

# Cards & Students

## Introduction

So, you've accepted your offer and you're off to university! Your student days promise a busy social life, the chance to develop new interests and, of course, the opportunity to study your chosen subject. You'll be given a lot of independence – perhaps moving out of the family home for the first time – and deciding how you want to live your life. You'll also be responsible for managing your finances.

Looking after your money is a big responsibility, and for some students it can be a constant burden. While there's no avoiding university fees and the cost of living, by learning to manage your money you are giving yourself the best chance of graduating with both your career and your bank balance in order.

Before you rush into any decisions, it pays to be aware of the financial options available to you. Here we outline some of the key considerations students should make when making financial decisions, particularly about choosing and using plastic cards.



## Choosing the financial products that suit you:

During the first few weeks of university it is likely that you will receive offers from local banks and building societies to set up an account, take out a loan or apply for a credit card.

Often these offers are accompanied by free gifts or incentives such as iPods, MP3 players or discounted travel cards; some more valuable than others. If you decide to open an account, it is important to choose the right one. Studying the terms and conditions and key features, such as overdraft limits and credit interest, may be time consuming but it's important if you want to get the best from your bank.

For those considering the option of a credit card, think about what you need it for: is it a luxury or a necessity?

A credit card is a convenient short-term way to borrow money, usually offering a period of interest free credit. But if you're thinking about borrowing money for more than a few months then you might want to consider a personal loan.

Remember, you have to pay back what you borrow. The golden rule is, if you can't afford to pay it back, don't spend it!

## Used sensibly, credit cards offer many benefits, but used irresponsibly they could pose some risks:

### Benefits

- Free, short-term credit as long as you always pay your balance in full by the due date shown on your statement
- A safe and convenient way to pay for goods and services, particularly over the internet, by telephone or by mail order
- Protection against fraud — if you are the innocent victim of fraud you will not be expected to pay if a criminal uses your card
- Incentives for using a card such as loyalty points and cash-back, or payments to support a charity
- Convenience when travelling, as credit cards are accepted in virtually every country around the world
- Perhaps the most flexible and convenient way of borrowing money in the short term

### Risks

- Can lead to unplanned levels of debt
- Can incur charges if you make late payments, miss them altogether or go over your credit limit
- Can damage your credit rating if you continually make late payments or miss them altogether
- Can cost you more and take you longer to pay off than the alternatives, particularly if you only ever make the minimum repayment
- Can make it difficult to manage your finances if you have more cards than you need





## Finding the right credit card for you: 10 questions to ask yourself

If you decide a credit card is right for you, with so many cards to choose from it is crucial that you think about what you want from a credit card and how you intend to use it. Different cards suit different people's needs.

The following list of questions provide a guide to some of the things you should think about before deciding on a credit card.

- 1. Do I need a credit card? Can I afford it?**
- 2. What do I want the credit card for?** Is it just to pay for things and not for credit at all? And, do you intend to pay off your balance in full every month? Credit cards can be very effective in helping you spread the cost of spending over a number of months – this may prove particularly useful during the first few months of university when you have heavy set up costs to deal with. You may also consider a credit card as a standby option in the case of an emergency.
- 3. What card features are important to me?** Check things like the interest rates — for purchases, balance transfers, cash advances and credit card cheques; the length of the interest free period for purchases; incentives and benefits such as cashback, rewards or loyalty points; being able to manage your account online; using your credit card when you are abroad.

Once you know what kind of credit card you want and how you intend to use it:

- 4. Make a shortlist.** When you know what you are looking for, talk to card companies, look online, look at the Summary Box for each credit card and make a 'top five' list of credit cards that are right for you.

