

CARD TRANSACTIONS
AND YOU

Credit Cards

A consumer education programme by:



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



PERSATUAN BANK BANK DALAM MALAYSIA
THE ASSOCIATION OF BANKS IN MALAYSIA

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Credit card offers
**flexibility and
convenience**

Introduction

A credit card is a convenient payment mode as it can be readily used for making purchases at merchant outlets. However, if you do not use your credit card carefully or settle your monthly statements on time, you may owe more than you can repay and find yourself having financial problems.

This booklet gives you some tips on how you can shop for a credit card that best meets your needs and how you can use your credit card effectively and wisely.



WHAT IS A CREDIT CARD AND HOW IT WORKS?

A credit card is a payment instrument that enables you to make purchases of goods and payment for services instead of using cash. You can use the credit card at any merchant, locally or internationally, which displays the same credit card brand as that on your credit card.

When you use your credit card, the credit card issuer will pay the merchant on your behalf first and bill you later. Once you get your monthly statement, you are required to settle at least the minimum repayment amount by the due date. An interest free period (usually 20 days) is granted by the credit card issuer where you do not have to pay any interest on the outstanding amount. The credit card issuer will impose finance charges (interest) on the outstanding amount if it is not paid by the due date.

A credit card can also be used for cash advances at Automated Teller Machines (ATMs) and at respective credit card issuers' counters. However, a cash advance fee may be charged for each cash advance transaction on top of the finance charge. There is also no interest free period for cash advance. The finance charge is calculated from the cash advance date.

The credit card issuer will send you a monthly credit card statement with details of your purchases including cash advances (if any), the total outstanding balance, the minimum payment amount and the payment due date.

APPLYING FOR A CREDIT CARD

You can apply for a credit card from institutions issuing credit cards, as long as you are 21 years old or above, earn an income of at least a minimum of RM18,000 per year and comply with any other requirements set by the credit card issuer.

To support your application, you may be required to submit the following:

- A photocopy of your Identity Card (IC)
- Job appointment letter
- Latest income tax statement (Form J)
- Bank statements
- Previous months pay slips

If you are self-employed, you may be required to submit your business registration details and other documentary proof of income, and be subject to other requirements such as placement of a fixed deposit.

APPLICATION PROCESS

An application for a credit card is similar to that for a loan. The credit card issuer will need to carry out a credit assessment on you based on the information you have provided. The length of time taken to process your application would depend on the credit card issuer's internal procedures.



Credit card is a payment instrument that **promotes e-payment**

Once your application has been processed, you will be notified whether your application is approved or rejected. If your application is successful, the credit card will be sent to you through registered mail or you will be requested to collect the credit card at the credit card issuer's head office or branch. You will also be given a Personal Identification Number (PIN), which for security purposes will be sent to you separately from the credit card. You will need to use your PIN when you make cash advances with your credit card at the ATMs.

Read and understand the terms and conditions for the use of the credit card

TERMS AND CONDITIONS (T&C)

Normally, the credit card issuer will provide you with a document on the T&C of the credit card together with the card. You may be considered to have accepted the T&C specified in the document once you start using the credit card or upon signing the acknowledgement of receipt for the credit card. Therefore, you should read and understand the T&C before signing the agreement and using your credit card as it is a binding document between you and the credit card issuer.

Generally, the T&C covers the following:

- The types of charges imposed
- Rights and responsibilities of the cardholder and the credit card issuer
- Usage of the credit card
- Terms of repayment and liability for unauthorised transactions

- Lodgement procedures for complaints, investigation and resolution
- Secrecy of information
- Others

Consult your credit card issuer promptly if you need further clarification on the T&C. If you do not agree with the given T&C, you may consider cancelling the credit card by informing the credit card issuer and returning the credit card to the credit card issuer immediately.

UNDERSTANDING THE CHARGES APPLICABLE FOR CREDIT CARD

It is important for you to understand the various charges involved in the usage of credit cards. As long as you use your credit card wisely and settle payments on time, you can minimise unnecessary charges imposed on you. The following are the common charges that you may incur:

- **Joining fee**

Credit card issuers sometimes impose a one time joining fee for credit cards. The fee may vary depending on the credit card issuer.

