

Picking the best card perks

Want to know which credit card benefits are worth having and which aren't? We compare the points schemes

Used properly, credit cards can give you money for nothing: free insurance, free flights or even free holidays. Lynne Prophet has earned enough points on her Tesco credit card to pay for all her family's holidays in the last three years. She uses her Tesco card for all the family's spending, which is about £2,000 a month, and also makes the most of Tesco's bonus points and offers.

Lynne told us: 'You have to be organised but it's well worth it. We have got back almost £4,000 worth of holidays, including two five-star hotel trips to Belfast and two weekend breaks to Scotland.'

Not all the extras that companies use to get us to choose their cards are as useful, though. Here we tell you which benefits are

'I have received about £50 of cash back each year'

not as good as they sound, as well as how to make the most of points schemes.

Worthless benefits

Travel accident insurance This isn't the same as travel insurance. It usually gives £50,000 or £100,000 of cover but only against death or permanent disability while travelling on public transport paid for using the card. Very few people have claimed on it.

Purchase protection This benefit gives cardholders limited cover against damage, loss and theft, and is offered by American Express Blue, Post Office and Tesco among others. But many exclusions are hidden in the small print. Purchases normally need to cost more than £50 (£25 for Tesco) and cover usually lasts for a maximum of 90 or 100 days from the purchase date. In our

Lynne Prophet and her family have got back

survey less than 10 per cent of people with purchase protection had claimed on it.

And if you do claim, it could be turned down if other insurance is in place. Richard Merrills was caught by this with his Nationwide credit card: 'My claim was rejected because my lost spectacles were also covered by my house insurance. This wasn't made clear when I took out the card.' Richard complained to the Financial Ombudsman Service and Nationwide paid his claim.

MORE THAN £6,500 OFF NEW GM VAUXHALL CARS

Jenny Gibbons 64, retired

Several of you have claimed big discounts off new Vauxhall cars on top of the discount you've negotiated off the list price.

Jenny Gibbons has used her GM card over the last ten years to get more than a £6,500 discount in total off five new Vauxhalls for her and her daughter, Sarah Reeves. She told us: 'We put all we can on the card and pay in full each month. I feel happily tied to GM and Vauxhall, although recently the maximum discounts have been cut.'



The forgotten ben

Section 75 of the Consumer Credit when you pay by credit card

Each time you use a credit card to pay for something that costs more than £100 and less than £30,000, you have legal rights under the Consumer Credit Act if something goes wrong.

You can claim your money back from your card company as well as the retailer if the goods you buy aren't delivered or aren't as they were described, for example. This protection applies whether you use your card in the UK, abroad or online.

You can also claim if you paid less than £100 on your card, as long as the price of the goods was more than £100.

OUR RESEARCH

In July 2006 we sent an online questionnaire to 2,000 *Which?* members and asked about the benefits on their credit cards and if they had ever used them. Thanks to the 1,220 who responded.

it has cut the amount of cashback from 1 per cent to 0.5 per cent: 'Over the years I have received about £50 of cash back each year, even though American Express isn't as widely accepted as other cards.'

Points schemes These are the next best way of getting something for nothing. The points you get are worth about the same as the amount of cash you get from cashback cards.

From the letters we receive, it seems that you either love or hate points schemes. Lots of you love collecting points and using them for holidays and flights.

You also know how to get the most from them – paying bills in full by direct debit, so you aren't hit with interest or late payment charges that can wipe out much of the savings you've made. An impressive 80 per cent of people in our survey have managed to redeem their points.

For example, several people like Jenny Gibbons (see bottom left) have claimed thousands of pounds off a new GM car on top of the discount they'd negotiated.

Check to see how you can get the best value from your points. For example, a £2.50 Tesco voucher gives a £2.50 discount on shopping in Tesco, but the same voucher is worth £10 if you exchange it for a ticket to a theme park. See 'Credit card points schemes assessed', p30, for details of some of the best and most popular points schemes.

But a similar number of you can't be bothered with points schemes because of the relatively meagre returns.

One person complained about getting only a £5 voucher after spending £1,000 on a card – a typical level of reward. Others are confounded by the limited range of goods that points can be used on, and the complicated calculations needed to work out the value of some points, or have stumbled at one of the many hurdles to



almost £4,000 worth of holidays – including two weekend breaks to luxury hotels in Scotland (inset)

Nationwide mentions this exclusion in its small print, but advertises the card without mentioning the exclusion. On its website it says: 'Free purchase cover for loss, theft or damage to most purchases over £50.'

Electrical warranty A few cards, including BMI and Nationwide, give an extra year's warranty on electrical purchases. You have to register items within a certain period to be covered. In reality few electrical items break down in the first two or three years.

In our survey less than 10 per cent of people with this cover have claimed on it.

Fraud protection Some credit card companies cleverly promote their cards by advertising benefits that all cards give automatically anyway. For example, Barclaycard, Capital One, Halifax and Lloyds TSB all promise that any losses due to fraud after shopping online won't cost you anything.

