

# I want my first credit card

## What do I need to know?

### What is the difference between a credit and a debit card?

A credit card is a bank card that allows you to spend the bank's money. In return you have to pay interest on the money you spend if you have not paid the amount owing in full by the due date. A debit card is a bank card that allows you to spend your money.

### Does everybody who applies for a credit card get one?

No, the bank has to make sure you can afford to make the repayments needed on the credit card before they will decide to give you a card.

### How do they assess me for a credit card?

A bank will assess your application for a credit card by looking at your income and expenses, employment and your credit report. The bank will then make a decision about whether you can afford to pay the amount of the credit card you are applying for within three years.

### If I don't get a credit card, can I still get a debit card?

Yes, you can apply for a debit card even if you are unsuccessful in applying for a credit card.

### The bank has approved my application for a credit card. What happens now?

You will get sent your card in the mail.

### Can I use the credit card straight away when I get it?

No, you will need to activate it by following the instructions that will come with the card. You will also need to sign the card.

### What else do I need to know about the card?

The card will have a credit limit on it. A credit limit is an amount of money the bank is lending you to spend within a certain period, usually a month. You are spending the bank's money, not yours.

### Do I have to pay the money back?

Yes, you have to pay the money back. You are also expected to pay the bank interest if you do not pay the entire amount owing on the credit card by due date—usually the end of the month. Interest is the fee you pay the bank in return for them lending you money.

### How much interest do I have to pay?

If you do not pay the entire amount you owe at the end of the month you will still be expected to make a minimum payment to the bank. Please note this minimum payment is not equivalent to the total interest you will owe. The outstanding interest gets added to the amount you have borrowed. This means if you only pay the minimum amount off each month, you will not substantially reduce your debt.

#### For example:

You had a low rate credit card that had an interest rate of 13.24% and you owed \$1000 on the credit card.

- If you paid \$25 a month off the card and did not buy anything else on the card, it would take you four years and six months to pay the debt off. You would pay \$326 in interest.
- If you paid \$50 a month off the card and did not buy anything else on the card, it would take you one year and 11 months to pay the debt off. You would pay \$136 in interest.

### What happens if I don't pay?

If you do not make the monthly payments needed, the bank is allowed to:

- charge you default interest and legal fees and charges
- list a default on your credit report; this makes getting a further loan or credit card very difficult for at least the next five years.
- Take you to court to try and recover the money from you.

### What can I do if I can't make my monthly payment? Eg I lost some shifts at work or I got sick.

If something happens and you can't make your monthly payments, you should talk to the bank and ask them for financial hardship assistance.

You might ask the bank for:

- a month or longer without paying
- reduced payments for a month or longer
- interest to stop being charged.

If the bank doesn't help, you can ask them to review/change their decision. If the bank does not change its mind, you can lodge a complaint with the Australian Financial Complaints Authority (visit [www.afca.org.au](http://www.afca.org.au)).

You can get help by calling:

- a financial counsellor on 1800 007 007
- Legal Aid Queensland on 1300 65 11 88.

For more information on how to save yourself a ton of money by following some simple tip, visit [www.moneysmart.gov.au/borrowing-and-credit/credit-cards/smart-ways-to-use-your-credit-card](http://www.moneysmart.gov.au/borrowing-and-credit/credit-cards/smart-ways-to-use-your-credit-card)

**For more information about our services call 1300 65 11 88 or visit [legalaid.qld.gov.au](http://legalaid.qld.gov.au) or phone our Indigenous Hotline on 1300 650 143.**

**BRISBANE** 44 Herschel St, 4000

**WOODRIDGE** 1st Floor, Woodridge Place, Cnr Ewing Rd & Carmody St, 4114

