

Credit Cards Basics - Understanding the Credit Card Process

Contributed by Webmaster

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Credit cards have replaced cash as the most convenient way to pay for goods and services. Part of the reason for the growing popularity of credit cards is that they are becoming far cheaper. With an increasing number of issuers, including petrol stations, supermarkets, and football clubs as well as traditional high-street banks, interest rates are being forced down.

Annual fees are thankfully becoming a thing of the past and there is a range of benefits available if you clear your balance every month. In other words, using a credit card is a smart way of keeping track of your spending, not necessarily a sign that it is out of control.

However, not all credit cards have low interest rates, no annual fees, and excellent perks. Some are still rather disappointing, charging interest at four or more times the Bank of England base rate. This article attempts to show you how to avoid such cards - and where to seek out the better ones. We also look at how your credit rating affects the amount of interest you are charged on your card - and how you can improve it.

The world of finance is a fast-moving one. Facts and figures can change rapidly, so treat the examples in this article as a guide only.

Finding the best Credit Card

There is no doubt that the credit card arena is now a buyer's market. Provided you are prepared to do a little homework and compare what credit cards on offer. Credit cards may be found to meet all financial needs whether you want to borrow or simply obtain interest-free credit. But once you have that card in your wallet, ensure it continues to offer value for money.

These days you can choose from credit cards offering 0% , and also 0% on all purchases cash back cards offering very low APR. Credit cards are certainly a great way of extending your spending power as long as you can pay for the goods. Remember credit cards can be a punishing form of debt if spending goes out of control.

How much do I have to repay each month?

Most credit card issuers stipulate a minimum payment of 5 or 5% of the outstanding balance on the card account. But remember that any uncleared balance will attract interest charges. Every month, your card issuers will send you a statement detailing transactions on your account and the outstanding debt. It will also include details of the minimum payments required and the date by which should be paid. You make the payment by post or at your local bank, though the bank may charge for this service.

How much can I spend on my card?

The card issuer will set a limit when it assesses your initial application. Usually, after six months it will review the limit and may increase it. It will usually inform you of a new spending limit by writing to you or by a note on your regularly monthly card statement. But do not simply regard an increase in your limit as a license to spend - you still have to repay the money eventually and pay interest on the debt in the meantime.

Some consumers can reduce interest repayments by switching to a lender offering zero per cent introductory rates on balance transfers for a limited period. This can be an effective way of avoiding charges as long as you can clear the debt before the interest rate arrives. Compare credit cards now using our free service. Find the best card for your balance transfer and start saving today.

Here, on our website, you will find accurate information on over 300 credit cards, plus loans, insurance and mortgage deals for efficient personal finance management.