

Credit Card is a payment card which provides a line of credit granted by a card issuer to a cardholder and where the cardholder may settle the credit utilized in full or part before a specified date. Any amount of the credit utilized by the cardholder and not settled in full before a specified date, may be subject to interest or charges.

A credit card is a convenient means of payment which allows "short term interest free credit" when it is used wisely and when all the terms and conditions therein are clearly understood and observed at all times, by the cardholder.

Benefits of using credit cards

- ◆ Provides you with immediate purchasing power while eliminating the risk of carrying ready cash.
- ◆ Allows you to buy goods and services even if you don't have cash in hand or in the bank account.
- ◆ May provide you reward points or even cash discounts on several categories of purchases and payments, the benefits of which may not be available if the same payment is made using cash or debit card.

How to obtain such benefits

Before you obtain a Credit Card;

- ◆ Read and understand carefully the terms and conditions given to you by the card issuer such as the joining fee, annual/renewal fee, applicable interest rates for due amounts and method of calculation, late payment charges, credit limit and applicable different charges for benefits that are offered by the card issuer.
- ◆ Do not accept verbal terms and conditions, and any benefits/offers without explicit (electronically/documentary) confirmation of the same.

After you obtain a credit card;

- ◆ Always keep track of your monthly billing statements and pay before the due date.

- ◆ If you do not receive your billing statement on the designated date, call the card company and make arrangements to obtain it immediately. If possible, always opt for email statements, in addition to paper statements.
- ◆ Collect all receipts issued by merchants when credit card is used for payments and reconcile with your monthly statements.
- ◆ Read the billing statement carefully for any charges on purchases not made by you. In case of such charges, notify the concerns to the card company immediately.
- ◆ There may be some chargeable items (schemes) attached to your card without your knowledge. Inform the card company to discontinue such schemes immediately, if you are not interested in joining such schemes.
- ◆ The annual fee has to be paid even if you do not use the card. Therefore, make sure to discontinue the credit card, if you do not need it any more.
- ◆ Always attempt to pay the full amount (not even a cent less) within the specified interest free period. This ensures that you pay nothing extra while reaping all the benefits offered for the card.
- ◆ If you do not have enough funds to settle the full amount, at least pay the minimum amount on or before the due date, in order to avoid late payment charges. Even if the minimum due amount has been paid on time, interest will be calculated on the full amount of your bill after the due date. Such interest charges will continue to accumulate until the total amount utilized through the credit card including all penalty fees and interest charges are settled.

Take every effort to settle the full amount due in your credit card bills as soon as possible without allowing it to revolve continuously.

- ◆ Avoid using credit cards to obtain cash advances on your credit card account, as much as possible, unless you are really in need to do so. Card issuers charge a higher interest for cash advances.
- ◆ In case of a difficulty in paying dues on credit card on time, instead of allowing the due amount to be accumulated, discuss with the card issuer immediately.
- ◆ Get your monthly credit card limit reduced if you think you are not likely to spend as much on your card in a month. Always remember a high credit limit is not a benefit but rather an attempt to induce you to make more purchases, thereby increasing debt liabilities.
- ◆ Keep a minimum number of credit cards. Take only the cards that have the maximum offers, discounts, etc. round the year.

Regulations on Credit Cards

- ◆ The Central Bank of Sri Lanka (CBSL) regulates all companies engaged in credit card business in Sri Lanka as per the "Service Providers of Payment Cards Regulations No. 1 of 2009" (Regulations) issued under the Payment and Settlement Systems Act No. 28 of 2005 (Act).
- ◆ The Regulations and the Act are available in the CBSL Website www.cbsl.gov.lk.
- ◆ No institution or person is permitted to engage in credit card business in Sri Lanka without having a proper licence issued by the CBSL.
- ◆ CBSL issues licences only to following institutions to carry out credit card business in Sri Lanka;
 - Licensed Commercial Banks
 - Licensed Specialized Banks
 - Registered Finance Companies
 - Public companies with required capital