



# Fantastic plastic

Whether it's cashback you're after or you want to borrow big bucks, we name the best credit cards to do your Christmas shopping with

There are hundreds of credit cards out there, and while they may all look alike, some offer a much better deal than others. Pick the wrong card and you can be hit with high interest rates or unfair charges, or you might be caught out by sneaky tricks hidden in small print. With the right cards, you can save money in a variety of ways. For example, you can earn cashback while you spend, transfer balances or make purchases without interest for up to 12 months, spend abroad without paying an exchange fee or borrow at a low rate.

## Get something back – Best Buys for cashback

If you always or usually pay your credit card bill in full, look at the extras on offer instead of the interest rate.

Cashback cards give you a percentage of everything you spend on the card – our Best Buys give between 0.5

and 2 per cent, depending on how much you spend. **Egg Money** gives a flat rate of 1 per cent, whereas

**American Express Blue** and **Platinum** and **Morgan Stanley** vary the amount depending on how much you spend.

Cashback is either added to your account or sent to you by cheque once a year. Spending on a cashback card can really add up – spend £5,000 on a card offering 1 per cent, for example, and you'd get back £50.

Rhys Jones has been using his Morgan Stanley cashback card for a year and has earned nearly £70. 'I use my card as often as possible and pay the balance each month; you can't argue with earning money for spending,' he says.

Alternatives include Air Miles or points reward schemes. However, these tend to be poor value and offer only limited benefits. You can contribute to

### Best Buys: cashback

CARD	APR	Cashback (%)			
	APR (%)	£0-£1,999	£2,000-£2,999	£3,000-£7,499	£7,500+
American Express Blue	14.9	0.5	1	1	1
American Express Platinum	14.9	0.5	0.5	1	2
Bank of Ireland Moneyback/Gold M'Card	14.9	0.5	0.5	1	1
Egg Money MasterCard	6.9	1	1	1	1
Morgan Stanley Cashback MasterCard	15.9	1	0.5	0.5	0.5
Yorkshire BS Base Rate Tracker Visa	10.5	1	0.5	0.5	0.5

Correct at 1 November 2005

### USING THE TABLE

**APR** The annual interest rate that the card charges. Egg Money is a risk-based card,

which means that the APR shown is a typical rate that at least two thirds of the company's customers get.

### Cashback

The percentage you get back on what you spend a year. Some companies offer double cashback for limited periods.



## What's new

● Egg's latest innovation, the Egg Money card, combines a credit card with a savings account and is an all-round great deal. It gives you the option to pre-pay money on to the card. You earn a healthy 4 per cent on whatever money you pay in – more than you'd earn on most current accounts. If you borrow on the card, the typical rate is a very competitive 6.9 per cent, although this may vary depending on your credit rating. And you get 1 per cent cashback on everything you buy (2 per cent in the run-up to Christmas), guaranteed until January 2007. So for every £5,000 you spend, you'll get back £50. As a Best Buy for all borrowers and for cashback, this card is probably too good a deal to last, so we suggest you make the most of it now.

● Our campaign work on the charges that credit card companies make when you pay late or exceed your limit has paid off. The Office of Fair Trading agreed with us and told eight card companies (Barclaycard, Capital One, Egg, Lloyds TSB, MBNA, NatWest, Halifax and Bank of Scotland) that their default charges are too high. These banks must now justify their charges to the OFT or reduce them. We await the outcome.

your favourite charity while you spend using a charity card. Most contribute 0.25 per cent of whatever you spend to your chosen charity, and some also make a contribution when you open the account – £10 or £15 isn't unusual. Interest rates on these cards can be high, though,

so you should use them only if you always pay your bill in full. The Co-op has a range of fixed-rate platinum affinity cards with a fairly competitive APR of 8.9 per cent. But there are lots of better ways of giving to charity, as our report 'It's good to give' on p36 shows.

### TOP TIPS

Cashback is a great perk, but there are catches.

● You can lose all the cashback you've earned if you miss a payment one month or if you exceed your credit limit. So watch out for this.

● There's usually a maximum you can earn – Egg won't pay more than £200 cashback a year, but you'd have to rack up £20,000 of spending at the 1 per cent rate before you reach this limit.

● Card companies often cut their cashback rates, so be prepared to switch credit card regularly to get the best deal.

## Best Buys for paying abroad

It's always worth taking a Best Buy credit card when you go abroad. Credit card companies buy foreign currencies at a bulk rate so you'll usually get a better deal using your card than by changing cash at a bureau de change.

Don't take any old card, though. Most charge a foreign-exchange fee every time you use it. This is usually 2.75 per cent of whatever you spend. So if you spend £100 on your card, it will cost

you an extra £2.75 in fees. The most it ever costs the card companies to change money is 1.5 per cent, so they make easy money with this charge.

