- If your card is lost or stolen and is used fraudulently to make a transaction at an ABM with your personal identification number (PIN), you may not get your money back. You must protect your PIN.
- With some pre-paid cards, if you don't use all the money on the card before the expiry date, you may lose the remainder. Some provinces are implementing legislation to disallow expiry dates.
- Using a pre-paid card will not improve or worsen your credit rating. It is not a credit product. You are spending your own money.

Tips to help you shop around for a pre-paid card

Ask yourself:

- Do I understand all of the fees that I will have to pay?
- Am I prepared to pay a monthly fee and a fee for each transaction?
- Would a traditional credit card, a secured card or a debit card work better for me?
- Would a low-cost bank account with a debit card work better for me?

Where to go for more information

The Financial Consumer Agency of Canada (FCAC) provides timely, objective information to help consumers choose the best banking products and services for their needs. FCAC also informs Canadians of their rights and responsibilities when dealing with financial institutions and makes sure that banks and federally regulated trust, loan and insurance companies respect the laws and agreements that protect consumers.

You can reach us by phone through our toll-free Consumer Contact Centre at 1-866-461-3222 (our TTY number is 613-947-7771 or, toll-free, 1-866-914-6097), or by visiting our Web site at www.fcac.gc.ca.

If you would like more information about pre-paid cards, see FCAC's publication ***Pre-paid Cards***, which includes comparison tables of the features and fees of various pre-paid cards, to help you find the card that best meets your needs. This publication is available on our Web site or by telephone.

If you would like more information about credit cards or bank accounts, see FCAC's publications ***Credit Cards and You*** and ***The Cost of Banking Guide***, which are available on our Web site and can be ordered by telephone. These publications let you compare most of the credit cards and banking packages available in Canada.