



MANAGE MY CREDIT RESPONSIBLY

THEME 3

1 Managing my credit

Debt is not your enemy; bad credit habits are. Use credit well and use it wisely.

When you obtain credit, whether it is a personal or home loan, a store or credit card, or an overdraft, you must take all the necessary steps to manage your use thereof wisely and responsibly. That includes knowing your credit agreement terms, making sure that your payments are made from the first payment due date, choosing the best payment option, making timely payments, paying more than the minimum whenever possible, and reviewing your statements regularly.

It is also important that you use the credit for the original purpose for which it was intended, for example if you take a loan for school fees, it should be used for school fees only, and if you have a surplus it should be paid back on the loan.

Here are some ways to use credit responsibly.

FACT #1 – Protect your asset

You should take every step possible to protect and secure the assets you have bought on credit. Remember that the value of your asset has a direct impact on the amount of your loan or credit. If you want to sell the asset to help settle the amount outstanding, the asset will need to have some value or worth. You are liable for the total debt, and whether or not the amount you recover from the sale of the asset is enough to cover such debt is your responsibility. These are the steps you can take to ensure that your asset is protected:

Take Note

Credit providers will require you to have asset insurance for asset finance agreements.

You may obtain your own insurance cover, but your loan will not be finalised until you have such cover in place.

1. Make sure that your existing insurance covers your asset fully. For example, if you have household insurance, make an inventory of all your items and make sure that you are covered for all valuable items. Look at the eventualities that your insurance policy covers, and see if it covers you for events such as theft, a natural disaster, and damage. So for any type of asset insurance, if you are not covered for these eventualities you could be liable to repay the credit you received to purchase the asset long after the asset is gone.
2. Examine your credit life insurance policy and know and understand what you are covered for. Read your policy carefully to see if it covers all your needs.
3. Look after your asset well as this is an investment in your future. The better you look after your asset the better you maintain its value.

FACT #2 – Use your credit facility responsibly

Revolving credit as a credit facility - like a credit card, store card, or an overdraft facility - can be a very useful tool. That is because revolving credit allows you to use it when you need it, and it can be a necessity in today's world if, for example, you want to shop or buy an aeroplane ticket online. However, with these advantages comes the responsibility to use it wisely and safely.

Here are some tips to help you to use your credit facility more responsibly:

- Before you swipe your card, calculate the cost of your purchase. Remember that interest will be added. Determine whether you still want to buy the item at that cost, and whether you can afford it.
- Be informed, and sign up for any notification service offered by the credit provider that informs you if there is activity on your account. It will also send you payment reminders.
- Examine your credit facility statements carefully and ensure that you understand the *true cost* of your credit card purchases, that you validate your purchases, and that you keep track of your expenses.
- Always pay more than the minimum instalment when you can afford it. This will reduce the amount of interest and costs you will pay.
- This is revolving credit – available for you to use, to make payments towards, and then to use again. However, when you find yourself in financial difficulty, do not rely on your facility as a way to make ends meet.
- When you use your card, protect your pin if you have one, and check that all purchases reflected were indeed made by you. Take immediate action if you feel you are a victim of fraud.
- When you receive a replacement card, cut up your old card and sign the new one immediately.

Take Note

If your account is always at its maximum limit, this is a sign that you are overspending and you need to manage your budget and debts.

i Credit Health Tips

Always monitor your account by checking your statements to ensure that all payments are reflected, and that there is no suspicious activity.

If you have any queries, resolve the matter immediately by contacting your credit provider.



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FACT #3 – Use a loan wisely

A loan is usually taken once-off for a particular purpose. You receive the approved amount from the credit provider, and then you need to repay the amount in instalments on a regular basis according to your credit agreement.

- Check your budget on a monthly basis, and revise it where necessary to help you to meet payments should you be struggling.
- Pay more than your agreed instalment whenever possible.
- Make your payments on time so as not to accrue extra interest and default fees.
- Contact your credit provider immediately if you think you will be unable to make a payment and negotiate a new arrangement with the provider.
- If you have the option to choose a payment method, select one that best suits your need and is the most convenient for you.

Learn more



Consider making your payments via **debit order**. Some credit providers require this as a condition of the agreement. This is basically a contract between you and a third party, in this instance a credit provider, where the provider is entitled to collect a certain amount on a specified basis from your bank account.

What are the **advantages** of paying via debit order?

- It is **convenient**.
- It provides a history and enables **traceability** of payments.
- It **removes your stress** of having to make the payment.
- It **lowers the likelihood** that you will skip a payment or withhold a payment.
- It ensures that the payment is made on the **correct day** of every month.

Although debit orders have their advantages, there are some things you should **keep in mind**:

- If a debit order is returned, perhaps owing to a lack of funds, this can cost you quite a lot in **penalties** (it might be as much as R130 for a returned item). Make sure you know what the bank's penalty fee is or always ensure you have enough funds in your bank account to cover the debit order.
- Debit orders **carry a cost**, and different banks and service providers charge different amounts for debit orders.



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