- 5. Compare cards.** Get a copy of the Summary Box for the cards on your shortlist. Have a look at all the different features and decide which card is most suited to your needs.
- 6. Review the terms and conditions.** Make sure you have read, in full, the terms & conditions of the credit card that you decide to apply for. This is important to ensure that you fully understand your responsibilities and obligations.
- 7. Apply for a card.** You can apply for your card in person, on the phone, by post or online. Remember, you need to be completely truthful in your application. As part of the application you will sign to indicate your acceptance of the terms and conditions.
- 8. The card company's decision.** Your card company will run some credit checks on you and look at your application form and any past payment behaviour before deciding if you are eligible for a credit card. If more than one interest rate is available for a credit card, the card company will decide which rate and credit limit are appropriate, depending on what they think you can afford to pay back.
- 9. Receiving your card.** Some issuers may require you to activate your card before you can begin using it. If on receipt of your card you decide that the credit is not for you then you should immediately contact the card company and ask to cancel the agreement.
- 10. Tidy up loose ends.** If you're transferring a balance from another credit card or closing an old account remember to check that any regular or recurring payments have been cancelled or moved from your old credit card.

## Credit cards: understanding the jargon

It's important to understand exactly what is being offered. If you don't, you should seek advice rather than make simple assumptions – in the long run it could become very costly.

Pay close attention to interest rates and annual fees when selecting your card. It pays to read between the lines and understand the nuts and bolts of the agreement before you make your decision.

### Jargon Buster

Below are some key terms you will find in the Summary Box with a simplified explanation of what they mean:

#### Summary Box

The Summary Box provides a common standard adhered to by all credit card issuers, giving customers simple, at-a-glance information about key product features like the Annual Percentage Rate (APR), interest rates, the length of the interest-free period, the minimum repayment and all charges that might be incurred.

#### APR (Annual Percentage Rate)

This is an overall measure of the total cost of borrowing on a credit card. You can compare this between credit cards. The higher the APR, the greater the interest charged.

#### Monthly interest rates

This is the cost each month for borrowing on the card and may vary for different kinds of transaction such as purchases, cash advances, balance transfers and so forth.

#### Interest free period

Many credit cards have an initial interest free period – which means there is no charge for borrowing over a set time. Usually this only applies to purchases and balance transfers between accounts.

This part of the Summary Box will tell you exactly what terms and conditions apply

#### Allocation of payments

When you make a payment to your credit card account to clear your outstanding debts your card issuer may pay off different kinds of borrowing in a particular order (e.g. purchases before cash advances).

#### Minimum repayment

Every month that you have an outstanding balance you have to make a payment on your account – this tells you the minimum you must repay.

#### Fees

Any monthly or annual fees on your card are listed here. If your card does not have a fee, this box will say "none" or "not applicable". Any conditions will also be shown here.

#### Charges

This section lists charges you might incur in using your card such as cash advances or for using your card abroad.

#### Default charges

If you breach the terms of your agreement, such as by failing to pay the minimum repayment or going over your credit limit – your card company may charge you an administrative fee.

# Tips for safe borrowing and managing your finances

It's important that once you have found the right card you use it responsibly. Living away from home gives you more freedom than ever before but the reality of rent, utilities, food and bills means you will have to budget to ensure you don't run into problem debt. Below is a list of top tips to help keep your finances healthy and give you peace of mind:

1. Budget before you borrow. You should work out a budget and stick to it. When making purchases shop around for the best deal. Ask yourself if you can afford the repayments before you make a purchase. Do NOT use your credit card to buy goods you can't afford or to fund a lifestyle that is beyond your means.
2. Consider setting up direct debits. If you make monthly payments on any credit cards you can ensure that you never incur any late payment fees. Talk to your card issuer to find out how. It may pay to set up direct debits on other regular bills as many companies will give you discounts.
3. Beware of only making minimum repayments on credit cards. Unless you're taking advantage of a special deal or a zero per cent offer, only ever paying the minimum repayment will cost you more and increase the time taken to clear your debt. It is NOT a suggested payment schedule.
4. Check all your monthly statements. Managing your money means knowing what you are spending and, on a credit card, what you owe. How much interest

are you paying? What repayments must you make? The answers are all on your monthly statement.