But you're automatically protected against fraud on credit and debit cards under the Consumer Credit Act 1974. If someone uses your card details and you still have the card in your wallet, you aren't liable for any losses (unless you were involved in the fraud or have been grossly negligent). Even if your card is lost or stolen, the most you'll ever have to pay is £50, and normally this is waived.

Worthwhile benefits

As long as you pay your bill in full and on time, some benefits are worth looking for when you choose a new card.

Cashback This is the easiest to benefit from and gives between typically 0.5 and 1 per cent of your spending back each year. We found that 90 per cent of you with a cashback card have received cash back.

Jonathan Butcher is very happy with his American Express Blue card, even though

'My claim was rejected because my lost spectacles were also covered by my house insurance'

efit

Act gives you added protection

To make a claim, write to your card company and say: 'I wish to make a claim under section 75 of the Consumer Credit Act 1974 for [describe the purchase made and what went wrong with it] from [name of retailer] using [name of card] for [amount of the purchase] on [date].'

For more information, contact your local trading standards department (www.tradingstandards.gov.uk) or the Office of Fair Trading (020 7211 8000). You can also contact Consumer Direct on 0845 404 0506. We'd like to hear from you if you have trouble claiming.

Don't be tempted to spend on a card just to earn a few points

making a claim, such as points having expired before they could be used.

Perks such as frequent-flyer schemes have caused problems for some. More than half of you said you'd never claimed a free flight despite earning miles, possibly because you need so many to claim a flight and have to pay taxes and charges on top. Julian Mason told us: 'I have found it very difficult to use my NatWest Airmiles. It's been cheaper to buy a flight without miles because of the large number of points needed and the taxes charged on top. I have been able to make only one flight at a decent time of day.'

Travel insurance A few cards offer free comprehensive travel insurance, rather than the worthless travel accident insurance given by most cards. This is a better deal, but most cards offering it also charge an annual fee, so it's cheaper to buy a separate policy. The most expensive are Morgan Stanley's i24 and MBNA Travel American

Express cards charging £275 and £95 a year, respectively. Barclaycard and Co-op Travel offer free travel insurance and don't charge a fee, but you're covered only if you buy your flights or holiday from their travel company with their credit card.

Lost card Some card companies will send a replacement card or money if you lose yours on holiday. While this may sound like a useful benefit, only 3 per cent of people in our survey with this service have used it.

Price promise Unusually, HSBC's credit card will refund the difference in price of certain purchases if you find them more than £10 cheaper elsewhere within 60 days. But it excludes internet and overseas purchases, as well as some specific items, such as computers.

Whatever scheme you pick, with several tempting points and cashback schemes available, it's wise to remember that it's more important to pay the right price for goods and not be tempted to spend on a card just to earn a few points or cash back.

A history of the credit card

The credit card was first introduced 40 years ago

Barclaycard
launches UK's
first credit card
1966



1974
Government
brings in
Consumer
Credit Act to
regulate
credit
products



MEMBER BENEFIT

Which? Legal Service HALF-PRICE OFFER

Credit cards can offer you a certain amount of protection if something goes wrong, but often tailored legal advice may be necessary to get redress. Which? Legal Service provides members with the advice they need to

get disputes resolved swiftly. We're currently making members an introductory offer of a six-month subscription for the price of three months – £975. Visit www.which.co.uk/legalservice for details or call 0800 252 100.

BEST CASHBACK CARDS	% CASHBACK ON ANNUAL				
	0 TO £1,999	£2,000 TO £2,999	£3,000 TO £3,500	£3,501 TO £4,999	
AMEX Blue ^a	0.5	0.5	0.5	1	
AMEX Platinum ^{a,b}	0.5	0.5	0.5	1	
BANK OF IRELAND Moneyback ^c	0.5	0.5	1	1	
EGG Money ^d	1	1	1	1	

CREDIT CARD POINTS SCHEMES ASSESSED

Below is a selection of the best-value cards with points schemes. We show what the schemes are worth and what you can use

AA

Points earned

1 point per £1

Value of

points 1,000
points = £10

Can be used for Discounts
on AA membership and
AA insurance

Verdict Good if you're
an AA member

Spend £5,000, get
approximately £50.

Equivalent to 1 per
cent back



GM CARD

Points earned

3 points per

£100 or 6

per £100 on

spending at

Saab and Vauxhall

Value of points 1 point

= £1 discount

Can be used for Discounts
on a new Saab (max £2,500)

or Vauxhall (max £2,000)

Verdict Good value if you
want to buy a new Saab

or Vauxhall

Spend £5,000, get £150

off a new car. Equivalent

to 3 per cent back



GOLDFISH

Points earned

1 point per £1

Value of

points 1,500 points
= £10

Can be used for Goldfish
travel insurance and

high-street vouchers

Verdict Value of rewards
average and less generous

than they used to be

Spend £5,000, get
approximately £33.

