

Activity | Read the factors to help you assess the benefits and drawbacks of having a credit card

Factors	Risk	Benefit
<p><b>1. Convenience:</b> Using a credit card lets somebody buy something today but put off the real cost until payday rolls around – so they don’t have to wait.</p>		
<p><b>2. Cashback and rewards:</b> Many credit card providers offer a range of rewards to customers. A customer could be getting air miles or shopper loyalty points each time they use their card, or even cashback on purchases.</p>		
<p><b>3. Getting trapped in debt:</b> If somebody can’t pay back what they borrow, their debts can pile up quickly. If they have a poor credit score, they could get hit with high interest rates – and the debt could spiral debt making it even harder to pay it all off.</p>		
<p><b>4. Spread out the costs:</b> If a person needs to make a big purchase, a credit card lets them pay over several monthly instalments. This can help with budgeting and, as long as they ensure that they make their repayments, it won’t leave a huge hole in their finances.</p>		
<p><b>5. Go interest-free:</b> Many credit cards offer a 0% interest period. So, they can borrow for free with no interest charged, as long as they make their minimum monthly repayments.</p>		
<p><b>6. Expensive:</b> Credit card providers might charge you extra for things that are free with a debit card, such as withdrawing cash from an ATM or buying things overseas.</p>		
<p><b>7. Purchase protection:</b> Sometimes there could be a problem with a purchase – it might get lost or damaged, for example, or the company could even go bust. With credit cards, they have buyer protection for any purchases made on the card between £100 and £30,000. That means the purchaser can claim money back from the card provider if there’s an issue with their goods or services.</p>		
<p><b>8. Extra fees:</b> The interest rate isn’t the only number that needs to be checked out when choosing a credit card – there may be extra charges too. The provider could impose fees if a payment is missed or a person goes over the credit limit. Some credit cards might have a monthly or annual fee, and many balance transfer cards charge a fee to switch a balance. Check the APR (annual percentage rate) to get an idea of the overall cost of a card.</p>		
<p><b>9. Damage credit score:</b> A credit score can go down as well as up. Miss a payment on a card or allow debt to stack up and this can damage somebody's credit rating. This can make it harder to get credit (borrow money) in the future.</p>		
<p><b>10. Boost credit score:</b> If somebody uses a credit card responsibly, lenders will notice – and it can help to improve their credit score. If they have a low credit rating, they can get a credit builder credit card designed to help them build up their score.</p>		