

Smart Tips on Using Credit Cards

Credit cards are one of the major payment methods for our everyday spending. Using a credit card to shop entitles you to interest-free repayment period, it also avoids the hassle of carrying a large amount of cash. However, you need to understand the banks' terms and conditions, and their fees and charges when spending with credit cards. As a wise bank customer, you should remember the following tips when using your credit card:

Dos

- Consider your actual needs before shopping with your credit cards to avoid over-spending.
- Understand the terms and conditions of credit cards, including the credit limit, interest-free repayment period, minimum payment amount, other payment terms, fees and charges and their calculation methods.
- Be aware of any conditions attached to a welcome offer and understand clearly the terms and conditions of credit card promotional offers.
- Depending on individual customers' circumstances, some banks will consider granting waiver of annual fees on credit cards. Customers can submit applications to banks for their consideration.
- Use the Annualised Percentage Rate (APR) to compare banks' interest charges and other fees on retail purchases and cash advances.
- Understand the banks' credit card charges for foreign currency transactions before travelling. Be aware that such charges vary among banks. If you wish to settle foreign currency transactions in Hong Kong dollars, you should ask the merchants about the exchange rate and the fees to be applied to the transactions because such transactions may involve a higher cost.
- Read carefully the notifications issued by banks, as they are required to notify their credit card customers in advance for a specified period if they wish to change their related fees and charges, their credit limits and their key terms and conditions.

- Read the monthly statements carefully, and check whether every transaction is correct. Be aware of bank notifications via SMS messages, etc. and promptly inform your bank if you notice any suspicious or unauthorised transactions, regardless of the amount.
- Understand the chargeback mechanism from your bank.

Don'ts

- Do not apply for a credit card simply because of the welcome gifts. Avoid unnecessary spending just to meet the conditions of a new card offer.
- Do not over-spend simply because your credit cards have a high limit. You can ask your bank to lower the credit limit if you think it is too high. Consider opting out of the “over-the-limit” arrangement, if you want to avoid the “out of credit” situation.
- Do not disclose your credit card number, card expiry date, security code (printed next to the signature panel on the back of the card) or one-time password (OTP) to a third party to avoid unauthorised transactions using stolen data.
- Avoid repayment of the minimum payment amount or partial repayment only as this will incur finance charges. If you fail to settle in full payment of your credit card bill on or before the due date, new transactions will immediately incur the finance charge. If you often repay the minimum payment amount only, you should reconsider your repayment ability.
- Avoid overdue payment as this will incur a late charge. A poor repayment history will also affect your credit record and future loan applications.
- Do not make cash advance transaction with your credit card without careful consideration. Banks normally charge a higher interest rate on cash advances than on the outstanding balance of retail purchases. Also, there is generally no “interest-free” repayment period for cash advances, which means interest will be incurred daily from the date the cash advance is made until it is fully repaid.

Interest Expenses of Repaying the “Minimum Payment Amount” Only

Do not underestimate the interest burden if you only repay the “Minimum Payment Amount” or make partial repayment.

For example: Assume there is an outstanding balance of HK\$20,000 in your credit card account without further transactions, annual fee and other fees, and a monthly interest rate of 2.5% (Annualised Percentage Rate (APR) of 35%).

Minimum 26 years

Interest > Double the principal

If you repay the “Minimum Payment Amount” in each statement period, it will take you about 26 years to completely clear the outstanding balance. Your total interest payment will be more than double the original outstanding balance.

\$849 3 years

Interest > Half of the principal

If you repay \$849 per month, it will take three years to clear the entire outstanding balance. Your total interest payment will still be more than half of the original outstanding balance.

Repayment amount per month	Time required to clear the outstanding balance	Total expenditure (principal + interest)	Interest
Minimum Payment Amount	26 years	\$67,536	\$47,536
\$849	3 years	\$30,565	\$10,565

Note: A similar illustration appears in banks’ monthly credit card statements.

How to Read a Monthly Credit Card Statement?

Be aware of the distribution method and the issue date of a monthly credit card statement. Read and check whether each transaction of the statement is correct. In case of any suspicious or unauthorised transactions, inform your bank promptly.

