

# A question of interest

Credit card interest and fees explained



# Your guide to using your credit card wisely

Commonwealth Bank credit cards – like credit cards the world over – can offer a flexible and convenient way to manage expenses. The ability to buy now and pay later is a real advantage. The people who benefit most are those who manage their credit card finances well, avoiding unnecessary fees and interest.

In this guide you'll find answers to some of the most commonly asked questions about our credit cards along with some simple ways to keep your costs to a minimum.

## **But first, what *is* interest?**

Before we get into the specifics of credit card interest and how it applies to your account, let's look at what interest actually is.

Put simply, interest is what a borrower pays a lender for the use of their money. Interest on your credit card is a charge for borrowing money. How interest is calculated and when it is charged depends on the type of card you have, the transactions you make, and when you make payments.

## **The four types of interest**

Different transactions attract different interest charges. Here are the main interest charges, which may appear on your credit card statement.

***Purchase interest*** this is the interest charged when you use your Commonwealth Bank credit card to buy goods and services, like groceries from the supermarket, clothes from a store or insurance.

***Interest on cash*** this is the interest charged when you get cash from your credit card account (referred to as a "cash advance"), for example through an ATM withdrawal or NetBank transfer. This also includes cash substitutes such as traveller's cheques, gambling tokens and online lotto tickets.

***Balance transfer interest*** this is the interest charged when you transfer a balance from another bank's credit card (or a store card) to your Commonwealth Bank credit card. This may be at a reduced rate for a limited period of time.

***Great Rate interest*** this is the interest charged at a reduced rate for a limited time, on up to 6 selected purchases of \$1,000 or more each on your credit card each year (excluding travel and gambling).

## What is an interest free period?

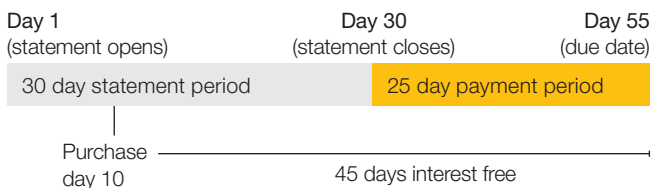
An interest free period on your Commonwealth Bank credit card is the time in which you can make purchases using your card without having to pay interest on those purchases. Most of our cards come with an interest free period of up to 55 days.

As long as you continue to pay your full closing balance by the payment due date every month, you won't pay any interest on purchases made with your card. It's worth noting that Great Rates, cash advances and balance transfers don't come with an interest free period, so interest applies from the date the transactions are made, until they are repaid.

## How does the interest free period of up to 55 days work?

Each monthly statement period runs for around 30 days. After your statement closes, you'll have approximately 25 days extra to pay the full balance before an interest charge applies. This makes up your interest free period of up to 55 days.

The actual number of interest free days you'll enjoy varies depending on when you make your purchase and the number of days remaining in your statement period. For example, if you make a purchase on day 10 of your statement period, you'll have 20 days remaining until your statement period closes, plus 25 days to make your full payment.



Take a look at your own credit card statement for your account's exact dates.

## How is interest calculated?

We calculate interest on your account's outstanding balance **on a daily basis**. Let's say you make a purchase for \$50 on the first day of your statement period. Interest is calculated on the \$50 balance for each day from the date of the transaction until it is repaid in full. We then add the daily interest together to calculate your monthly interest amount.

## The amount you pay makes a big difference

These case studies show how interest is charged over a three-month amount' and the 'full closing balance'.

### Case study 1

No interest is charged if you pay your 'full closing balance' of your

Statement period	Opening balance	New purchases	Minimum payment due
September	\$75.00	\$210.91	\$25.00
October	\$210.91	\$164.06	\$25.00
November	\$164.06	\$223.94	\$25.00

### Case study 2

Interest charged if you pay the 'minimum payment' on the closing bal

Statement period	Opening balance	New purchases	Minimum payment due
September	\$75.00	\$210.91	\$25.00
October	\$210.91	\$164.06	\$25.00
November	\$352.24	\$223.94	\$25.00

*Please note, these case studies are for illustrative purposes only and do not reflect*

Daily interest is calculated using the daily interest rate (annual interest rate / 365 days).