Equivalent to 0.66 per

cent back



JOHN LEWIS/ WAITROSE

Points earned

1 point per £1

at John Lewis
and Waitrose,

1 point per £2 elsewhere

Value of points 500

points = £5

Can be used for John
Lewis, Ocado and Waitrose

vouchers

Verdict Good for spending
at John Lewis and Waitrose

Spend £5,000 and get

£50 of vouchers, or £25 if

spent elsewhere. Same as

1 or 0.5 per cent back



MARKS & SPENCER (M&S)

Points earned

1 point per £1 at

M&S and

1 point per £2

elsewhere

Value of points 100

points = £1

Can be used for M&S

vouchers

Verdict Good if shopping
at Marks & Spencer

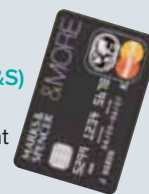
Spend £5,000 at M&S, get

£50 of vouchers or spend

£5,000 elsewhere and get

£25. Equivalent to 1 or 0.5

per cent back



Alliance & Leicester first to offer credit card cash back
1997



Chip and Pin introduced and fraud reduced from £504m to £439m
2005



1996

Average credit card interest rate 21 per cent and annual fees of typically £10 a year are common

2000

Capital One and Egg give 0 per cent introductory interest rates on new purchases



2006

Credit card companies forced to cut late-payment charges. Most cut from £20 or £25 to £12. Most companies have introduced fees of 2 or 3 per cent on balance transfers

SPENDING		MAX ANNUAL CASH BACK (£)	APR
£5,000 TO £9,999	£10,000+		(%)
1	1	no max	12.9
1	1.5	no max	14.9
1	1	185	14.9
1	1	200	6.9 ^e

Correct at 2 October 2006

USING THE TABLE

Best cashback cards
If you pay your bills in full get a cashback card. Any Egg credit card customers

who get just 0.1 per cent cash back should switch to its Egg Money card that pays 1 per cent (guaranteed until January 2007).

APR Annual interest rate the card charges

a Cashback is lost if less than £5 at year end **b** Double cashback for first three months **c** Also available as gold card **d** Cashback guaranteed to be 1 per cent until 31 January 2007 **e** Exact rate depends on your credit score

Checklist

Getting the most from your credit card

- Points and cashback schemes usually give 0.5 to 1 per cent of your spending back – £50 to £100 for £10,000 spent.
- Don't consider points or cashback schemes unless you pay your bills in full every month.
- Pay credit card bills by direct debit because cashback and points can easily be wiped out by late-payment charges.
- Travel accident insurance is no substitute for travel insurance. It gives very limited cover.
- Online fraud protection is a marketing gimmick. You aren't liable for fraud anyway. Don't buy identity theft protection either.
- Credit card purchases of more than £100 are protected by section 75 of the Consumer Credit Act 1974. See 'The forgotten benefit', p28.
- A few cards still offer 0 per cent balance transfers for six months without transfer fees. See p36 for details.
- If you borrow on a card use our Best Buys for borrowing to find the right card. See p36.
- Protect card details. Shred old financial information. Don't write down your Pin. Check statements regularly.

MEMBER BENEFIT

FREE website access

To read more about credit cards, visit our members-only website www.which.co.uk. The site also contains information on savings, investments and mortgages.

points on

MORGAN STANLEY BUY AND FLY

Points earned

1 point per £10

Value of points

For example, 390 points = return flight to Paris, 10,000 = return flight to Tokyo

Can be used for Flights and discounted travel

Verdict More generous than Airmiles Mastercard

Spend £5,000, get roughly £25 to £50.

Equivalent to 0.5 to 1 per cent back



AIRMILES MASTERCARD

Points earned

1 Airmile per £10 at partner stores, 1

Airmile per £20 elsewhere
Value of points 400 miles = return flight to Paris, 600 miles = return flight to Berlin

Can be used for Flights and discounted travel

Verdict Less generous than Morgan Stanley Buy and Fly.
Spend £5,000, get roughly £25. Same as 0.5 per cent back



NECTAR AMERICAN EXPRESS

Points earned

2 points per £1 at Nectar stores. 1 per £1 elsewhere

Value of points 500 points = £2.50 voucher for Argos
Can be used for Discounts at high-street stores, gifts, days out and holidays

Verdict Good value when buying at participating stores
Spend £5,000 at Nectar stores, get £50. Spend £5,000 elsewhere, get £25. Same as 1 or 0.5 per cent



TESCO CARD

Points earned

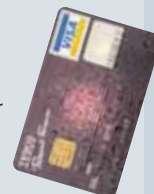
1.25 points per £1 at Tesco. 0.25 point per £1 elsewhere

Value of points 250 points =

£2.50 voucher for Tesco
Can be used for Discounts on travel, days out and vouchers to spend in store

Verdict Good value when shopping at Tesco.

Spend £5,000 in Tesco, get £62.50. Spend £5,000 elsewhere, get £12.50. Same as 1.25 or 0.25 per cent back



OTHER POINTS SCHEMES

There are several other cards worth looking at, which offer similar rewards, including:

Amazon Amazon gift vouchers

BMI A free return flight each year

Conran A share in Conran profits

Sky Discounts on Sky services and products

Sony Discounts on Sony products