- **Annual fee**

This is a flat fee which is payable annually once you accept the credit card. You will have to pay the fee even though you do not use the credit card. Annual fees may range from RM60 to RM90 for a classic card and RM130 to RM195 for a gold card.

- **Finance charges (Interest charges)**

These are charges imposed on you by the credit card issuer on the outstanding balance which you have not settled with them after the payment due date. It is usually calculated on a daily rest basis. You are advised to ask your credit card issuer to explain the method used in calculating the finance charges, as this amount can be large if you do not make payments on time.



You need to
**pay your
bills on
time** in
order to avoid
running up
substantial bills
and being in debt

- Cash advance fee

This is a fee charged for each cash advance transaction. This fee, which normally ranges from 3% to 5% of the total cash advanced, is in addition to the finance charges imposed on the amount of the advance given to you. The finance charge is calculated from the transaction date or when the amount is posted to your credit card account. There may be a limit on the amount of cash advance allowed for each customer.

- Late payment charge

This is a charge imposed when you fail to pay at least the minimum monthly payment by the due date. If payment is made after the interest free period, you will be charged both the finance charges (the interest on your outstanding balance) and late payment charges for the minimum monthly repayment amount due.

TIPS ON SHOPPING FOR CREDIT CARDS

With so many credit cards being offered, it is important for you to get the credit card that best suits your needs. Here are some tips for shopping for a credit card or evaluating the credit cards you already have:

- Promotional gifts

The credit card issuers may offer you promotional gifts such as hand-phones, leather wallets, etc to promote their credit cards. However, before you apply, it is important for you to understand the T&C related to the offer. Pay attention to the conditions set for the promotional gifts and the penalties for not complying with such conditions.

- Teaser rates

In order to attract you, credit card issuers may temporarily offer lower fees and finance charges, or even waive them for a certain period. The promotional materials may highlight an attractive and low introductory interest rate in a large, easy to read font size, sometimes without

expiration date. The interest rate in effect after the promotion period is disclosed much less prominently, i.e. in a smaller font size and may only appear on the reverse side of the application or on the last page of a multi-page promotional material.

You should understand the T&C for the promotion and be aware of when the promotion period expires as you may be charged the regular or substantially higher fees and charges after the promotion period ends.

- Finance charges, fees and interest free period
Credit card business generates profits mainly from finance charges. You will be imposed finance charges if you do not settle your outstanding balance in full after the interest free period. However, for cash advance and balance transfer, you may be charged a fee as well as finance charges starting from the transaction date. Pay attention to the fees for cash advance and balance transfer transactions, the finance charges and the interest free period offered by the credit card issuers.



a. Interest free period

Credit card issuers offer an interest free period, usually 20 days, from the posting or statement date up to the due date, except for cash advance and balance transfer. Therefore, shop for credit cards that offer longer interest free periods to settle your balances in full without incurring finance charges.

b. Fees on cash advance/balance transfer

Most credit card issuers impose a cash advance fee on top of finance charges when you use your credit card for cash advance or balance transfer transactions. The cash advance fee may vary between 3% to 5% of the amount. Thus, always consider applying for credit cards which has lower cash advance/balance transfer fees.

TIPS ON HOW TO MINIMISE YOUR CREDIT CARD CHARGES

It is possible for you to avoid some of the credit card charges and still have the convenience of using a credit card. Here are some tips on how that is possible:

- Shop around for the best deal. Some credit card issuers do not charge any annual fees and joining fees, at least for the first year
- Use your ATM card to make cash withdrawals. Taking cash advances using your credit card should be done only as a last resort. Cash advance fees and charges can be expensive
- Avoid unnecessary credit card costs. Make your payment before the due date stated in your credit card statement. Be sure to update your contact address to ensure that you receive the statement on time
- Paying only the minimum monthly payment will extend your repayment period and the interest you have to pay. Settle your outstanding balance in full to avoid paying interest



- Limit the number of credit cards based on your needs and payment capability
- Be alert of the changes in policies and rates. For example, your credit card issuer may raise its fees and charges or vary some of its T&C

HOW TO AVOID BEING TRAPPED AS A BORROWER

Credit card marketing strategies have become more aggressive and innovative to entice credit cardholders not to pay

Be aware of the **consequences** of paying only the **minimum repayment** amount each month

the outstanding amounts in full and to continue carrying forward the outstanding balances each month. These borrowers or ‘revolvers’ may think that it is beneficial and convenient to just pay only the minimum payment each month, but it is just the opposite.

