

## Credit cards too complex for consumers

Recent headlines have criticised credit card companies for not making their terms easily enough understood by consumers, who claim harsh rules laid down by banks and card issuers are buried away in the small print and don't become clear until it's too late. For instance, millions of consumers every year take advantage of 0% balance transfer and purchase credit card deals as a way of cutting debt in order to mend their financial problems.

Sadly, many of these consumers do not realise that, despite the 0% interest rate, they still need to pay the minimum repayment each month, typically 2 or 3% of the balance. Instead they think 'interest-free for 12 months' means not having to pay anything for 12 months. As a result, when they receive their first monthly statement they pay nothing, thinking everything is in order.

This oversight will in most cases result in the credit card company immediately imposing a fee and raising the interest rate to a significantly higher level, known in the credit industry as 'default and lose'.

Confirming this disconcerting trend, The Office of Fair Trading (OFT) last week published a report entitled 'Credit card comparisons', available for free from its website, saying the market remains too complex, unclear and difficult for borrowers to compare deals.

Among its recommendations to rectify the confusion the OFT calls for standardisation in presenting information, such as summary boxes containing the interest rate and other payment information about the card, on every monthly statement in order to be more user-friendly and avoid unpleasant surprises for the cardholder.

According to the survey, the most common reason for consumers choosing a particular card is a recommendation by their bank, which of course has a vested interest. In order to get a better idea of which card is right for them, there are several websites that allow consumers to [compare credit cards](#) from the comfort of their homes. Not shopping around before committing to a credit card is quite possibly throwing money down the drain, something especially hazardous to consumers already struggling with existing debt.

John Fingleton, OFT Chief Executive believes that it is essential that consumers are provided with the correct tools in order to make comparisons between credit cards more easily; and with some of the recently announced recommendations receiving widespread support from industry bodies including the FSA and APACS, it is hoped these new measures will ensure more transparency in the credit card industry and help find consumers the right credit card for their needs.

### About the Author

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