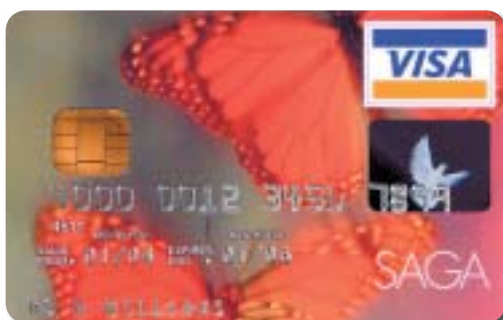
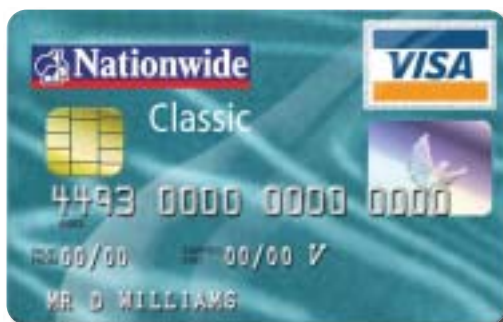
Nationwide, though, doesn't charge a foreign-exchange fee anywhere in the world, so is a must for regular travellers. Saga and Liverpool Victoria don't charge a foreign-exchange fee in Europe but do charge a fee outside Europe.

Ray Stocks started using his Nationwide card whenever he went abroad once he realised it wouldn't charge him a foreign-exchange fee. On a recent trip to Canada he spent nearly £1,400 on it, saving himself more than £35 in fees. 'I use the card that is cheapest, simple as that,' he told us.

### TOP TIPS

● Don't use your credit card to take cash out of an ATM abroad or in the UK. Most card companies charge between 1.5 and 2 per cent of whatever you take out, with a minimum charge of between £1.50 and £5, although £2 is fairly typical. On top of this, you'll usually be charged interest from the day you make the withdrawal, even if you pay your credit card bill in full.

● If you need to get hold of cash when you're abroad, take currency or use travellers' cheques. Debit cards also charge for foreign cash withdrawals at ATMs.



### Best Buys: abroad

#### CARD

	APR	Paying abroad	
	APR (%)	Fee in Europe (%)	Fee worldwide (%)
Liverpool Victoria Visa	16.7	0	2.75
Nationwide Cash Reward/Classic Visa	16.9/14.9	0	0
Saga Visa	14.9	0	1

Correct at 1 November 2005

#### USING THE TABLE

**APR** The annual interest rate the card charges. None of our Best Buys is risk based.

**Paying abroad**  
**Fee in Europe** None of our Best Buys charges a foreign-exchange fee for spending or withdrawing in Europe (excluding UK).

**Fee worldwide** The foreign-exchange fee that is made for spending or withdrawing outside Europe.



## Best Buy 0 per cent deals

Interest-free deals are a great way to borrow – both to make purchases and to transfer an existing balance from another credit card. Our Best Buys don't charge interest on either transfers or purchases, or both, for between seven and 12 months. Many other cards are available that offer interest-free periods of up to six months.

No-interest deals can save you lots of money. For example, moving a balance of £1,000 from a card

charging 14.9 per cent to a 0 per cent card would save you £70 over six months.

Cards that start the deal when you make the transfer rather than when the card is issued are best because they offer the full interest-free period.

Some cards charge a fee for balance transfers. HBOS charges 2 per cent, but we've included it as a Best Buy because of its long interest-free period. Lloyds TSB also charges a fee if you don't transfer the

balance within six weeks of the card being issued.

Egg is the only credit card company that allows you to transfer other debts, such as a current account overdraft, to it.

Bob Wilks took out a Sainsbury's card to pay for a holiday and some unexpected big items, and then spent the next 12 months paying off the card. He said: 'I set up a monthly standing order to clear the balance within 12 months, and it didn't cost a penny.'

### TOP TIPS

- Around a quarter of the cards offering an interest-free deal now charge a fee for transferring a balance to them. This tends to be 2 per cent of whatever you're switching (often with a maximum of £40 to £50). If you're switching a large amount from a card with a high rate, you could still save money with a card that charges a fee, such as HBOS One Visa, but always try to switch to one without a fee first.
- Make sure you remember when the 0 per cent deal ends – when it does, you'll be charged the card's normal, much higher rate.
- If you want to hop between 0 per cent deals, apply for your new card about six weeks before the old deal expires so you don't incur charges.

### Best Buys: 0 per cent

CARD	APR		0 per cent period		
	APR (%)	Risk based	Transfer (mth)	Purchase (mth)	Deal starts
<b>The Co-op Bank Travel Visa</b>	14.9		7	7	Issue
<b>HBOS Affinity cards</b>	12.9-15.9		9	9	Issue
<b>HBOS One Visa</b>	12.9	✓	12+ fee <sup>a</sup>	12	Issue
<b>HSBC MasterCard</b>	13.9		9	9	Transfer
<b>Lloyds TSB Platinum</b>	14.9		9		Transfer
<b>Sainsbury's Bank Classic/Plat Visa</b>	15.9			10	Issue

<sup>a</sup> Charges a 2 per cent transfer fee

Correct at 1 November 2005

#### USING THE TABLE

**APR** The annual interest rate the card charges.  
**Risk based** A ✓ means the APR you'll get will depend on your credit rating. The APR shown for HBOS is a typical rate that two thirds of customers get.