5. Keep your details up to date. If you've moved out of home to start university you will need to notify your bank and any credit card companies of your change of address so that you can continue to receive your monthly statements. Alternatively, you may be able to access your accounts online allowing you to check your finances regularly.
6. Keep your PIN safe. Never ever write your PIN down or tell it to others, not even your friends. If you have difficulty remembering your PIN then you can always change it to a more memorable number at most cash machines.
7. Allow time for card payments to reach your account. Debit and credit card payments can

take several days or more to reach your account. There will normally be information on your statement that tells you how long you should allow.

8. Be wary when withdrawing cash. Even if you only use your debit card to get cash from cash machines, remember most cash machines operated by banks and building societies let you withdraw money for free. Non-bank cash machines, however, will usually charge a fee. You will always be told if you are going to be charged. Constantly incurring a fee to access your cash will soon mount up and eat into the money you have to spend on yourself. Withdrawing cash on a credit card is more expensive with interest charged from the day you make the withdrawal.



## Using your card online: beating the fraudsters

More and more people are using their card online to pay for goods and services. Using your credit card in these instances gives you extra protection in case things go wrong – protection you don't get paying by debit card, charge card, cheque or cash.

Take the following steps to protect yourself from all types of card fraud and to bank online with confidence:

1. **Surf safe.** You should only ever use a PC with a firewall and up-to-date anti-virus software. If you're buying online only ever shop at secure websites.
2. **Say no to strangers.** Don't give your PIN or bank passwords to cold callers or e-mails. Always check who you are dealing with. Are they who they say they are?
3. **Keep it secret, keep it safe.** Keep your cards safe and never give out your PIN to anyone. Never write down your PIN.
4. **Check your statements.** If you spot anything you weren't expecting contact your bank, building society or card company immediately.
5. **Dispose of personal information safely.** Tear up or shred statements or documents containing personal information before throwing them away.

## What to do if you discover you've been a victim of fraud

If you discover you have been a victim of card fraud tell your card company immediately and it will be cancelled straight away. It is also recommended that you report the theft to the police. It can be inconvenient and time consuming but it will make it easier to get your money back.

If the worst does happen then protection provided by the card companies means that you can usually get your money back. If a criminal uses your card before you tell your credit card company that it has been lost or stolen, or if someone else knows your PIN, the most you will ever have to pay is £50.

**For more information about how to shop and bank safely online, visit:**

[www.cardwatch.org.uk](http://www.cardwatch.org.uk)  
[www.banksafeonline.org.uk](http://www.banksafeonline.org.uk)  
[www.getsafeonline.org](http://www.getsafeonline.org)  
[www.identitytheft.org.uk](http://www.identitytheft.org.uk)



# Dealing with debt: where to get help

Being a student is becoming more and more financially demanding. Don't ignore debt problems; if you are unable to meet your monthly repayments, and you are finding it difficult to pay off the outstanding balance on your credit card, you should contact your card company immediately. The earlier you speak to someone the easier it will be for them to help you with your situation – they will also assist you in developing a plan to manage your debt.

Trying to avoid the problem will only make it worse.

Banks and lenders are sympathetic towards debt and urge customers to address problems straight away. The sooner you seek help the better.

It is also important to be aware of the various support bodies that you can turn to for debt advice:

<b>Choosing and Using</b>	<a href="http://www.choosingandusing.com">www.choosingandusing.com</a>	Helps consumers make sensible decisions when choosing and using a credit card. The site now contains downloadable guides on choosing and using credit cards
<b>Citizens Advice</b>	020 7833 2181 <a href="http://www.citizensadvice.org.uk">www.citizensadvice.org.uk</a>	Helps people solve their legal, money and other problems with free information and advice from over 3,200 locations.
<b>National Debtline</b>	0808 808 4000 <a href="http://www.nationaldebtline.co.uk">www.nationaldebtline.co.uk</a>	Provides free, confidential and independent debt advice.
<b>Consumer Credit Counselling Service</b>	0800 138 1111 <a href="http://www.cccs.co.uk">www.cccs.co.uk</a>	Provides free debt management assistance, budget counselling and educational programmes.
<b>Community Legal Service Direct</b>	0845 345 4345 <a href="http://www.clsdirect.org.uk">www.clsdirect.org.uk</a>	Provides free legal advice on debt related issues.

