Fantastic plastic?

Richard Lishman discusses some of the options available to manage your credit cards

Oscar Wilde once famously remarked, when a colossal fee for an operation was mentioned, that he would have to die beyond his means.

Even before the recession, the statistical evidence that many of us were sustaining our lifestyles on the back of our credit cards was overwhelming. As hard times continue, and with inflation returning, if you find you cannot clear the balance on your plastic friend at the end of every month, it’s time to take a long, hard look at the deals on offer across the credit card market.

In spite of a Bank Rate Base of only 0.5 per cent, credit card interest rates are averaging an astonishing 18 per cent, the highest level since 1998. Dr. Altman, a former Downing Street pension’s adviser, is calling for an investigation into the industry and has suggested appointing a regulator to protect the public from exploitation. Recent Government proposals do suggest it is considering taking action, but the companies themselves justify the figures by referring to the increasing number of customers defaulting on their liabilities, itself a reflection of the recession-induced rise in unemployment.

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Whatever the banks may say about supporting society, their first obligation is to make a profit and 0 per cent loans are clearly untenable in the longer term. But this does not mean you cannot exploit the situation to your own maximum benefit.

Of the 85 offers I found, only two did not charge a transfer fee, while the 0 per cent interest ‘honeymoon’ period varied between one and 15 months, with some stating a definite end date. In most cases the fee was between two and four per cent of the balance transferred, with the longer interest free periods attracting the higher fees. Of course, if the transfer fee is taken into account and spread over the relevant period, 0 per cent effectively ceases to be 0 per cent, whatever the advertisements may say! You should also take note of the rate which

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Although as individuals we cannot control macro economics, we are able to take responsibility for our own circumstances. The first step is to attempt to reduce the rate being charged by your current card provider. The market is awash with card issuers, and in the competitive pursuit of new business introductory rates are often much more favourable than those for existing card holders. For the cost of a phone call, you may be able to switch to this lower rate – typically about half of what you may be paying now. It’s well worth the effort; the difference between 18 per cent and nine per cent on an outstanding balance of £5,000 is £450, or roughly £9 a week!

If this direct approach is unsuccessful (the company may feel you are a high risk customer, depending on your payment record or pattern of card usage, or it may simply not be company policy), then you need to vote with your feet.

A by no means exhaustive check of the market quickly revealed no fewer than 85 zero per cent balance transfer offers with a wide disparity in terms and conditions. You need to decide which offer dovetails best with your own finances.

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