

Your credit card is changing

From January 2011, you're going to have **five new rights** for your credit and store cards. These will help you to:

- **pay off** your debt **faster** (when you need to),
- give you **more control** over your credit limit and your interest rates, and more time to think when they change,
- help you pay what you can **afford**,
- and get clearer **advice**.

By next year, your card company should have made the changes to how your card works. If they don't follow the new rules you can **complain** to the free Financial Ombudsman Service, who can get the card company to give you compensation.

More than **1,000** people gave us their thoughts and ideas.

These changes are the result of **your feedback**.

1 Your right to pay off credit card debt faster

Two things are going to change and hopefully make it easier to pay off your credit and store cards faster.

First, when you pay off your credit card, the money goes towards paying off the debt with the lowest interest rate first.

So if you've done a **balance transfer** at 0%, but still use your card for **spending** or getting **cash** out, most of the money you pay in goes towards paying off the balance transfer! Getting cash out on a credit card isn't just expensive, it can make your debt build up faster.

Nearly **40%** of you thought this was the biggest problem with credit and store cards.

So from January 2011 it's going to be the **other way round!**

You'll pay off the most expensive debt on your card **before** all your other debt, hopefully making it **easier** for you to pay your bill.

Secondly, when you apply for a **new** credit or store card, at the moment most card companies set the minimum you have to pay very low so you pay off a very **small amount** every month. This isn't always enough for your debt to go down, even if you don't spend on your card anymore.

From next year, when you get a **new** credit or store card you'll automatically have to pay off **at least** the interest on your card, **plus** any charges, **plus** an extra 1%, so your debt will hopefully keep going down.

The amount you pay every month on the **cards you already have** won't change.

2 Your right to reject interest rate increases, and more time to think

At the moment, credit and store card companies can put up the interest you pay on your card with only **30 days notice**. Some companies only tell you about it on your statement, where it's **easy to miss**, and they only have to tell you once.

Not everyone knows what you can do when your card company increases your interest rate.

From next year this changes. You'll get **60 days** to tell them when you're not happy with the increase and want to **reject** it.

The card company will also have to tell you that the interest rate on your card is changing at least twice, and they'll have to tell you how much this new interest rate will cost you as well!

If you're not happy, you can **close** your account and **pay off** what's left on the card a bit at a time. You won't have to pay it back **all at once**, either.

And if you're already struggling, they won't be able to raise your interest rate at all.

20% of the people who voted in our online poll thought interest rate changes were the most important issue.

The US has **banned** interest rate changes for credit cards, but that's starting to make it harder for people to get credit.

3 Your right to clearer advice

Are you making **low repayments** on your card, month after month? We want people to get advice that shows them how much low payments **really cost** them.

From next year card companies will have to tell you how much money you're **losing**, and give you **advice** about what you can do to help yourself **get out of debt**.

We also thought getting a statement every year might be helpful, to show you:

- what you've been **spending**
- what you've **paid back**
- and how much the card company is **charging** you.

So the card companies are working out what that should look like, and they'll have a proper plan for you by January 2011.

There are also plans to teach young people more about looking after their money in schools.

We're looking into a labelling scheme and a basic credit card as well..

4 Better ways to pay off your balance

At the moment most card companies only give you **two options** to pay off your credit or store card automatically. They set up automatic payments to pay either the **smallest possible amount** each month, or the **whole lot**.

So if you want to pay off **more** than the smallest amount, you have to **remember** to pay more in yourself.

We want to give you **more ways to pay** off your credit and store cards. So, from January 2011 you'll be able to set up automatic payments, like direct debits and standing orders, to regularly pay **whatever you want** every month (as long as you're paying the minimum!).

5 More control over your credit limit

When your credit or store card company **increases your limit**, it's so tempting to spend it.

From next year you'll be able to tell your card company **not to increase** your credit limit automatically, and they won't be able to use that as a reason to refuse any changes you want to make to your credit limit in the future.

They'll have to tell you about the increase at least **30 days** before it happens, so if you don't want a bigger limit you'll have a chance to tell the card company you want to **keep it as it is**.

From next year if card companies do want to increase your limit, they'll have to do a **credit check** to make sure you can afford to pay it back. And if you're already struggling, they won't be able to raise your limit at all.

You'll also have the option to pick up the phone, or go online at any time, and ask the card company to make your credit limit **smaller**, and the credit card company can't use you **reducing your limit** as a reason to refuse any other changes you might want to make to your limit in the future.

A survey asked people whether automatically raising your credit limit should be **banned**.

Over half of them said **yes**, until they were told it might make getting credit **more difficult**.

All of the credit and store card companies in the UK have agreed, voluntarily, to put these changes in place by **next year**.



The government wants to make them **law** as soon as it can.

