

YOUR MONEY

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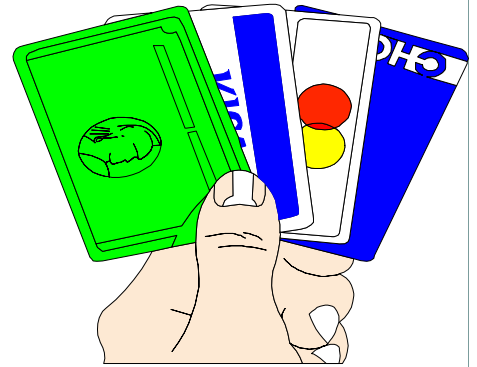
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The 8 Dirty Tricks Credit Card Companies Play



The credit card companies make billions each year in legitimate interest charges and fees, but are under constant pressure from the shareholders to increase their earnings. To make this extra money the credit card companies sometime adopt some dirty tricks to make this money. As the credit card industry becomes more competitive, less money is being earned from each client from interest charges and more income is derived from a number of these dirty tricks. To protect yourself against these unscrupulous procedures that steal your money, we will list 8 dirty tricks credit card companies play on their clients, so you'll know what to expect and look out for.

- 1** Not posting your payment the day it was received. This is the oldest known trick: the company receives your payment in time, but it doesn't process it immediately; this delay will bring to the company a late payment fee. This is often due to legitimate reasons, but the policies of many credit card companies support a processing time that is not beneficial to you.
- 2** A second trick is to make you pay late, by changing the due date for your credit card payment. For being late the company will charge a late payment fee and if the situation repeats for few months in a row, they can legally increase your interest rate.
- 3** The third trick played by the credit card companies is a ridiculous one: you can be charged a penalty fee for not using your credit card for a certain period of time. As unbelievable as it might seem, this is a new tactic of the credit card companies to take your money.
- 4** Charging you for insurance, in case your credit card is stolen, lost or used fraudulently. Almost all credit card companies do not charge a fee for this service, but there are others that do. The best thing you can do would be to avoid the latter ones.
- 5** A second credit card protection fee is for protecting you in case you lose your job or die. For this protection, usually, the fees are too high for the benefit received, but many customers purchase it out of fear.
- 6** The company increases your credit limit. You didn't ask for a limit increase of your credit but the company gave you the possibility to spend more money. This is a psychological trick to make you spend more money on your credit card.
- 7** Another bad surprise is to come back from your vacation and find out that you have been charged more for the amounts spent during your foreign trip. The commission charged for the amount spent outside the country is much higher than usual.

8 One of the new scams that have appeared in the last years is the card cancellation fee. This fee was adopted because a large number of the clients of a certain bank discovered the extra charges and they all rushed to cancel their accounts. The bank responded immediately by adopting a policy of charging a fee for closing an account. This practice was also adopted by other companies.

It is important to know these procedures so you don't get taken advantage of and you can help put an end to these tricks by giving your business to companies who do not employ them.



Understanding Credit Card Penalties

Because most of us have one or two credit cards and we use them every day. Understanding credit card penalties and fees is a significant issue, since one time or another we have paid a penalty for some reason. Every user of a credit card must first understand that every charge on the credit card represents a loan which must be repaid. It's like a loan for buying a house or a car; the same way these loans should be repaid, the credit card debt should be repaid. Also, it should be paid on time and with at least the minimum amount or else you'll end up paying more interest fees and penalties than the actual borrowed amount. So, we can say it is important to read and understand credit card penalties and fees before you apply for a credit card and start using it.

A credit card user should read, before signing, the agreement and especially what is written with small letters, because those small written lines sometimes are the most important. The agreement of the credit card usually contains rules on how and when the credit card issuer can apply penalties and fees. You should also look for the lines where it is clearly stated how and when the payments should be made. You, as the future user of the credit card need to have complete and accurate information in order to be able to make a correct decision.



Credit card companies and banks try to make as much profit as they can, in any way they can. They have introduced all sorts of penalties and fees, and have come up with various strategies on how to get more people to pay more money. So, understanding a credit card's penalties and fees policy, is a must for every credit card user, as he must always know how and when to pay his debts in order not to be charged penalties of higher interest rates. Nowadays, you can pay penalties for a lot of situations. If you miss a payment deadline, you'll pay a penalty. That penalty sometimes depends on the balance you have: for a small balance a small penalty and for a big balance another penalty. Other banks or credit card companies charge you the same penalty regardless of the balance you have, but this penalty tends to increase as the time passes.

There is also another system: for late payment you'll have to pay a penalty and a penalty interest rate. You should know that card issuers don't have a limit on how high the interest rate can go, it all depends on your cardholder agreement. In fact, credit card issuers don't look at the late penalty payment as a punishment. For them, penalties are a way of training you to keep your commitments, in other words, to train you to pay on time.



A credit card is a line of credit, and when you accepted this credit, both, you and the credit card company made commitments: the company to lend you the money, and you, to pay the money back. The company has already shown good faith and gave you the money, but you're late with the payments. The credit card company starts wondering whether you're still committed to pay the money back. So, the penalty is their way to remind you that you have to make the payments on time.

We can ask ourselves why credit card companies are more and more interested in penalties and fees. The answer is: because of the increased competition on the credit cards market, the companies are making less and less money from finance charges compared to the past years. So, the credit card companies are finding other ways to make more people pay more money. That is why is important that reading and understanding credit card penalties/fees policies should be done before applying for a card, not after.

The most important advice is to know from the beginning the real cost of the money you're borrowing; not only the interest rate, but also the penalties and other fees. Also, it is essential not to be fooled about the great offers of the big credit card that you receive in your mail box. Shop around for other credit cards and decide only after seeing more than one offer.