1. Credit Limit

The maximum amount approved by a bank to a customer for spending with a credit card, or for cash advance through the credit card.

2. Payment Due Date

The date by which a customer needs to pay.

3. Minimum Payment Amount

The sum of all interest, fees (including annual fee) and at least 1% of the outstanding principal, or a specified amount (e.g. HK\$50), whichever is higher.

4. Annualised Percentage Rate (APR)

The APR, expressed as a yearly percentage rate, is a benchmark for comparing the interest rate and fees for different banking products (e.g. credit cards, personal loans, etc.). It reflects the actual cost of borrowing.

5. Finance Charge

A finance charge will be levied if a customer fails to repay the outstanding balance of retail purchases or cash advances on the payment due date.

(5a) Finance Charge on Retail Purchases

Interest will be incurred over the existing outstanding balances and new purchases for the month. Customers can enjoy an interest-free period on new purchases for the month if there is no outstanding balance.

(5b) Finance Charge on Cash Advances

Cash advance means a cash withdrawal at an Automated Teller Machine or a bank branch from a customer's credit limit on his or her credit card account. There is generally no interest-free period for cash advances. Interest is incurred daily from the date the cash advance is made until it is fully repaid.

Banks also charge a handling fee for cash advances, which is normally equal to a certain percentage of the cash advance amount or a flat fee for each cash advance transaction, whichever is higher.

6. Late Charge

If a customer fails to make the minimum payment amount by the payment due date, a late charge will be levied. The amount is normally equal to the minimum payment amount or a certain percentage of the minimum payment amount. Minimum and maximum charges may be imposed. In any case, a late charge should not exceed the minimum payment amount.

7. Other Fees

Other fees may include the over-the-limit fee. It will be charged by a bank when the total outstanding balance of a credit card account exceeds the credit card limit*. It is normally a flat fee.

* Banks should provide channels for customers to opt out of the over-the-limit arrangement.

For customers who have not opted out of this arrangement, banks should not impose more than one over-the-limit fee per billing cycle.

8. Rewards Programme

Banks generally offer reward programmes to encourage customers to spend more by using credit cards. Such programmes are subject to specific terms and conditions. The bonus points accumulated are subject to a validity period. For more information, please refer to the monthly credit card statement or check with the relevant bank.

Note: The above statement is a sample only. The format of the statements and the calculation methods of the fees and charges by different banks may vary. For any queries on your credit card statement, please contact the relevant bank.

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信用卡戶口月結單 STATEMENT OF CREDIT CARD ACCOUNT

SAMPLE

客戶名稱 Customer Name	戶口號碼 Account Number	XXXX XXXX XXXX XXXX
客戶郵寄地址 Customer Address	信用卡類別 Card Type	(1) 信用限額 Credit Limit HKDXX,XXX
	結單日 Statement Date 日/月/年	總結欠 Statement Balance HKDXX,XXX.XX
	(2) 到期還款日 Payment Due Date 日/月/年	(3) 最低還款額 Minimum Payment HKDXXX.XX

交易日期 Trans Date	過帳日期 Post Date	交易說明 Description of Transaction	金額(港幣) Amount(HKD)
24 Mar	25 Mar	上期結餘 Previous Balance Happy Meal Restaurant ***** 財務費用概覽 Finance Charge Summary ***** 類別 (4) 實際年利率 (5) 財務費用 Type APR% Finance Charge (5a) 購物簽帳 Retail Purchase 34.46% HKDXXX.XX (5b) 現金透支 Cash Advance 35.61% HKDXXX.XX	XXX.XX

上期結餘 Previous Balance	- 還款/ 其他收入 Payment & Credit	+ 購物 簽帳 Retail Purchase	+ 現金透支 Cash Advance	+ 財務 費用 Financial Charge	+ (6) 逾期 費用 Late Charge	+ (7) 其他 費用/ 支數 Fee/ Adjustment	= 今期 結餘 New Balance

(8) ***** 獎賞計劃 Rewards Programme *****

積分獎賞上期結餘 Reward Points Opening Balance

本月賺取積分獎賞 Reward Points Earned

本月行使積分獎賞 Reward Points Redeemed