



THE ASSOCIATION OF BANKS
IN SINGAPORE

Credit Cards

What you should know...

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MoneySENSE

A National Financial Education Programme for Singapore

What you should know... about Credit Cards

1. What is a credit card?

A credit card is a form of borrowing. It allows you to buy goods and services without using cash, that is, on credit. A credit card therefore is a convenient payment instrument and not intended to be a long-term credit facility. You can apply for a credit card from a card issuer (usually a bank) and if your application is accepted, a card will be issued to you with a credit limit.

2. When can you use it?

You can use your card locally and overseas in establishments that display the brand of your credit card. When you make a purchase with a credit card, you have to sign the sales slip. The merchant keeps a copy and gives you a copy for your records. Your card issuer pays the merchant and then collects the sum from you in a bill that totals your purchases for a period, usually a month. You can also use your card to make purchases online. However, be vigilant about your online retail choices and shop only at online stores that you know and trust. Always print the invoice slip or confirmation page after completing your online purchases and verify the amount billed to you in your monthly statement.

Do note that when you use your credit card to purchase a package of services from a merchant, the credit card issuer would require you to continue to make your credit card payments for that purchase even if the merchant closes down before you have fully utilised the services. This is because once you have signed the sales slip, the credit card issuer would have paid the merchant in full.

3. Understanding the monthly statement

The card issuer will send you a monthly statement detailing all the purchases you have made with the card during the month. It is important to check your monthly statement carefully and inform the card issuer promptly if there are any discrepancies or if any clarification is required. Do also take note of the following in your monthly statement:

a. Statement Date

This is the date the statement was issued. All transactions recorded between this statement date and the last statement date will appear on this statement.

b. Payment Due Date

This is the date by which you should pay your credit card bill without incurring a late payment charge. You have the option to pay the bill in full, or make a partial payment subject to a minimum sum.

c. Amount Due

The amount due denotes the outstanding balance you charged to your credit card. As a practice, card issuers do not charge interest if the outstanding balance shown on the monthly card statement is paid up in full by the payment due date. In other words, if you pay up your credit card bill in full by the payment due date, you will enjoy interest-free use of credit for your purchases.

If you do not pay the outstanding balance in full by the payment due date (that is, if you make only a partial payment), you will incur interest charges.

Hence, it is advisable to settle your credit card bills in full and promptly if you want to enjoy the use of interest-free credit for your purchases.

d. Minimum Sum

A credit card holder can pay a minimum sum, which is usually three to five percent of the outstanding balance or \$50, whichever is higher.

If you cannot pay the bill in full, you should at least pay the minimum sum by the payment due date and rollover the balance. Note that when this happens, you lose your entitlement to interest-free credit for your current purchases as well as all subsequent purchases. Interest will then be calculated on the outstanding balance from either the date each transaction was effected, or the statement date, depending on the card issuer's practice. New purchases will also attract interest immediately.

e. Late Payment Charge

If full or partial payment is not made by the payment due date, a late payment charge would be levied by the card issuer.

f. Interest Charge

As explained in sub-paragraph (d) above, if the outstanding balance is not paid up in full by the payment due date (i.e. if you make only a partial payment), you lose your entitlement to interest-free credit for your current purchases as well as all subsequent purchases. Interest will then be calculated based on your daily outstanding balances at the rate of 0.066% per day (assuming an interest rate of 24% per annum) calculated from the date each transaction was effected or the statement date (depending on the practices of card issuer). New purchases made after the statement date will also attract interest immediately.

For cash advances, interest will be charged from the date the withdrawal takes place.

g. Transactions in foreign currency

Transactions overseas charged in a foreign currency will be converted to Singapore dollars in your statement. The foreign exchange rates used to convert these transactions into local currency may vary day-to-day and from bank to bank. The card issuer should explain the method of applying the exchange rate to foreign currency transactions and any other fees or charges. This is usually in the form of an explanatory note printed at the back of the credit card statement.

4. Understanding the Terms & Conditions

You should read and understand the terms and conditions for the use of the credit card before signing the card agreement and using the credit card, as it is a binding contractual document between you and the card issuer. The terms and conditions would cover items such as cash advance charges, finance charges for purchases, loss/stolen card liability, minimum payment, late payment charges, annual membership fees, transactions in foreign currencies, etc. Consult your card issuer to clarify any terms and conditions that you are not sure of.

The card issuer will inform you in writing and give you 30 days' notice if there are changes in the terms and conditions for the operation of your credit card. If you do not agree with the changes, you can choose to terminate the card. If you continue to use the card, you implicitly consent to the new terms and conditions.

5. Understanding the fees and charges applicable to credit cards

a. Annual fee

This is a membership fee which you have to pay for the use of the credit card.

b. Cash advance fee

This is a fee charged for every cash advance obtained by using the credit card. It normally ranges from 3% to 6% of the amount advanced, subject to a minimum amount. Please note that this fee is in addition to the interest charged on the amount advanced, which is calculated from the day of the advance.

c. Late payment charge

This is a fee imposed should you fail to pay at least the minimum sum by the payment due date.

d. Finance charges (Interest charges)

Please refer to paragraph 3(f). You are advised to ask your card issuer to explain how interest is computed, as this amount may turn out to be a large sum if you rollover your balances over an extended period of time.

