

Year 13 | Session 3 | Resource 3

Factors to consider when choosing a credit card



Financial Literacy &
Inclusion Campaign
Supported by the Financial Times

Activity | Read the factors to consider when choosing a credit card.
Decide which factors are most important to an 18 year old applying for their first credit card

Factors	Explanation
APR (Annual Percentage Rate)	This is the cost of borrowing on the credit card. You can compare the APR for different credit cards which will help you to choose the cheapest. Essentially this is also known as the interest charged on the money you are borrowing from the bank/financial institution.
Minimum repayment	Before you decide on which credit card to pick you should also compare other things about the cards, for example, fees, charges, and rewards.
Annual Fee	Some cards charge a fee each year for use of the credit card. The fee is added to the amount due, and you will have to pay interest on the fee as well as on your spending, unless you pay it in full. The fee can range from approximately £12 up to £150 depending on the credit card.
Credit card charges	Check in the credit agreement what other charges apply to the card. You will usually be charged for going over your credit limit (the maximum you can spend on your card), for using the card abroad and for late payments.
Introductory interest rates	This is where you start off paying a low rate of interest or none. The rate then increases after a certain amount of time. For example, it could increase after six months or from a certain date. If you are comparing cards look at how long the introductory rate lasts as well as the interest rate it changes to at the end of the introductory period.
Loyalty points or rewards	Some credit cards award you points to spend, the more you use your card, and you can then use them to buy goods. Sometimes this is in particular shops only.
Cashback	This is where some cards offer money that gets refunded to your credit card every time you spend money on your credit card. The amounts refunded depend on the terms and conditions of the credit card agreement and vary from credit card to credit card.
Foreign usage charges	This is the money you get charged when you use your credit card abroad, whilst travelling.
Balance	This is the amount that you have borrowed on your credit card so far. This total of money borrowed so far will be displayed on your credit card statement every month and you will be expected to repay a minimum repayment amount every month.
Charges/fees on purchases	The money some credit cards charge for every purchase you make for a good or a service on the card (trainers or getting your hair cut).