

## **CREDIT CONTRACTS: Signatory solidarity**

*Executive summary*  
June 2017

*Do consumers adequately receive and understand information on the liability entailed by a joint commitment regarding a personal credit product?*

Our research aimed at identifying the information generally available to those who make a joint commitment – as co-signers, holders or endorsers of personal credit products: loans, credit cards, credit limits and hybrid products.

We tried to determine whether information was provided, or easily accessible, regarding the solidarity of obligations, notices issued or instructions received by financial institutions, and ways to terminate solidary obligations.

After a review of the literature, we conducted a survey of financial institutions – in branches, by telephone and on their websites – and examined a few credit contracts.

We also tried to determine, by examining the websites of various governmental and non-governmental organizations and contacting them directly through questionnaires, the type of information those organizations provide to consumers on this issue, and we asked them what types of complaints or information requests they receive from consumers.

We also held discussion groups to verify directly with consumers who had co-signed credit products whether they knew the scope of the obligations they had committed to and the risks of this type of commitment.

Our general conclusion is that consumers, including credit contract co-signers, have insufficient knowledge of the implications of co-signing.

Solidarity is clear enough regarding liability for payment – the co-signers know they are individually liable for the entirety of the debt contracted jointly or endorsed. But many would be surprised to learn that solidarity extends, for example, to instructions that may be given to the financial institution, which can accept those of a single co-signer to raise a credit limit or add a credit holder. Consumers' knowledge of ways to terminate solidarity or of rules for financial institutions to issue notices and account statements appears quite poor. And financial institutions, among the main sources consumers spontaneously turn to for obtaining information, rarely disclose such information in an accessible, clear and complete manner, whether in branches, on their websites or in contracts.

Consumers are thus often taken aback when, for example, a separation interrupts the communication or breaks the bond of trust between co-signers, or opens the door to abuses by one of them.

*La force d'un réseau*

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Our survey of governmental organizations and consumer protection organizations revealed that consumers often ask many questions about this issue. Our survey also identified potential solutions that consumer groups are considering, and on which we will draw in making our recommendations.

The implications of co-signing and the liability thus assumed must be clear and fair, and must be well understood by consumers making that commitment. Currently that does not seem to be the case. It may be appropriate to consider corrective measures.

To that end, we submit 14 recommendations to lawmakers and financial institutions for them to take measures such as:

- Limiting the stipulations of solidarity – for example, prohibiting its extension to simple credit card holders – and their scope, requiring the co-signers' consent to any substantial modification, limiting an endorsement of variable credit products to the amount initially agreed to;
- Requiring notices to be sent to all principal co-signers;
- Advising consumers about the risks of joint commitments and about the ways to terminate solidarity.

We also recommend that all stakeholders increase their efforts to raise consumer awareness of the issue of joint liability in credit contracts.

*Note: Our research did not address co-signed mortgage products and prepaid card payment options.*

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