

The Solution Loans Guide to Credit Cards

Credit cards are one of the most flexible forms of finance and are used by millions of people worldwide every day. Every time you use a credit card – whether you are buying something, withdrawing money from a cash machine or making a payment – you are borrowing from a finance company. They are not the same as debit cards – which are used to pay for goods and services by withdrawing money from your bank account.

The flexibility that credit cards provide comes from how you choose to manage your repayments. A card holder can choose to repay the entire balance every month, meaning that they will not face any interest charges, or "rollover" the balance and make only the minimum payment or a large part of the balance.

How Credit Cards work

When you successfully [apply for a credit card](#), you'll have access to a predetermined credit limit. You'll be able use the card at any shop, merchant or trader which displays either the Visa or Mastercard logo. You can continue to use your card up to your credit limit provided that you make at least the minimum monthly payment.

The flexibility that credit cards offer comes from the way that repayments work: a cardholder will generally receive a bill and be given a set amount of time to make a repayment which can be up to 45 days after they used the card. If you use this to repay the entire balance of your card, then you are in effect taking advantage of a month and a half of interest-free credit. This does not include cash withdrawals made on the card which usually attract a cash advance fee and are not included in any 0% offers.

Why should I apply for a credit card?

If you use a debit card a lot, you may find that there are more benefits from using a credit card if you are sensible and repay what you owe on it every month. Not only will you get up to 45 days of interest-free credit, but in a lot of cases your purchases will be protected under Section 75 of the Consumer Credit Act. This stipulates that credit card issuers and retailers take joint responsibility for faulty purchases so, should you pay for something on your card valued between £100 and £30,000, your purchase will be protected in the event that it's faulty or you do not receive the goods or services you paid for. In such cases, you may be eligible for a refund from your card provider.

This guide does not constitute financial advice. If you need financial advice please speak to a qualified financial advisor.

For all your financial needs check out our website – [Solution-Loans.co.uk](https://www.solution-loans.co.uk)

Credit cards can also be a good way to repair your credit rating or build one if you have not held any form of credit before. There are credit cards specifically designed to help people with less-than-perfect credit ratings.

Many card issuers offer 0% transfer deals where you can transfer a balance on an existing card and not pay any interest on that balance for the first six or 12 months.

What are the downsides?

It's tempting when you first receive a credit card to think that you've suddenly come into a large amount of money and go on a spending binge that you can't actually afford. This is a surefire way to run up a large debt which will be much harder to repay and could lead you into financial difficulty very quickly.

It's also very easy to pretend that your card balance doesn't actually exist and that the card is only costing you the minimum payment each month. If you do this then you will end up paying a very large amount of interest on your borrowing and may never pay off the balance. Every card provider will make clear that it is much more sensible to make a larger payment than the minimum one each month so that you constantly reduce the outstanding balance and pay less in interest charges.

Try not to use your credit card to withdraw cash because not only will this incur an advance fee, but most providers charge a higher rate of interest for these transactions and they will be excluded from any 0% interest offers.

Conclusion

So long as you clear your balance every month, [a credit card can be a flexible and cheap way of borrowing money](#) in the short term. Credit cards can also protect you through the Consumer Credit Act where you can reclaim money from the card provider for faulty purchases. As with any form of credit, you must ensure that you can keep up with the repayments and be able to pay off what you borrow.

For the online version of this guide visit www.solution-loans.co.uk/credit-cards/guide/

This guide does not constitute financial advice. If you need financial advice please speak to a qualified financial advisor.

For all your financial needs check out our website – Solution-Loans.co.uk