

Credit Cards

Credit Cards can be very convenient and help you buy things in advance, allowing you to pay it off over a certain time. They can also open the door to never-ending debt and land you in serious financial trouble. Before you consider getting a credit card there are a few things you should think about.



Credit limit

Your credit card will come with a limit.

Some things to know about your limit:

- If you go over this limit the credit provider can charge you a penalty, which means you will have to pay more money.
- Whoever provides you with credit (e.g bank) can only increase your limit if you agree to it. Always make sure you have a realistic and manageable credit limit.

The contract

Firstly you must be 18 years old to apply for your own credit card.



Before you sign a contract or use your credit card the credit provider must give you details of all the fees and charges and your rights and responsibilities.

Repayments

Whenever you use your credit card it is important to remember you are borrowing money that you have made a commitment to repay.

Most credit providers will require you to repay a minimum amount every month, usually 2.5% or \$25 for every \$1000 owed. However if you only pay this minimum you will end up paying much more interest than you would with a normal personal loan.

For example if you spent \$1000 and only paid the minimum it would take you over 11 years to pay it off and you would pay around \$860 in interest (in other words, while you get to borrow \$1000, you had to pay back \$1860).

To find out more try the Credit Card Calculator at:

<http://www.fido.asic.gov.au/fido/fido.nsf/byheadline/Credit+card+calculator?openDocument>

What you need to know

1. If you don't pay at least the minimum amount, or you are late in your repayment then you will have to pay an extra fee.
2. Your credit provider has the right to change the amount and how often you make your repayments *at any time* as long as they let you know in writing 20 days beforehand.

If you want to work out how much and how long it will take you to pay off your debt you can use the Australian Securities & Investments Commissions Credit Card Calculator at:

<http://www.fido.asic.gov.au/fido/fido.nsf/byheadline/Credit+card+calculator?openDocument>

The best policy is to pay off all you owe each month!

If because of your financial situation you can't do this, seek help early. See the "Where to go for help" section below.

Fees and Charges

Even if you do not use your card much, fees can add a lot of cost to your

card.

Example of fees you may be charged with include:

- annual account fees;
- fees to use rewards programs,
- fees for late payments;
- payment dishonour fees; and
- fees for going over your credit limit.



All fees must be spelt out in the contract.

You should read over your contract carefully so you understand all the fees and charges that you can be billed for. You should check that the fees you are being billed for are the same as those in you contract.

More fees?!

In addition the shop where you buy an item can charge you a fee on top of the price of the item when you pay by credit card. However, there must be a sign at the point of sale telling you that a charge may apply for using certain cards.

The contract may also give the credit provider the right to increase current fees and make new ones. What can you do about this? Not much except find a different provider.

A credit provider can change the amount of fees and charges at any time if they let you know in writing 30 days before they do so.

Interest

Interest is an amount you have to pay in return for the credit provider giving you credit.

How is interest worked out?

The amount of interest depends on the daily amount of purchases you still haven't paid for, cash transactions and interest from previous months and fee charges.

IMPORTANT!
If the credit provider wants to change the interest rate they are allowed to do so if they let you know at least before the day on which the changes will start.

I didn't buy that

You should check your statements regularly to make sure you are only billed for purchases you made.

What can I do if I am billed for something I didn't buy?

If you find something odd e.g:

- you get charged twice;
- you get charged a different price than you agreed to;
- someone steals your card and forges your signature; or
- someone accesses your credit card details without your knowledge and uses these details to buy something over the phone or internet.



Then contact your credit provider immediately! There are time limits that apply if you want to get your money back.

If you contact your credit provider quickly but your credit provider doesn't give your money back you are able to complain through your providers' internal dispute resolution process. If you are still not happy then you can contact their alternative dispute resolution scheme. In almost all cases this is the Financial Ombudsman Service. See below for contact details.

Late in repaying? Being threatened?

If you are late in repayments the credit provider cannot take any legal action against you until they give you what is called a "default notice" letting you know you are behind in your payments. Once you get this notice you have 30 days from the date on the notice to catch up on your payments or work out some arrangement with the credit provider.

During these 30 days you still have to meet any other payments which are due!

If because of your financial situation you are having difficulty making repayments seek help early. A free finan-

cial counsellor can explain your financial options and the potential consequences if you can't pay



Where to go for help:

Consumer Affairs Victoria Helpline

For your nearest financial counsellor and information on credit and debt issues call Consumer Affairs Victoria

Ph: 1300 55 81 81

Web address: www.consumer.vic.gov.au

Consumer Action Law Centre

Consumer Action Law Centre is a specialist community legal centre providing legal advice and assistance around consumer and credit related issues.

Ph: 9629 6300 or 1300 881 020

Web address: www.consumeraction.org.au

MoneyHelp is a free phone financial counselling service for those who have recently lost a job or had their work hours reduced or who are experiencing mortgage or rental stress .

Ph: 1800 149 689

Web address: www.moneyhelp.org.au

The Financial Ombudsman Service

1300 78 08 08

www.fos.org.au

Australian Securities and Investment Commission consumer website Fido

www.fido.gov.au

Or for legal advice contact us:

YouthLaw

19 King Street Melbourne

Phone: 9611 2412

Email: info@youthlaw.asn.au

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