You should be aware of the consequences of paying only the minimum repayment amount by the due date of each month. Not only will you incur more interest charges but also lengthen the time taken to repay your balance. Many people do not realise the impact of accumulating their monthly credit card balances and end up with huge debts.

Below is an illustration of the repayment period and the total interest charged if you pay only the minimum monthly payment each month, i.e. 5% of the outstanding balance. For example, if your outstanding balance is RM1,000 and you pay only the minimum monthly payment, it will take you about 5.8 years to settle your total debt and would cost you RM382 in interest charges, based on an interest rate of 18% per annum.

OUTSTANDING AMOUNTS							
RM500		RM1,000		RM5,000		RM10,000	
Years	Interest (RM)	Years	Interest (RM)	Years	Interest (RM)	Years	Interest (RM)
4.2	168	5.8	382	9.6	2,097	11.2	4,240

Always
safeguard
your card and
check
your transactions

HOW TO PREVENT CREDIT CARD FRAUD

Potential fraud is a real threat that all consumers face in using credit cards. Credit card fraud can cost you and the credit card issuer huge losses. Credit card issuers are always on alert for fraudulent scams and have taken security measures to protect you against such possible frauds. However, you should also take the necessary steps to minimise the risk of being a victim of fraud.

- Safeguard your credit card
 - Sign on your credit card immediately after you receive it
 - Keep your credit card in the same place in your wallet or purse so that you will notice immediately if it is lost or stolen
- Do not lend your credit card to anyone
- Do not provide your credit card details, (i.e. card number and expiration date) to an unknown party as they may use it to make purchases via telephone, mail or Internet
- Memorise your PIN number and do not write down your PIN number on the back of the credit card or keep it in your wallet, or disclose it to anyone
- Keep the telephone number of your credit card issuer so that you can immediately report lost/stolen cards, unauthorised transactions or disclosure of PIN to a third party

- – Make sure you cut your expired credit cards into two when you get the new one

Check your credit card transactions

- Check all details on the charge slip before signing or confirming the transaction
- Keep all your charge slips and check it against your credit card statement as soon as you receive it
- Notify your credit card issuer immediately of any error or possible unauthorised transactions in relation to your credit card or PIN and follow-up in writing as soon as possible
- Destroy all your charge slips before you throw them away



FREQUENTLY ASKED QUESTIONS

What are the various types of credit cards?

In general, there are three types of credit cards, namely Classic, Gold and Platinum. These credit cards are issued based on your income level and other criteria set by the credit card issuer.

What is a co-branded credit card?

A co-branded credit card is a card which is issued jointly by a credit card issuer and a merchant under a well-known brand name. The merchant usually offers additional benefits to the cardholders, such as discount on certain products and reward points for purchases. Examples of co-branded credit cards include Maybank-Sogo Visa and Public Bank-Esso Visa.

What are other types of payment cards available in Malaysia?

Besides credit cards, there are other types of payment cards available in Malaysia such as debit, charge and stored-value cards (SVC).

A debit card is a payment card where the transaction amount is deducted immediately from your savings and/or current accounts, upon authorisation. There are several types of debit cards available in Malaysia. For example, Maybank Kawanku e-POS. There are also international debit cards such as VISA Electron and MasterCard Electronic, which can be used at merchants wherever their logos are displayed.

A charge card is also used in the same manner as a credit card, except that you must settle in full any outstanding amount in your monthly bill by the due date. American Express and Diners are well-known examples of charge card brands available in Malaysia.

A SVC is a prepaid card. The card contains a monetary value, which has been pre-loaded by the issuer. Some SVC schemes may allow the cardholder to reload the amount in the card. The value will be automatically deducted from the amount stored in the card whenever purchases are made.

Can anyone get a supplementary card?

It is up to the principal cardholder to nominate his/her supplementary cardholders depending on the T&C of the credit card issuer.

Who is responsible for the payment of the purchases made on the supplementary card?

The principal cardholder is primarily held responsible to pay for the purchases made by the supplementary cardholder and also his/her own purchases made on the credit cards. However, you should check the T&C on whether the supplementary cardholder would also be held liable for the credit card debt.

