

Year 13 | Session 3 | Resource 3

Factors to consider when choosing a credit card



**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. A person can compare the APR for different credit cards which will help them to choose the cheapest. Essentially this is also known as the interest charged on the money borrowed from the bank/financial institution.
Minimum repayment	Before deciding on which credit card to pick, compare different elements of 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 interest will need to be paid on the fee as well as on spending, unless it is paid 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. People will usually be charged for going over their credit limit (the maximum that can be spent on the card), for using the card abroad, and for late payments.
Introductory interest rates	This is where the customer starts 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 comparing cards it's a good idea to 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 the card is used, and they can then use them to buy goods. Sometimes this is in particular shops only.
Cashback	Some cards offer money that gets refunded to the credit card every time money is spent on the 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 that gets charged when a credit card is used abroad.
Balance	This is the amount that has been borrowed on your credit card so far. This total of money borrowed so far will be displayed on the credit card statement every month and it will be expected that a minimum repayment is made each month.
Charges/fees on purchases	The money some credit cards charge for every purchase made for a good or a service on the card (trainers or getting a hair cut).