



Paying for your card purchases



This is the seventh of a 12-part series aimed at educating consumers to be more financially responsible for themselves and their families. This series is produced by the Consumers Association of Singapore (CASE) and The Association of Banks in Singapore (ABS) as part of the MoneySENSE National Financial Education Programme. This series is supported by the following financial institutions: American Express Foundation, ABN AMRO, Citibank, DBS Bank, HSBC, Maybank, OCBC Bank, Standard Chartered Bank, and United Overseas Bank. Today, we answer some questions about billing and payment.

Q: What are the ways I can pay my credit/charge card bills?

A: Usually, you can pay by cheque, GIRO, ATM or online. You may also be able to pay cash at the card issuer's counter. The card issuers and banks have different ways of payment, so you should check with your card company.

Q: If I discover a discrepancy in my monthly statement, what should I do?

A: Keep your receipts to compare with your bill. If you have any question or problem with your monthly statement, contact the card issuer immediately. The card issuer will then investigate the matter and help to resolve the problem.

The card member's rights vary with different issuers and depends on the problem, such as whether it concerns fees and charges, fraudulent transactions, order dispute with service establishments, faulty products or improper sales by service establishments.

In cases of fraud, you may have to pay if you fail to make a timely report. However, for some card issuers, the liability of card members is limited to a specified amount before notification. After notification, the liability is zero.

Read your contract carefully and understand the terms and conditions. Then clarify with your card company any issue you are uncertain about.

Q: What happens if I do not pay my bills in full by due date?

A: For a charge card, full

payment should be made promptly upon receipt of the monthly statement. Otherwise, there will be penalty charges on any overdue or unpaid amount and the use of the card may be suspended. As for a credit card, you have the option to make minimum, partial or full payment before the payment due date. There will be interest charges on any outstanding balance and a late payment fee also will be charged for overdue payments. The charges vary with card issuers. For instance, some may charge a flat penalty fee and/or interest.

Q: I have been advised to pay all my card bills promptly. Why have a minimum sum option for credit cards then?

A: A minimum sum payment for credit card is useful if you cannot pay off the full amount due to a temporary cash-flow problem or if you have other financial commitments and want to plan your finances. However, note that the interest charges on your unpaid balance can add up dramatically over time. If you are not able to make full payment on your credit card, you should be careful about incurring more debt on your credit card.

Q: If I never clear my card bill every month, how will this impact my credit worthiness?

A: As long as you continue to pay the minimum sum promptly, it will not impact your credit worthiness and history with the Credit Bureau (Singapore), which is a repository of factual information on the credit application and

repayment records of consumers. This information will help its members (*credit providers*), under authorised conditions, to determine whether or not the person applying for credit is likely to repay. Therefore, if you fail to make the minimum sum payment promptly, you will not have a good credit payment history and may have difficulty in obtaining credit in the future.

Q: Why do we have a credit limit? When can I ask for more than the limit?

A: Most issuers set a credit limit as a guideline to monitor

and manage the outstanding credit of a cardholder at any one time. In addition, the Monetary Authority of Singapore requires an issuer not to extend a credit limit of more than two times the cardholder's monthly income. Request for a temporary increase in credit limit should be of an extraordinary nature, such as for the payment of hospitalization expenditure, and is subject to the approval of the card issuer.

Of course, if your income has risen since you first applied for the credit card, you may request a permanent increase in credit

limit up to a maximum of two times your new monthly salary by submitting your income documents for evaluation by the issuer.

Q: What is a reverse transaction?

A: A reverse transaction occurs when a card issuer writes off the transaction amount on the statement under certain circumstances. For instance, an annual fee is imposed on the current monthly statement and the cardholder decides to cancel his membership. The card issuer will then write off this amount.

Q: If I were to use my credit card for a cash advance, how will this affect my credit limit?

A: This will be reflected in your monthly statement as a cash advance. Any transaction, whether cash or not, must fall within your credit limit. As long as your outstanding bills do not exceed your credit limit, you can continue to use your card. Some card issuers may charge a service fee while others may not charge interest as long as the card member pays up when the bill arrives. Therefore, you should read the terms and conditions before using this facility.

About Balance Transfer

When you do a balance transfer, you are simply moving your outstanding debt from one or several parties to another. Therefore, you should shop around for better terms, such as lower rates for a longer period, to lessen the costs of your borrowing. Major financial institutions offer balance transfers. But do not just look at the interest rate but more importantly the effective interest rate which is the actual cost of borrowing. You should ask the financial institution for the effective interest rate.

What to remember about a balance transfer:

- The debt is transferred, not paid off.
- If you fail to meet the repayment deadline, you will still have to pay penalty charges.
- The low interest rate may apply only for a limited time.
- Not having a plan to repay your debt will likely lead to more debts and eventual bankruptcy.

Contest #7 (Please read the article and answer the following questions)

- 1. What are some ways to pay card bills?**
 - a. By cheque
 - b. Through GIRO
 - c. Via online facility
 - d. All of the above
- 2. What should I do if I have a problem with my monthly statement?**
 - a. Contact the card issuer immediately
 - b. Cancel the card
 - c. Refuse to pay
 - d. Ignore it
- 3. What will reduce my credit worthiness?**
 - a. Not paying minimum sum promptly.
 - b. Paying my bills in full by due date
 - c. Making the minimum sum payment promptly
 - d. Be debt-free
- 4. When would a card issuer allow a temporary increase in credit limit?**
 - a. To pay daily necessities
 - b. To meet extraordinary expenses
 - c. To settle outstanding card bills
 - d. To lend money to a friend
- 5. What happens when you do a balance transfer?**
 - a. Outstanding debt is paid off
 - b. No interest is charged
 - c. No penalty charges even if you fail to meet the new repayment deadline
 - d. Outstanding debt is transferred from one party to another, usually at a more attractive interest rate.

Official Entry Form (Contest #7)

For each question, please circle the correct answer:

- | | | | | |
|----|---|---|---|---|
| 1. | a | b | c | d |
| 2. | a | b | c | d |
| 3. | a | b | c | d |
| 4. | a | b | c | d |
| 5. | a | b | c | d |

Name: _____

NRIC: _____ Age: _____ Sex: _____

Occupation: _____

Tel: _____ Handphone: _____

Address: _____

Send your entry to:
'Dollars & Sense'
Contest #7

Consumers Association of Singapore
Ulu Pandan Community Building #05-01
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Singapore 279621

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Terms and Conditions

1. Every entry must be on the official entry form. No photocopies please.
2. Judges' decision is final.
3. Winners will be drawn from correct entries.
4. Winners will be notified by post.
5. Prizes are not transferable or exchangeable.
6. There will be three winners each contest. Each winner will receive a \$50 cheque and 12 issues of *The Consumer*.

7. Employees of the CASE, ABS, the supporting organizations and Streets, and their immediate families are not allowed to take part in this contest.
8. One entry per person.

Closing date:

**Entries must reach us
by 19 December 2003**



**Next topic on 17 Dec 2003 Wednesday:
Buying online: dos and don'ts**