#### 0 per cent period

**Transfer** The number of months for which the card charges 0 per cent on the debt you transfer from your old card.

**Purchase** The number of months you're charged 0 per cent for new purchases.

**Deal starts** Whether the 0 per cent deal starts on the day the card is issued to you or on the day you actually transfer your balance. Deals which start when you make the transfer are better because you get the 0 per cent deal for the full period.



## Best Buys for long-term borrowing

When we choose our Best Buys, we don't just look at the cards' APRs. We also look at how the companies calculate interest, as this determines how much you end up paying to borrow. For example, some start charging interest from the date you use the card and others start charging from the date the money comes off your card. We'll tell you more about interest calculation in *Which?* in February.

Credit cards can be a useful and cheap way to borrow if you choose a card that offers a good deal for your type of spending and repaying.

Most of our Best Buys for long-term borrowing are good all-rounders, whether you tend to pay your bill off in full only occasionally or never. They are also good if you make a large purchase once or twice a year, such as paying for a holiday, and take your time paying it back.

**Halifax Flat Rate Visa** is a Best Buy because it has such a low APR. However, it has no interest-free period so, unlike other cards, you will always pay interest, even if you pay your bill in full every month.

The **Yorkshire BS Base Rate Tracker** card has a higher rate than the others but it's still reasonably competitive and it's not risk based. It also offers cashback when you spend so it's an all-round good bet.

### Best Buys: borrowing

#### CARD

	APR		Type of borrower		
	APR (%)	Risk based	Occasional payers	Never payers	Holiday payers
<b>Barclaycard Simplicity</b>	6.9	✓	✓	✓	✓
<b>Capital One No Hassle/No Hassle Plat MC</b>	6.9	✓	✓	✓	✓
<b>Egg Money MasterCard</b>	6.9	✓	✓	✓	✓
<b>Halifax Flat Rate Visa</b>	5.9		✓	✓	✓
<b>Yorkshire BS Base Rate Tracker Visa</b>	10.5		✓		✓

Correct at 1 November 2005

### TOP TIP

● Never use credit card cheques. They're more expensive than using your card and give you no protection if something goes wrong with goods you buy with them. If your bank sends you some, rip them up. When Abbey sent Jon Elphick a book of credit card cheques, he immediately used three of them. It wasn't until he got his statement that he discovered that a 2 per cent fee had been added to each cheque and there was no interest-free period. 'The terms spelling out these drawbacks were hidden in the very small print and, careful though I am, I completely missed them. I complained to Abbey and it eventually refunded the charge. I won't be using the cheques again, though,' said Jon.

### USING THE TABLE

#### APR

**APR** The annual interest rate. **Risk based A ✓** means the APR you'll get will depend on your credit rating. The APR shown is a typical rate that at least two thirds of customers get.

#### Type of borrower

Choose a card with a ✓ in the columns which most

closely match how you use your credit card.

**Occasional payers** You occasionally pay your bill in full – say, one bill in every four. **Never payers** you rarely or never pay your credit card bill in full. **Holiday payers** you tend to borrow on your credit card only occasionally – when you go on holiday, say, or at Christmas.

## If a card company rejects your application

Applying for credit cards and loans can affect your ability to get credit, even if you've never had any debts. This is because each time you apply for credit, a search is registered on your credit file. Too many registered searches can influence a lender's decision to give you a new credit card.

If you are turned down for credit, you can appeal against the decision. Call the company and ask it to reconsider your application and follow it up with a letter. Ask the company to tell you why it rejected you – for

example, whether it was because of a low credit score or because of information on your credit file. If it says you were turned down because of your credit file, ask which credit reference agency (CRA) it used so that you can apply for a copy of your file to check that the information written on it is correct.

To do this, send a £2 cheque to the CRA, along with your name, date of birth, any previous names and your addresses for the last six years. The CRA should send you your file within

seven working days. Alternatively, you can apply for your credit file online from all the CRAs' websites or by phone with Callcredit and Experian (see 'Contact details', below).

If you spot a mistake, write to the CRA and ask it to remove or change the entry. While it investigates and makes any changes, the entry

is marked disputed. If it decides not to change the entry, you can send a notice of correction. This is added to your file and explains why you think the entry is wrong.

Even if you're not refused credit, it's a good idea to check your credit file with all three CRAs once a year to ensure they're accurate.

### CONTACT DETAILS

**Callcredit Plc**  
Consumer Services  
One Park Lane  
Leeds  
LS3 1EP  
0870 060 1414  
www.callcredit.plc.uk

**Experian**  
Consumer Help Service  
PO Box 8000  
Nottingham  
NG80 7WF  
0870 241 6212  
www.experian.co.uk

**Equifax**  
Equifax Credit File  
Advice Centre  
PO Box 1140  
Bradford BD1 5US  
www.econsumer.  
equifax.co.uk

