



PHOTO: SXC.HU/PROFILE/EMSAGO

## A matter of interest

MARIA TURNBULL, A SALVATION ARMY MONEYCARE FINANCIAL COUNSELLOR, GIVES SOME TIPS ON HOW TO DEAL WITH CREDIT CARD DEBT.

Credit cards can be a convenient method of payment, but they can also cause financial hardship if they are not used carefully and paid off promptly.

If you can't pay your credit card or have used the maximum credit limit on your card, you will incur further interest and charges. If you have been unable to keep up minimum payments, you will incur extra interest and charges, even though you're not using the card. Talk with your bank or lender about a solution. Getting another credit card will not fix the problem.

### Repayments

Most credit providers require a minimum payment each month. This is usually 2.5% or \$25 for every \$1,000 owed. If you pay only this minimum, though, you will end up paying much more interest than you would with a personal loan.

For example, if you spend \$1,000 and pay only the minimum amount, it will take you more than seven years to pay it off. You will pay more than \$762 in interest; put simply, while you borrowed \$1,000, you will pay back \$1,762, plus other bank fees, if applicable.

Try the credit card calculator at: <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/credit-card-calculator>

### Fees and Charges

Even if you don't use your card much, fees can add costs to your card. Fees could include annual account fees; fees to use rewards programs; late payment fees; dishonour fees

and fees for going over your credit limit.

All fees are in the terms and conditions of the contract, which you should read carefully. Check that the fees you are being billed for are in your contract.

### What can be done if I can't pay my credit card bill?

If you are late in repayments, your credit provider cannot take any legal action until they have given you a 'default notice' letting you know you are behind in your payments. You have 30 days from the date on the notice to catch up on your payments or work out an arrangement with your credit provider. Seek help early if you are having difficulty making repayments.

In the meantime, stop using the credit card, check that the transactions on the credit card are correct, stop any direct debits going through your credit card, do not take any further cash advances from your credit card and do not apply for more credit.

Ring your financial institution/bank and let them know you are having problems paying and that you are experiencing 'financial hardship'. Work out what you think you can afford to pay, then ask the bank/financial institution if you can make an affordable payment plan.

Write down all details of the call, including the date, time and name of the person you speak with. Seek assistance from a financial counsellor.

If you have received a notice that you are being taken to court don't ignore it. Seek assistance sooner rather than later.

**Next month:** *What does bankruptcy really mean.*