What is a credit limit?

The credit limit is the maximum credit extended to you by the credit card issuer. The limit set is based on the assessment of the information provided in your application form. The credit limit may be changed over time depending on your spending pattern and payment capability. You should have a credit limit that matches your repayment capacity to avoid spending unnecessarily and to minimise your liability in the case of fraud.

How can I make cash advances using my credit card?

You can make cash advances over the counter of the participating credit card issuers or via ATMs, which display the logo of your credit card brand. Other restrictions may be applicable.

Why does a merchant need to get authorisation before accepting my credit card?

A merchant will require authorisation from your credit card issuer in ensuring that the amount of purchase does not exceed your credit limit. Your transaction will be rejected due to reasons such as exceeding your approved limit. You may wish to contact your credit card issuer if you encounter such a situation.

What measures should I take when making purchases at a merchant?

Never lose sight of your credit card. When making payment in the merchant outlets, hotels or restaurants make sure your credit card is swiped in front of you. Someone could copy your credit card details by swiping your credit card through a skimming device.

Do I have to pay additional costs to the merchant if I use my credit card to make purchases?

There is no additional cost of using credit card for making purchases. If you are being charged, you may wish to contact your credit card issuer for clarification.

Are there any differences in terms of authorisation process, fees and charges imposed when I use my credit card to make purchases locally or overseas? How is the exchange rate determined?

The authorisation process, fees and charges are the same when you make purchases using your credit card regardless of your location. However for purchases made overseas, the transaction amount is subjected to the exchange rate determined by the credit card payment schemes (eg. Visa and MasterCard). The conversion of currencies will be done automatically when the transactions are made. The exchange rate is normally determined based on the mid-point of the prevailing buying and selling rates of the exchange of foreign currency against Ringgit.

What should I do if someone knows my PIN?

If you believe that your PIN has been compromised, you should refer to your credit card issuer.

Is it necessary for me to monitor my credit card statements?

Yes. You must make it a practice to check your credit card statements regularly for any discrepancies or unauthorised transactions. Taking a few minutes to review the information in your credit card statement is an important and effective way to detect unauthorised use of your credit card.

Will I be liable for the unauthorised charges if my credit card has been stolen or lost?

You must always use reasonable precautions to prevent the loss of your credit card. If you do so, you will not be held liable for the transactions occurring after you have reported the loss to your credit card issuer, verbally or in writing. However, for verbal notification, some credit card issuers may require you to provide written confirmation and a police report to them. On the other hand, if there is an unauthorised use of your credit card before the report is made, you may be held liable up to a certain amount, depending on the T&C of the credit card issuer.

What should I do if I find an error in my credit card statement?

You should notify your credit card issuer immediately of any error in the monthly statement or possible unauthorised transactions in relation to your credit card or PIN verbally, and to follow-up in writing as soon as possible.

For credit card issuers that are banking institutions, information on the contact person or email address is available on Bank Negara Malaysia's website at www.bnm.gov.my. In addition, for unauthorised transactions, if you are not satisfied with the response given by your banking institution, you can also write to the Banking Mediation Bureau:

The Mediator
Banking Mediation Bureau
5th Floor
MUI Plaza
Jalan P. Ramlee
50250 Kuala Lumpur

For more information on how to make a complaint against banking institutions, please read the booklet on "Making a Banking Complaint."

GLOSSARY

Credit Card Issuer

Organisations such as financial institutions, which issue the credit cards.

Credit Card Payment Scheme

A credit card association (e.g. Visa and MasterCard) which provides the necessary credit card infrastructure that facilitates authorisation and settlement of credit card transactions.

Expired Credit Card

A credit card on which the embossed, encoded or printed expiration date has passed.

Fraudulent Transaction

A transaction unauthorised by the cardholder. Such transactions may occur as a consequence of credit cards that are lost, stolen, not received, issued on a fraudulent application, counterfeit or other fraudulent conditions as defined by the credit card issuer.

Merchant

Any business that accepts credit cards as one of the payment modes for the purchase of their products/services.

PIN

Personal Identification Number – A sequence of digits used to verify the identity of the cardholder. It is a kind of password.

Revolver

Cardholder who keeps paying at least the minimum amount of payment required by the credit card issuer but not fully repaid the total outstanding balance.



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