



Plastic cards

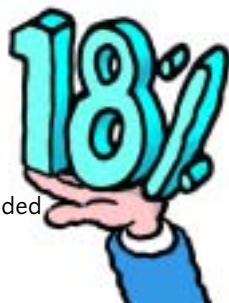
Your rights and options

There are many different types of plastic cards, which you can get mainly through banks, building societies and major retailers. Credit, affinity, charge, debit and store cards are all varieties of plastic card, so it can be confusing to know which is which. This leaflet attempts to explain the main differences between each and to give you some pointers on what to watch out for.

What are the main features of credit cards?

Credit cards allow you to pay for something by giving you a period of interest-free credit before you have to pay at least part of the total of what you buy. A minimum of 5% of the balance is usually due at this point. If you pay off the full balance by a certain date you will not be charged interest.

However, if you make only part (or no) payment, then the interest charged can be quite high (on average about 18% APR or annual percentage rate). The interest may be around twice as high as a term loan from a bank. As interest is also added onto interest where you don't pay in full, the cards are not recommended for long-term credit.



Getting cash advances on credit cards is also very expensive as companies charge interest from the date you get the money. A way around this, if you are going on holiday for example, is to pay an amount into your credit card account before you go to cover purchases you make while you are away.




You have to pay a once-yearly government stamp duty on credit cards, though some companies offer to pay this for you as an incentive for you to take out their particular product.

Are all credit cards the same?

No, there are considerable differences between the different credit cards from major banks and building societies. There may be differences in how the interest itself is charged. For example, some companies charge interest on the outstanding balance from the statement date, but others backdate it to the date when your purchase was processed (normally the day after purchase).

Different providers may charge different interest rates, particularly for introductory offer periods. Some charge an annual fee, but others do not. So, before taking out a card, or considering changing to a different card provider, you should shop around.





Affinity cards are variations on credit cards and although they are identical to credit cards in every other way, they are linked to an organisation (such as a charity). The organisation named on the card normally benefits from a joining fee and a commission each time you use the card.

Gold cards also tend to be aimed at higher income earners who may require more fringe benefits such as travel insurance cover.

What are my options if I reach my credit limit?

If you are having difficulty in keeping things under control, it is a good idea to take stock of your situation. Take a piece of paper and on one side write down the money you have coming in each week or month, and on the other make a list of all your weekly or monthly spending and commitments. Try to be honest with yourself and involve other family members if at all possible. You can get a budget sheet listing a number of common items of expenditure from any MABS if you feel it would help.

Add everything up and identify areas where you could maybe increase your household income or cut back on spending. Seeing the full situation on paper can help you to identify how much you can realistically afford towards your credit card and other commitments. If this is less than you should be paying,



sending the company a copy of your budget is often an effective way of persuading them to accept reduced payments.

Credit card providers are often reluctant to suspend interest, but may be more willing to do so if you cut up the card and send it back to the company. Alternatively, if you want to keep this line of credit open for the future, paying more than the minimum payment will reduce your balance over time, providing you don't continue to use the card.



What about other types of plastic card?

Charge cards are different from credit cards because you must pay off the balance in full at the end of the month. If you don't, the company offering the card will add heavy penalties to the account. Targeted at higher income earners, there is generally no pre-set spending limit on such cards.

Debit (or laser) cards are generally issued by the major banks and some building societies. They are becoming more and more popular. They are different in that they can only be used for making payments and not for obtaining credit. These cards are basically an alternative to paying for goods and services by cheque or cash. The money is debited automatically from your bank account shortly after you make your purchase. You may also get extra cash at the time of the transaction instead of using a cash-point machine.

Store cards differ in that they are issued by retailers or chain stores rather than financial institutions, so you can only use them in that store or chain. In view of this, interest rates tend to be lower than on credit cards, and you don't have to pay government stamp duty on such cards.

If you need help on how to go about this, please visit our website, www.mabs.ie, or contact us for an appointment to speak to a Money Adviser in confidence.



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