

African Bank Ltd press release

November 2021

Don't let your credit card become your enemy

A [credit card](#) can be a very useful financial tool, especially if you are trying to establish a credit score. The key is to use your credit card responsibly.

To get maximum benefit from your credit card, you need to be selective and prioritise what you are using your credit card for, says Sbusiso Kumalo, Chief Marketing officer at African Bank.

“If used responsibly, a credit card is a great tool for managing your money. It can help you improve your [credit score](#) over time and save you money when used to earn cash back or accumulate points and other rewards.”

It is however easy to overspend on a credit card, which is why Kumalo advises consumers to bear in mind it is your spending and repayment habits not the credit card which will help you build a good credit record.

Importantly, remember that credit is not free. It comes with fees, like interest, service- and initiation fees, and has to be paid back each month, Kumalo adds.

“You have the option of paying a minimum amount or paying the balance in full at the end of the month. Paying the minimum is completely acceptable but it is ultimately the most expensive option because it will cost you the most in interest.” On the other hand, when paying the full balance, you can get up to 62-days interest free on your purchases. This then makes using your credit card a beneficial payment option

“You must pay at least the minimum by the due date. Any late payments will result in your account going into arrears, which could lead to your account being blocked and access to it being restricted.”

Your bank can also report you for non-payment to the credit bureaus which will impact your credit score and credit history. “Your payment history is 35% of your credit score (a three-digit number that indicates how risky it would be to lend you money).”

His three golden rules of a credit card are: 1. Pay your balance off on time every month, 2. Use it for needs not wants, and 3. Avoid “credit creep”.

“Using a credit card can make purchases feel as if they never happened. This is why it is helpful to treat your credit card like you would cash when deciding what you should and shouldn't swipe your card for.

“Check your balance daily to keep track of spending and get a receipt for your everyday purchases or you could find your balance has crept up and up to the point you are unable to meet the required monthly repayment,” Kumalo says.

Tips for responsible credit card use

1. Don't use your credit card to pay off debt. Rather re-evaluate your financial position and ask for guidance from a financial advisor.
2. Don't swipe to fund irresponsible spending: You don't have to make big purchases to suddenly be saddled with a large credit card balance. A couple of dinners, a family day out or a quick getaway out of the city may not cost a fortune but be assured these small impulse splurges push your balance up little by little, hence the phrase "credit creep".
3. Use the interest rate to your advantage: A credit card may come at a lower interest rate than a personal loan if you need to apply for credit.

"Our advice is always to understand the fundamentals – which credit cards are available and how you can use each of these. Knowledge is definitely power when you have a credit card, which in itself is a powerful piece of plastic," Kumalo concludes.

"Never spend more than you can afford. Avoid thinking of a credit card as your money and always remember it is borrowed money that must be paid back – by you."

ENDS

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