

## The True Cost Of Late Credit Card Repayments

Most people have, at one time or another, missed a payment on their credit card. Usually, it's because of an oversight or a mix up over the payment due date, or sometimes it's because of a temporary cash flow problem. Whatever the reason for paying late, millions of us have done it, some more regularly than others, and the whole area of late payment charges has come under a fair degree of scrutiny other the last few years. In the past, the size of the charge levied for making a payment past the due date varied from bank to bank, but most imposed a fee of around £20, although it could in some cases go to almost double that. These fees contributed a huge amount to the revenues of the credit card issuers, and attracted the attention of financial regulators who suspected that the charges had a punitive element rather than just reflecting the administration charges incurred by the issuer in dealing with a missed payment. Punitive charging in these circumstances is illegal under consumer credit laws, and the regulators strongly hinted that legal action might be initiated if the banks didn't change their ways. Although they stridently denied any wrongdoing, most of the banks almost immediately dropped their charges to a much more sensible £12, and it seemed that the whole late payments matter had been laid to rest. You might now even be tempted to take the £12 penalty if paying late was in some way beneficial to you in other ways, but this simple fee doesn't reflect the whole story of missing payments. Firstly, each late payment will be entered onto your credit file, which is a record of your financial behaviour held by the credit reference agencies. Repeat offenders will find that their credit rating suffers, as all these relatively minor black marks on their credit worthiness build up to have a real negative impact. This might not seem too much of an issue at the moment, but the time may come when you need access to finance, such as a mortgage, and to get the best deal you can you'll want to have as pristine a credit history as possible. There are other more immediate effects to consider as well. If you repeatedly put your account into arrears, your card issuer will likely re-evaluate your position as a valued customer who 'deserves' to be approved for a low rate card. Under the terms of your credit agreement, your credit card company may make a whole host of changes to your account so long as they give you notice that they're going to do so. People who regularly pay late may well find that their credit card becomes less attractive, with a lower credit limit, and even a higher interest rate. One major UK bank recently raised rates by as much as half for a large number of its customers, and although this hasn't been definitively confirmed, it's widely accepted that poor account management including late payments was a major factor in who got their rates hiked and who didn't. So, while the basic fee for missing a payment is now not so imposing, this is to miss the wider implications of paying late on a frequent basis, which is still definitely something to be avoided if at all possible.

### About the Author

Michael writes for the [credit card](#) ratings site Card Sense, where you can find information on a range of related topics such as [getting a credit card with a poor credit rating](#).

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