

CMA GUIDE

Loyalty Program Rules for Marketers

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Purpose and scope

The purpose of this guide is to equip Canadian marketers with essential knowledge about designing and managing loyalty programs that comply with federal and provincial legal requirements. This guide provides actionable strategies to build consumer trust while mitigating legal and reputational risks associated with points, rewards and member pricing programs.

The information in this guide will help marketers create compliant and effective loyalty programs that protect both consumer interests and business objectives.

Note: This guide does not constitute legal advice. If you have specific questions about the application of the law to your marketing activities, speak to your legal advisor.

For more information, [contact the CMA](#).

Introduction

Loyalty programs, from airline miles to grocery rewards and retail member pricing, are now core marketing tools. They drive repeat purchases, increase customer lifetime value, and generate valuable first-party data. For many brands, loyalty is a growth engine.

Regulators and consumers, however, no longer view loyalty points as “just perks.” Increasingly, points are

treated as a form of deferred value. Consumers earn that value through spending, attention, and data. When that value changes, disappears, or becomes harder to redeem than advertised, legal risk can follow.

In Canada, loyalty programs are governed by a patchwork of federal and provincial laws. There is no single “Loyalty Program Act.” Instead, marketers must design programs that comply with:

- Rules against misleading advertising and drip pricing.
- Communication requirements (email, text etc) when promoting loyalty offers.
- Privacy laws governing how customer data is collected and used.
- Provincial consumer protection laws.

Loyalty programs function as pricing mechanisms, consumer contracts and data ecosystems, not just marketing campaigns. Each of these dimensions carries compliance obligations.

Well-designed programs build trust and long-term equity. Poorly designed programs, especially those that hide limitations, devalue points without notice, or blur consent, attract regulatory scrutiny and erode customer confidence.

This guide outlines what marketers need to know to build loyalty programs that are both compliant and worthy of customer trust.



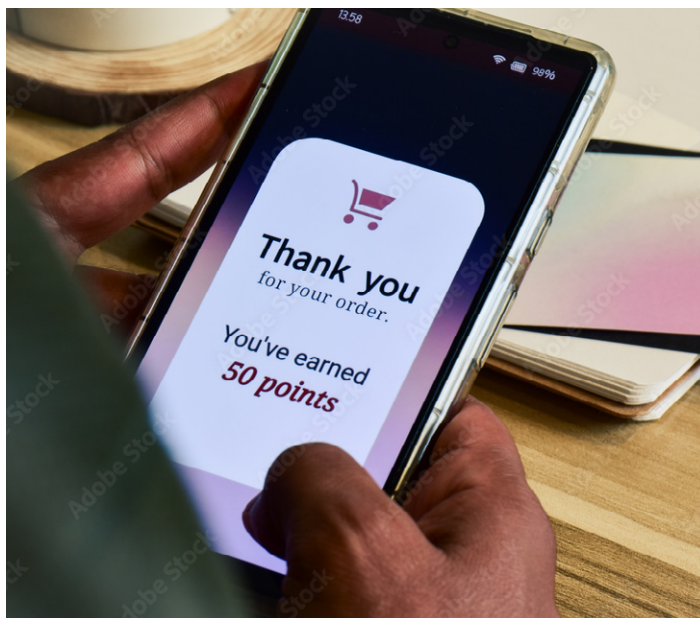
Legal requirements

Loyalty programs must comply with multiple laws. If you operate nationally, you need to comply with both federal requirements and the laws in each province where you have members. There is no single “Loyalty Program Act”, instead, marketers must navigate overlapping rules that govern how programs are marketed, how data is handled and how points are managed.

Regulators increasingly scrutinize loyalty programs, focusing on transparency and fair treatment of points as consumer-held value. Recent enforcement activity signals clear compliance priorities with the Competition Bureau for example targeting cases where mandatory fees or limitations are revealed late in the redemption process. Additionally, several retailers have faced enforcement for sending promotional messages without valid consent or proper unsubscribe mechanisms. Joining a loyalty program does not automatically equal consent for marketing emails.

Regulators look at the overall impression so if the real cost or limitations are not readily available, this can pose risk. As loyalty programs increasingly power personalized pricing, segmentation and cross-platform targeting, transparent data handling is essential.

Risk considerations: Organizations that fail to design transparent, compliant loyalty programs



face regulatory penalties, consumer complaints and significant reputational damage that erodes the trust loyalty programs are designed to build.

Competition and advertising

The Competition Act prohibits false or misleading representations. In loyalty programs, this typically affects how rewards, savings, or “member pricing” are promoted.

High-risk areas include:

- Advertising a “free” or “\$0 reward” when mandatory fees are revealed later.
- Promoting “member savings” that can’t be substantiated.
- Overstating how easy it is to redeem points.
- Marketing an offer that looks attainable but isn’t in practice.

