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SUBJECT: CREDIT POLICY

SECTION: POLICY

ISSUED BY: CONTROLLER

CREDIT POLICY

Purpose

To outline the terms in which Saskatoon Co-op offers and administers credit while managing its credit risk.

General

Customers who wish to utilize credit products provided by Saskatoon Co-op must provide the Credit Department with a completed and signed credit application. To finalize the credit agreement, the credit application must be approved by the Credit Manager. Additionally, when requesting a credit limit of \$10,000 or more, the application must also be approved by the Controller. Saskatoon Co-op shall have the right to refuse credit privileges to any applicant at its sole discretion. The customer will be notified by the Credit Department to inform them if their application has been approved or denied.

Saskatoon Co-op may withdraw credit privileges without notice if credit terms and conditions are violated at its sole discretion.

The interest rate for all types of credit accounts is 2% per month, 24% per annum (26.82% effective annual rate).

Any changes in credit terms and/or interest rates, must be reviewed and approved by the Board of Directors; after which the charging members will be notified at least thirty days in advance of the change.

All types of credit accounts are available to both individuals that have an equity bearing membership and corporations that have either an equity bearing membership or non-equity bearing account. At the discretion of Saskatoon Co-op, personal guarantees and/or letters of credit may be required on corporate accounts.

Account types

The types of credit accounts provided are:

- Monthly charge
- Six month no-interest plan
- Special FCL programs

Monthly charge

Availability

The monthly charge account is available to Saskatoon Co-op members and commercial non-members for eligible purchases.

Terms

All purchases made during a calendar month, are payable in full by the end of the following month.

All account holders are mailed a monthly statement no later than the tenth day of the each month. Failure to pay in full by the due date will result in an interest charge levied on the unpaid balance that is past due. All payments are first applied to interest and then to the oldest debt outstanding unless the account is denoted as an open account in which case it would be applied in accordance with the instruction on the remittance advice.

Eligible purchases

The following are excluded items that are not eligible to be charged, regardless of location:

- Liquor
- Prescriptions – other than for patients living in centrally administered communal residences
- Lottery
- Tobacco
- Agricultural fertilizer

Items that are eligible to be charged differ by location.

- Home centres, agro centres, cardlocks and bulk petroleum: all items other than the excluded items above are eligible purchases.
- Food stores: no items are to be charged with the exception of food purchases for governments, institutions, and not-for-profit organizations.
- Gas bars: gasoline, diesel, diesel exhaust fluid, oil and lubes, car washes and propane purchases are the only items eligible to be charged.
- Liquor stores: no items are eligible to be charged.
- Hybrid stores: The excluded items above are not eligible to be charged. The only food purchases eligible to be charged are those for governments, institutions, and not-for-profit organizations. All other items are eligible to be charged.
- Pharmacies – prescriptions are not eligible to be charged unless the patient lives in a communal residence where the procurement of prescriptions is centrally administered.

Service card

Customers to whom credit privileges have been given shall receive a service card. This card shall remain the property of Saskatoon Co-op and be subject to recall at its sole discretion. Service cards will be validated by the signature of the applicant and must be present at the time of the transaction.

All charge customers are required to present a service card at the time of purchase. If a service card is not presented, then the employee must check the customer's electronic account information to ensure the account is in good standing and the credit limit will not be breached. If the employee does not have access to the customer's electronic account information, then they must call the Credit Department for authorization during office hours or their Department Manager after hours.

Should a service card be lost or stolen, it is the responsibility of the customer to report the occurrence to the Credit Department in a written format that accommodates date and time stamping.

Six month no-interest plan

Availability

The six month no-interest plan account is available to Saskatoon Co-op members and commercial non-members for eligible purchases at home and agro centres.

Terms

The intent of this plan is to assist customers with paying for medium to large ticket items over six months without charging interest. Each customer can only have one plan at a time.

Payments will be made in six equal monthly instalments. The first instalment is due on the last day of the month of the purchase and each subsequent payment is due on the last day of the next month. Failure to pay by the due date will result in an interest charge levied on the unpaid balance that is past due. All payments are first applied to interest and then to the oldest debt outstanding. Customers will not receive a statement for these plans unless payments are past due.

The customer must decide to use the six month no-interest plan account at the time of purchase as purchases cannot be retroactively applied to this account and the purchase must be made at the same time on the same invoice.

Eligible purchases

This plan is only available for products purchased at home and agro centres. An eligible total purchase for this plan must be between \$500 and \$10,000.

Special FCL programs

From time to time, Federated Co-operatives Limited (FCL) will offer Saskatoon Co-op extended terms on specified product with the condition that we pass those terms on to our customers. FCL may also offer certain programs where we partner with a third party to offer special credit vehicles.

Saskatoon Co-op will participate in these programs at the discretion of the Controller and senior management.

Fees

The customer will pay all costs incurred by Saskatoon Co-op in the collection of a past due account including any charges or fees of any collection agent, NSF payment charges and legal fees.

At the discretion of the Credit Manager, fees will be charged to customers for additional services performed outside of the scope of the credit agreement between the customer and Saskatoon Co-op at the rate of \$100 per hour. Examples of these services would include but are not limited to bookkeeping and account reconciliations. Additional fees may be charged at the discretion of the Credit Manager.

Payment on account

Payments for all types of charge accounts with the exception of the six month no-interest plan are accepted at all locations. Payments for the six month no-interest plan must be made at the Administration Office or through online banking. The Co-op will accept cash, cheque, debit, online banking and bank draft as approved forms of payment on charge accounts. The Co-op will not accept payment on account by way of credit card or gift card.

For customers wishing to prepay their account, the Co-op will accept cash, cheque, debit, online banking, bank draft and credit card as an approved form of payment. In order to use a credit card for a prepayment, the account must have a credit balance or a nil balance and the payment must be made at the Saskatoon Co-op Administration Office.

Credit cards

Credit cards will only be accepted as a form of payment at the time of purchase. Credit cards cannot be used as form of payment to pay for a purchase that has been charged.

Generally, credit card payments must be made in person with the card present. The exception to this is when we have the card information stored at our location. The storing of credit card information is reserved for select customers at select locations and will be done in a manner that is compliant with Payment Card Industry Data Security Standards. In these situations, the credit card will be charged before the product is provided to the customer.

Cheque acceptance

All customers with a service card are authorized to provide a personal cheque as their form of payment as long as the service card is presented at the time of the transaction.

For customers that do not have a service card, a valid cheque cashing card must be presented at the time of the transaction in order for a personal cheque to be used as the form of payment.

Other than cheques drawn on the account of Saskatoon Co-op, no third party cheques will be accepted.

Account adjustments

The write off or adjustment to any account or any interest owing must be approved by the Credit Manager. For amounts over \$1,000 it must also be approved by the Controller and for amounts over \$2,000 it must also be approved by the Board.