

Choosing a Credit Card

Our love of Credit Cards has never been stronger. More and more of us use Credit Cards for everyday purchases as well as the bigger more expensive items. It's safer than carrying cash around and with the growth of internet based shopping, Credit Cards are becoming an ever more essential part of life. However, if you are thinking of getting a credit card for the first time or simply changing your Credit Card provider, you may well find the huge variety of options and deals overwhelming. Here are the key issues we think you may like to consider before choosing or changing your card:

What are the options

No Credit Cards are the same and different credit card offers suit different people, and you therefore need to take your personal situation into account when making the choice. For example, if you typically pay off your Credit Card bill in full every month, then it doesn't really matter how high or low the interest rate on your Credit Card is because you will never have to pay it!

So, if you are the type of person that pays their bill in full each month, then you have much more to gain by going for a card with no annual fees, or one which offers you some form of reward, such as loyalty points, cashback, discount vouchers, Air Miles or even a payment to a charity.

Interest-free credit cards

So, if you don't pay off your bill each and every month, you need to look for the lowest cost card possible. Look for a card that offers the lowest APR %. Where there are a number of cards offering the same or similar APR, then also consider what other benefits they offer like rewards and cashback for example.

If you have an existing Credit Card balance and would like some relief from the interest payments, then preferably search for a credit card that offers 0% interest on balance transfers and even future purchases – think of it as an interest free loan!

Some of the best Credit Cards provide many months of free interest on balance transfers from an existing Credit Card provider as well as lengthy periods of 0% interest on purchases. Don't forget, 0% balance transfer and 0% purchase Credit Card deals are special introductory offers and will be time limited, after which they will revert to their normal APR.

Cashback and Rewards Cards

Yes, these cards really do give you cash when you spend money using their credit cards. The cash back reward is usually a percentage of your annual spend and the rate varies from card to card. Rewards cards offer a range of benefits, usually by giving points for every £1 (or multiple) spent using the card. These rewards can then be used purchase catalogue goods, or as vouchers in listed retail stores.

Getting Cash

Like a bank card, you can use your Credit Card at an ATM machine to withdraw cash. However, unlike the bank card, the credit card provider will usually charge you interest with no interest-free period. Unless you have no other option, we wouldn't recommend using a Credit Card for withdrawing cash.

Some Advantages offered Credit Cards

Using a Credit Card sensibly has some very valuable benefits. Here are a few which we think are noteworthy:

- A great and safe alternative to carrying around large quantities of cash;
- Using the payment period (usually around a month) to effectively have an interest free loan (providing you pay your bill in full);
- Having purchase protection for free! This means that if a seller breaches their contract in providing you the goods you paid for, then the credit card company will be liable;
- Relief from interest payments. If you take advantage of a 0% balance transfer offer, then for a period of time, you'll be able to enjoy what is effectively an interest free loan. These credit cards normally come with a 0% purchase offer too, allowing you to shop without incurring interest for a defined period of time.

The Penalties

While Credit Cards offer some great benefits, there are penalties which can be incurred if you're not careful. Most credit cards will charge you a fee if you miss your monthly payment. This is around £20.

In some cases there may also be a charge if you go above your credit card limit. This may be in the form of interest on the new purchase.

The easiest and safest way to avoid these charges, is to set up a direct debit to ensure you don't miss a payment. If you have genuinely forgotten to make your payment on time or perhaps miss a payment by a day or so, then you could

try appealing to their better nature and ask if they waive the fee on this occasion. This can often work and we would recommend that you at least give it a try (they can only say NO afterall) – but don’t make it your normal practice.

Branded and Charity Credit Cards

There is a growing number of Branded Credit Cards. British Airways have their own as do a host of other brands such as football clubs, car clubs etc. There is also a growing number of charity based credit cards. These cards give you the ability to make donations to defined charities without actually paying a penny. The credit cards’ will normally donate an amount equal to a small percentage of your monthly spend. They may also make an initial payment of a few pounds when you sign up and use your card for the first time.

Premium Credit Cards

These credit cards have been around for a while now. Normally coined with titles such as ‘silver’, ‘gold’ and ‘platinum’. This terminology is just another way of segregating the market. These cards normally have a higher APR, but offer other incentives such as free travel insurance, discounts or preferential treatment in some way. If you are a person that typically pays their bill completely at the end of each month, then the higher APR’s will not be a problem and you’ll be able to enjoy what ever other tangible benefits the credit card provides.

Chip and Pin Security

All Credit Cards these days are protected by Chip and Pin. This requires you to use a four digit pin code at the point of sale. You no longer are required to sign a payment slip in these circumstances.