What this means for marketers: Put key limitations near the headline claim, do not bury it in the fine print, one-click rule is what the Bureau states.

For detailed guidance on advertising and pricing claims, see the [Competition Bureau’s Drip Pricing Guidance and General Impression Test framework](#).

Canada’s Anti-Spam Legislation (CASL)

If you promote loyalty bonuses, point multipliers, partner offers, or redemption opportunities by email or SMS, CASL applies. That means:

- You need valid consent for promotional messages.
- You must clearly identify your organization.
- You must provide a working unsubscribe mechanism.

Joining a loyalty program does not automatically equal consent for marketing emails.

What this means for marketers: Separate program enrolment from marketing opt-in. Make consent clear, voluntary, and easy to withdraw.

For detailed CASL compliance guidance, see the [CMA Guide to Sending Commercial Electronic Messages and CMA CASL Checklists for Marketers](#).



Privacy and data handling (PIPEDA and provincial privacy laws in BC, AB and QC)

Loyalty programs collect valuable data including purchase history, preferences, and engagement behaviour. That data often fuels personalization and targeted advertising.

Under Canada's privacy laws:

- Consent must be meaningful.
- Consumers must understand what data is collected and why.
- You cannot require consent for unrelated purposes.

If loyalty data is used for advertising measurement, cross-platform matching, or profiling, your disclosure and consent language needs to be clear and specific.

What this means for marketers: Treat loyalty data like a strategic asset, but also like regulated information. Transparency builds trust. Surprises trigger complaints.

For detailed privacy compliance guidance and essential knowledge about best practices for websites and app design, see [CMA's Privacy for Marketers Guide](#) and the [CMA's Guide to Transparent Data Practices for Websites and Apps](#).

Provincial requirements

While federal law sets the baseline, provinces control many of the rules that directly impact how loyalty programs are structured.

Ontario and Quebec have the most specific loyalty-related laws in Canada. National marketers should design programs with these requirements as the baseline.

Ontario

Ontario's Consumer Protection Act restricts how loyalty points can expire. Points cannot expire simply because time has passed. In other words, you can't say "all points expire after 24 months". Ontario does allow expiry tied to inactivity; for example, if a member has not earned or redeemed points within a defined period (commonly 12 months or more). That inactivity rule must be clearly disclosed.

What this means for marketers:

- Avoid fixed-date expiry language.
- If using inactivity-based expiry, define what counts as "activity."
- Make expiry rules easy to understand, not buried in legal text.

Quebec

Quebec has the most detailed loyalty program rules in Canada, and the highest compliance risk if you get it wrong.

In Quebec:

- Points generally cannot expire due to the passage of time alone.
- Inactivity-based expiry is permitted only if the inactivity period is at least one year.
- A 30–60-day advance notice must be sent before points expire, and that notice must focus specifically on the expiry and should not be buried in a general newsletter or promotional email.

Quebec is also strict about changes to program terms:

- You cannot retroactively reduce the value of points already earned.
- Material changes that disadvantage consumers require structured advance notice.



In practice, this means retroactive devaluation is extremely high-risk in Quebec.

What this means for marketers:

- Design national programs with the strictest requirements built in from the start.
- Avoid “stealth devaluations.”
- Treat point value like customer-held currency, not just a promotional lever.
- Build operational systems that can send compliant expiry notices where required.

Quebec Law 25 requires enhanced privacy obligations, especially around profiling, automated decision-making, and data transparency. For detailed compliance guidance, see [CMA's Application of Quebec Law 25 to Marketing Activities Guide](#).

Other provinces

Outside Ontario and Quebec, most provinces regulate loyalty programs through general unfair practice and misleading advertising provisions.

That doesn't mean there's no risk; it means enforcement typically focuses on:

- Misleading expiry messaging.
- Hidden limitations.
- Unfair or deceptive redemption practices.

Gift card or prepaid card rules may also apply if points convert into dollar-value vouchers or stored credits.

Best practices

The strongest loyalty programs are built to withstand scrutiny from both regulators and customers. These practices go beyond minimum legal requirements and position loyalty as a long-term trust strategy.

Design to the strictest jurisdiction

If your program operates nationally, design it to meet Quebec and Ontario standards from the start. Trying to create province-by-province variations increases complexity and risk, and could alienate consumers in provinces with different requirements.

A national “highest standard” model:

- Reduces operational mistakes.
- Simplifies disclosures.
- Signals fairness to consumers.

Put material limitations upfront

Do not rely on fine print to manage risk. Ask yourself:

- Would a reasonable consumer expect this limitation?
- Would they feel surprised when they encounter it?

If yes, surface it earlier. Material limitations include:

- Inactivity rules.
- Expiry triggers.
- Redemption restrictions.
- Mandatory surcharges.
- Inventory limitations.

