



THE
UKCARDS
ASSOCIATION

Good News For Credit Card Users

A Consumer Guide



Representing. Informing. Advancing.

Credit card companies have been working with government to bring in changes that will give you more control over your credit card accounts. The UK Cards Association has teamed up with Citizens Advice to produce this leaflet to help you understand what these changes, which came into effect from January 2011, will mean for you:

1. The most expensive debt on your credit card will always be paid off first.

Before: Most card companies used your repayments to pay off your cheapest debt first – the debt with the lowest rate of interest. This meant you paid interest on the more expensive debts, such as cash withdrawals, over a longer period of time.

Now: All card companies will reduce your most expensive debt first. Check your card company's Summary Box (on the back of your monthly statement) for the interest rates for different types of spending.

How can I benefit? If you don't normally pay off your outstanding balance each month, your most expensive debt will be paid off faster, reducing the amount of interest you pay overall. The amount you could save depends on how you use your credit card and how much you borrow.

2. Paying the minimum payment on new accounts will reduce your total outstanding balance.

Before: If you made the minimum payment, this would generally only cover fees and interest charges and would not reduce the outstanding balance.

Now: For new accounts opened from 1 April 2011, credit card companies must set the minimum payment at a rate that reduces your balance by 1% each month. Some credit

card companies may extend this to existing customers as well, meaning that some customers will see an increase in their monthly minimum payment.

How can I benefit? Your outstanding balance will reduce more quickly even if you only make the minimum payment (as long as you stop using the credit card).

3. Credit card companies will no longer send you credit card cheques, unless you request them.

Before: Following a credit assessment, credit card companies could send you credit card cheques that you could use to withdraw money or pay for goods and services.

Now: You will only receive these if you ask for them and a maximum of three cheques will be sent at any one time.

How can I benefit? You choose if and when you want credit card cheques.



4. You will now enjoy more choice and control over credit limit increases.

Before: Any customer, following a credit assessment, could have been given a credit limit increase, without the customer being able to consider it.

Now: Your card company will contact you, separately to your monthly statement, if they want to increase your credit limit. You will have 30 days to decide whether to decline the increase. You can also choose not to receive any credit limit increases at all in the future and can reduce your limit at any time by contacting your card company.

How can I benefit? You decide whether to decline an increase to your credit limit, giving you more control over your spending. There will also be more ways to reduce your limit, such as online, or by automated phone.

5. You will now receive clearer communications if the interest rate on your card is to be increased.

Before: Card companies gave notice of an interest rate increase and you could choose not to accept the new rate. If you rejected it, your account would be closed and any outstanding balance repaid at the existing rate, over a reasonable period of time.

Now: Your card company will contact you, separately from your monthly statement, if they are going to increase your interest rate. You will now have 60 days to decide whether to reject the new rate, upon which your account will be closed. Changing your interest rate is known as re-pricing – you can find a factsheet about this on The UK Cards Association’s website.

How can I benefit? If your interest rate is to be increased, you will have more time to look at your finances and think about what to do. You may decide to reject the new rate and see if you can get a better deal elsewhere.

6. More flexibility to choose the amount you pay towards your credit card bill.

Before: If you wanted to set up an automated regular payment, you would normally have had to pay either the outstanding balance, or the minimum payment, each month.

Now: You can choose to repay any amount you want between the minimum payment and the full balance.

How can I benefit? Choosing the amount you repay gives you more control over your credit card accounts and helps you manage your finances.

Terms used:

- **Credit assessment:** Before offering credit, or extending it, lenders will undertake a thorough review of how you have managed your accounts in the past, and other information which may be provided by credit reference agencies.
- **Credit limit:** the maximum amount your card company will lend you.
- **Minimum payment:** the minimum amount you must repay each month.
- **Most expensive debt:** different types of spending such as balance transfers, cash withdrawals and purchases have varying interest rates. The most expensive debt is the one that attracts the highest interest rate.
- **Outstanding balance:** the total amount you owe.
- **Re-pricing:** when your credit card company changes your interest rate.
- **Summary Box:** a standard way of presenting the key features on a credit card (including fees and charges). This can be found on statements and marketing materials, making it easier for you to compare products.



Other changes that are coming into effect

Advice if you are frequently making low payments:

If you frequently repay the minimum payment, or close to it, your card company may contact you to advise that this is costing you more. In some cases, they will give you contact details for free debt advice.

Annual credit card statements:

Credit card companies are working on a new annual credit card statement which will provide a snapshot of how much you have spent and repaid over the year, as well as other useful information. You will start receiving an annual statement from early 2012. This is in addition to your regular monthly statements.

Monitoring and enforcement of the changes

These changes are part of The Lending Code. This is monitored by an independent body, The Lending Standards Board.

The Financial Ombudsman Service can help if you have complained to your card company and you are not satisfied with their response. www.financial-ombudsman.org.uk

Looking for more information about using a credit card?

Visit www.theukcardsassociation.org.uk

Need further information on dealing with debt?

Visit www.adviceguide.org.uk. Or contact a free debt advice agency:

Community Legal Advice

0845 345 4345

www.direct.gov.uk

Citizens Advice

Get details of your local bureau from the phone book, local library, or visit:

www.adviceguide.org.uk

(England and Wales)

www.cas.org.uk (Scotland)

Consumer Credit

Counselling Service

0800 138 1111

www.cccs.co.uk

National Debtline

0808 808 4000

www.nationaldebtline.co.uk

Payplan

0800 280 2816

www.payplan.com