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How Young People View Credit: Predictable Debt Overload?

Executive summary
June 2012

Buying on credit is a widespread practice today, among adults and young people alike. In fact, like any other sector of the population, young people – including minors – are targeted by advertisements for all types of credit. Once they turn 18, young people are solicited by financial institutions, even right on school campuses. Financial institutions go so far as to offer students bonuses or gifts in exchange for a credit card contract. This ubiquity of credit is one of the factors contributing to young people, whether or not they are students, being in debt just like other age groups.

Considering the increasing indebtedness of young people, the ubiquitous advertising of credit, their possible ignorance of how credit operates, etc., our project has examined, notably through discussion groups, young people's perception of credit, the factors that have moulded that perception, and the latter's consequences on credit use by young people.

To that end, our research draws a portrait of young people's indebtedness and credit use. We also discuss the general financial situation of young people, the types of credit they use, as well as data on young people's attitude toward and perception of credit. Then the discussion groups are presented: methodology used, discussion summaries, etc. The discussion groups attempted to discern young people's perception of credit, the sources of that perception, the ability of young people to understand credit advertising, etc. Finally, based on data collected in a review of the literature and in the discussion groups, the study considers the necessity to change young people's perception of credit or to act on that perception, and the best means and times to do so.

The research shows that young people often spontaneously perceive credit negatively and are wary of it. This more recalcitrant perception of credit is more widely observed among younger teens (aged 15 to 17). Older youth, who use credit and have first-hand experience of it, have a more positive perception; they appear slightly better informed and their view of credit seems a little closer to reality. It is not clear where young people's perception of credit originates; they suggest it probably comes both from their parents' experience with credit and from advertising. The discussion groups also revealed that a majority of the participants viewed credit as: a means for making online purchases, a means for building a credit history, and a means for acquiring a product that one does not immediately have the money to buy. As we can see, the participants' perception of "credit" is quite scattered. Two of the three determining aspects of credit would thus not be specific to credit and might only have a very indirect relation to it.

In addition, the discussion groups and the data collected demonstrate that in terms of providing young people with information about credit, other vehicles than parents, financial institutions and advertising should be identified. It is also important to address young people at a time when they are receptive to this type of information. The discussion groups showed that 15 to 17 year-olds have a negative perception of credit, about which they know very little, whereas that perception changes among 18 to 21 year-olds. So it appears that the critical time for discussing credit with

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young people is when they are 17 or 18 years of age, i.e., just before they start using or are offered credit. The school appears to be the ideal place for giving young people as much information as possible about credit and personal finances.

Our recommendations notably pertain to the necessity that the federal and provincial governments establish overall strategies to ensure that young people receive broad and objective information about credit, debt, and sound management of personal finances. Accordingly, our study recommends that provincial governments, in partnership with independent personal finance experts (professors, budget consultants), establish personal financial education courses. Those courses should include training in credit, credit products, their pros and cons, reasonable consumption, debt, and awareness of advertising techniques.

French version available.

Union des consommateurs has received funding from Industry Canada's Contributions Program for Non-profit Consumer and Voluntary Organizations. The views expressed in this document are not necessarily those of Industry Canada or of the Government of Canada.