6. Use your card wisely : Tips

- a.** Use credit cards only when you can afford to pay off your monthly bill. Do not lose track of how much you have spent.
- b.** Limit the number of cards based on your needs and repayment ability.
- c.** Pay your bills promptly to avoid paying late fees as well as to maintain a good credit record.
- d.** If you pay only the minimum sum monthly, you will be paying interest on your rollover balance. This interest will be compounded if you continue to roll over your outstanding balance month after month. So try to pay off the outstanding balance as quickly as possible.
- e.** Avoid spending up to your credit limit as you will not be able to use the card for emergencies.

7. What if I have problems paying my outstanding credit card bills?

Non-repayment(s) or overdue repayment(s) of credit card bills will be reflected in your credit report and could adversely affect you when you apply for a new loan.

A credit report contains records of an individual's credit payment history (including bankruptcy records) and is issued by a credit bureau gazetted by the Monetary Authority of Singapore to members of the credit bureau when they make enquires about an individual applying for credit. A credit report that shows defaults or late payments – even 30 days late – might lower your chances of getting a loan or require you to pay a higher interest rate for a loan.

You can take the following steps if you have problems managing your debt:

- Contact your creditors immediately and request to work out a payment plan that can help reduce your payments to manageable levels
- Pay off high interest rates debts first
- Transfer debts with high interest rates to cheaper alternatives
- Reduce credit card expenses and cash advances

Do note that if you have debts of \$10,000 or more and are unable to repay, you can be made a bankrupt.

8. Guarding against fraud : Do's and Dont's

It is not always possible to prevent credit card fraud from happening. However, there are steps you can take to prevent someone else from using your credit card or your card information, at your expense.

a. Do:

- i. Treat your credit cards like cash. Keep them safe. Check regularly to ensure that your credit card is always in your possession. Sign your cards with permanent ink as soon as they arrive.
- ii. Keep a record of your card numbers, their expiration dates, and the phone numbers and addresses of the card issuers in a secure place.
- iii. Keep an eye on your card during the transaction, and get it back as quickly as possible.
- iv. Read all details on the sales slip before signing or confirming the transaction.
- v. Draw a line across any blank space for entering money amounts when you sign a sales slip.
- vi. Cancel incorrect sales slips and tear up cancelled slips and carbon copies.
- vii. Save sales slips to compare with billing statements.
- viii. Check your billing statements promptly when they arrive, especially after each overseas trip. If you notice any discrepancies, call the card issuer immediately.
- ix. Mail cheques with your card number on them in opaque envelopes.
- x. Tear up pre-approved credit offers before throwing them away.
- xi. Inform the card issuers immediately when you change your address. If possible, inform them in advance.
- xii. Keep your cards in the same place after use. This way, you will notice immediately if they are lost or stolen.
- xiii. Have a credit card with a lower credit limit for telephone and online purposes. Patronise only reputable and legitimate online stores. Check with your credit card companies on whether the online merchant complies with the Payment Card Industry Data Security Standard. You can also install firewall, anti-virus and anti-spyware in your computer and update them regularly to minimise chances of malicious codes, worms or viruses being loaded into your computer.

b. Don't:

- i. Sign a blank sales slip.
- ii. Give your credit card details (i.e. card number and expiry date) to an unknown party as the information can be used to make unauthorised purchases via the telephone or internet. You should not disclose your password or PIN to anyone.
- iii. Lend your credit card to anyone.
- iv. Leave your credit cards or sales slips lying around.
- v. Write your card information on a postcard or the outside of an envelope.
- vi. Keep card-related information, such as your password or PIN, in the same place as your credit card.
- vii. Perform online transactions in public places such as cybercafés.

9. Loss or theft of credit cards : What to do

- a. If you discover your credit card is not in your possession or is lost, inform the card issuer immediately.
- b. If you discover your credit card is stolen, inform the card issuer and make a police report immediately.
- c. Prior to you notifying the card issuer of the loss or theft of your card, your maximum liability due to unauthorised transactions is limited to \$100 provided that you:
 - i. have not acted fraudulently; or
 - ii. have not been grossly negligent; or
 - iii. have not failed to inform the card issuer of the loss or theft as soon as reasonably practicable after you are aware your credit card was lost or stolen.
- d. Examples of where consumers may still be liable for unauthorised transactions are available in ABS' Press Statement of 4 September 2009 published in the ABS website.

10. Questions to ask before you sign up for a credit card

a. Ask yourself:

- i. Why am I applying for this card?
- ii. Can I pay for the purchases in full each month? Or do I intend to pay the minimum sum required and rollover the balance?
- iii. If I rollover my balance, do I have the capacity to pay the accompanying charges?
- iv. Do I understand the terms and conditions for the use of the card? E.g. the fees and charges, interest rates and penalties?
- v. What action can the bank take if I fail to settle my overdue payments?

b. Ask the card issuer:

- i. If there is free membership now, how much will I have to pay after the promotion period is over?
- ii. What is the minimum sum each month?
- iii. If I rollover, how much interest is charged on the outstanding balance?
- iv. If I do not pay the minimum sum for one month, what are the interest and other charges that I will have to pay?
- v. What charges will I incur if my payment, either by cheque or GIRO, is returned for whatever reason?
- vi. What are the charges for taking cash advances in Singapore and abroad?
- vii. If I lose my credit card, what must I do?
- viii. What are my liabilities for unauthorised purchases if I lose my card?
- ix. What is my credit limit?
- x. When and how will I be informed if the terms and conditions of the credit card agreement change?