Transparency protects both brand equity and compliance posture.

Best practices:

- Display key limitations near the promotional claim, not buried in terms and conditions.
- Use plain language: “Points expire after 12 months of inactivity” instead of “Points subject to expiry per program terms”.
- Test your redemption flow and if users encounter surprise restrictions, fix the disclosure.

Separate loyalty value from marketing pressure

Avoid structuring programs so that consumers feel forced to:

- Consent to marketing to maintain points.
- Share unrelated personal information.
- Accept profiling without understanding it.

Loyalty enrollment, marketing consent, and data-sharing consent should each stand on their own. This reduces CASL and privacy exposure and builds credibility.

Best practices:

- Use separate checkboxes for program enrolment and marketing consent.

- Make marketing opt-in optional, not required to earn or redeem points.
- Clearly explain what data you collect, why and how it’s used.

Build a formal change management process

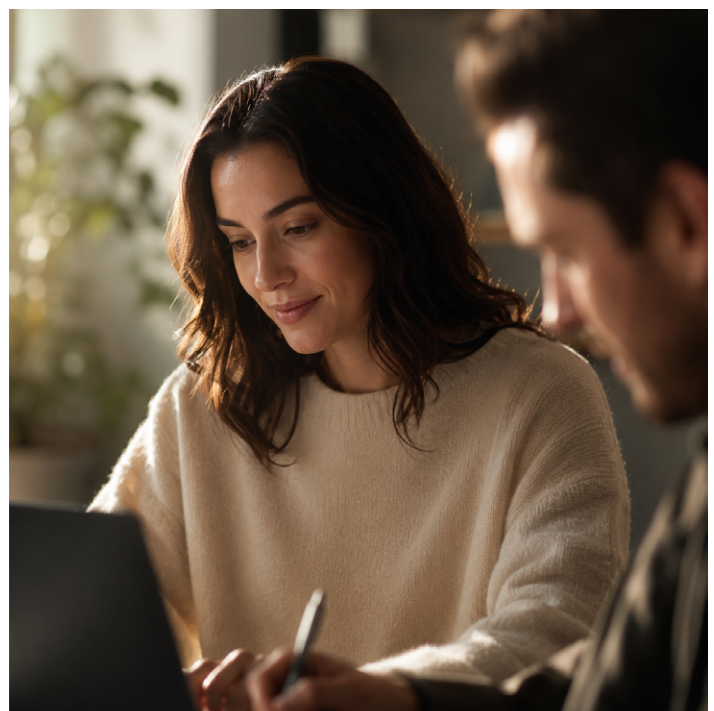
Loyalty programs evolve. Costs change. Partnerships shift. Before modifying:

- Earning rates.
- Redemption ratios.
- Expiry triggers.
- Program structure.

Implement a structured internal review that includes marketing, legal and finance.

Best practices:

- Provide clear advance notice of material changes.
- Avoid retroactive changes that reduce the value of points already earned.
- Where possible, grandfather existing members under previous terms.
- Communicate changes directly to members, not just in updated terms and conditions.



Treat points as consumer-held value

Whether or not points are legally classified as currency, consumers perceive them that way. When programs treat points as:

- Earned value.
- Stored purchasing power.
- A reward for loyalty.

Design decisions change. Programs built with this mindset are less likely to rely on technical loopholes and more likely to maintain long-term trust.

Best practices:

- Avoid sudden devaluations. Phase changes in gradually.
- Provide clear communication about point value and redemption options.
- Design redemption experiences that feel rewarding, not frustrating.

Resources

Competition Bureau: [False or misleading representations and Deceptive Marketing Practices](#)

Competition Bureau: [Deceptive Marketing Practices & Drip Pricing Guidance](#)

CRTC: [Canada's Anti-Spam Legislation - Act, regulations and guidelines](#)

Office of the Privacy Commissioner of Canada (PIPEDA guidance, investigation findings)

[Quebec Commission d'accès à l'information](#)
(Law 25 guidance)

About CMA guides and tools

Marketers need to have a broad skill set that includes knowledge of marketing compliance and best practices. The CMA and its members recognize that complying with all relevant laws and maintaining high standards of practice is a fundamental responsibility to the public, critical to the reputation of the marketing profession and the foundation for a successful and strong business community.

The CMA is the leader in providing legislative and regulatory guidelines and articulating best practices for the marketing profession in Canada. We provide educational resources to maintain and strengthen the professionalism and integrity of the marketing community.

Our Canadian Marketing Code of Ethics and Standards is widely recognized as a benchmark for effective self-regulation and is updated annually.

The Canadian Marketing Code of Ethics and Standards and our series of compliance and best practices guides do not purport to replace legal advice or guidance.

For more information, [contact the CMA](#).

Special thanks to the CMA's Ethics and Standards Committee for their work in creating this guide.

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