

Using a credit card

Whether you've just received a new credit card or have been using one for years it makes sense to check that you are using your card sensibly. This guide has a few top tips to keep your finances healthy and give you peace of mind.

Credit is not free money. If you want to borrow on your credit card check that it is the most effective way to pay for what you have in mind. A credit card can give your finances flexibility but is not the most sensible choice for long-term borrowing.

It's common sense that if you can't afford to repay it then don't spend it.

When choosing your credit card you should have carefully considered what you want it for and so should be aware of its features and terms

and conditions, and how you intend to manage your repayments.

Top tips to get the most from your card

1. Spend only as much as you can afford

If you don't intend to pay off your statement amount in full every month, and before you use your credit card anymore, ask yourself if you can afford the repayments. Do NOT use your credit card to buy goods you can't afford or don't need, or to fund a lifestyle that is beyond your means.

2. Set up a Direct Debit to pay at least the minimum payment each month

That way you can ensure you never incur any late payment fees. Talk to your card company to find out how to do this.

3. Don't make the minimum repayment on a long-term basis

Unless you're taking advantage of a special deal or zero per cent offer only ever making the minimum repayment will take you longer and cost you more to clear your debt. It's NOT a recommended payment schedule.

4. Ensure payments reach your account on time

Payments can take more than three working days or more to reach your account. There will normally be information on your statement that tells you how long you should allow.

5. Check your monthly statement

Managing your money means knowing what you owe. How much interest are you paying? What repayments must you make? The answers are all on your monthly statement.

6. Keep your PIN safe

Don't write down your PIN or lend your card and PIN to others. If you do you could be held liable for any fraud on your card.

7. Think about how many cards you really need

If you believe you have more cards or more credit than you can resist or reasonably manage, talk to your credit card company and ask them to reduce your limit. Alternatively, if you no longer want or need a card, cancel it with your credit card company and close the account.

8. Read all correspondence from your credit card company

Your card company will send you important information about changes in your terms and conditions, including increases in your credit limit, special offers including balance transfers, and, potentially, credit card cheques. Reading these updates will help you manage your credit card account responsibly.

9. Keep some savings for unforeseen circumstances

A sudden emergency or loss of employment may mean that you cannot afford to make your repayments. Having savings can help you through such times.

10. NEVER IGNORE DEBT PROBLEMS!

If you are unable to meet your monthly repayments and you are finding it difficult to pay off the outstanding balance on your credit card you should contact your credit card company immediately. The earlier you speak to your card company the easier it will be for them to help you with your situation and assist you to make a repayment plan.

How you're protected

Using your credit card to make purchases gives you extra protection if things go wrong – protections you don't get paying by debit card, charge card, cheque or cash.

When you spend between £100 and £30,000 on a purchase with your credit card you benefit from Section 75 of the Consumer Credit Act (1974).

This law means that your credit card company is jointly responsible, along with the supplier of the goods or services, for any breach of contract or misrepresentation by the supplier. In practice this means that if a company fails to actually deliver the goods or services you've paid for – perhaps because they have gone out of business – you can get your money back from your credit card issuer.

Section 75 does not absolve the supplier who has let you down of their responsibility so in the first instance you should always try to get your money back from them first. Keep a copy of any correspondence as your card company will ask you for this.

Protecting your cards from fraud

Unlike elsewhere in the world, any UK cardholder who is the innocent victim of fraud is not held financially liable and the most you will ever have to pay is £50. However, the inconvenience of reporting an incident, being without your credit card and waiting for any fraudulent activity on your card to be reversed or offset can be very upsetting and frustrating.

Visit the websites:

www.choosingandusing.com

www.cardwatch.org.uk

www.banksafeonline.org.uk

www.identitytheft.org.uk

Protect yourself from being a victim of card fraud by:

- keeping your PIN safe
- never letting your card out of sight when making a transaction
- only shopping on secure websites and from a computer that has up-to-date virus protection
- carefully discarding any receipts and statements by shredding them or tearing them up
- carefully checking your monthly statement
- reporting lost/stolen cards or any suspicion of fraudulent activity immediately to your credit card company
- shielding your PIN when using your card, both at a cash machine or at in a shop.