Remember, interest on purchases will only be charged to your account if you haven't paid your previous closing balance, in full, by the payment due date.

period, and the difference between paying the 'minimum payment

statement by the 'payment due date' each month.

Payment received by due date	Interest charges	Closing balance
\$75.00	\$0.00	\$210.91
\$210.91	\$0.00	\$164.06
\$164.06	\$0.00	\$223.94

nce of your statement by the 'payment due date' each month.

Payment received by due date	Interest charges	Closing balance
\$75.00	\$0.00	\$210.91
\$25.00	\$2.27	\$352.24
\$25.00	\$4.75	\$555.93

*current interest rates.*

## When will interest be charged?

1. If you pay less than your **full** closing balance

When you don't pay your full closing balance by the payment due date (for example, you pay the minimum payment) you'll lose your interest-free period. You'll be charged interest on any purchases made up to the end of that statement period and transactions since that time.

2. If you don't pay your full closing balance **on time**

Your interest free period only applies if you pay your full 'closing balance' by the 'payment due date' each month. Even if you pay your closing balance in full, but it isn't received by us until after the payment due date, you'll be charged interest on your outstanding balance each day as well as on any purchases made until we receive the full payment. Because your payment was received late, you'll also be charged a late payment fee.

## How can I stop further interest charges?

If you miss making a payment in full or on time, you'll be charged interest on your daily outstanding balance until your full payment is received. You can minimise further interest charges by paying the full closing balance on your **most recent statement**, as soon as possible.

Once your full payment has been received, your account will no longer be overdue and no further interest will be charged from that date. A final interest charge will appear on your next statement to cover the days before your full outstanding balance was received.

For example, if you had an outstanding balance of \$500 from your previous statement and you repaid the full balance of \$500 on day 5 of your next statement period, interest would be charged on each day of the 5-day period, and added together to make up your final interest amount.

If you've missed a credit card payment and want to enjoy interest free transactions again, it's important to start making your full payments by the payment due date each month.

## “How can I minimise fees?”

The two most common avoidable fees are:

- **Late payment fee:** This is a fee we apply if the minimum payment is not received by the payment due date. To avoid this fee, make sure your payment always arrives on time.

To help you pay your credit card on time, we can send you an SMS or email payment reminder a few days before your payment is due. To set one up, visit NetBank or call **13 2221**.

You can also avoid late payment fees by setting up AutoPay on your credit card to automatically pay the minimum amount, a set monthly amount or your full closing balance each month. You can set this up via NetBank or at any branch.

- **Overlimit fee:** This is a fee we apply if you exceed your credit limit during the statement period. The overlimit fee is applied on the day the transaction sends your account over its limit.

To avoid this fee make sure you monitor your current balance. This can be done by viewing your account via NetBank on your mobile phone, tablet device, computer or by calling **13 2221**. You can also ask us to decline transactions once your credit limit is reached. To arrange this call **13 2221**.

## Ready to register for NetBank?

Register for NetBank today so you can check balances and statements, set up reminders and auto payments, or make payments anytime at **[commbank.com.au/netbank](http://commbank.com.au/netbank)**

*Conditions of Use – always read and understand the Conditions of Use on your credit card. Other fees may apply.*

# Reading your statement

Here is an example of a credit card statement. It lists all transactions, interest and fees that are charged, details of payments made, and other important Bank messages.

## Summary of credit card information

Such as your account number, opening balance, new charges, payments and refunds.

## Summary of Commonwealth Awards information

Such as your membership number, opening points balance and total points earned.

## Visit this website

For information about Commonwealth Awards and how to redeem online.

## Payment Options

A choice of easy and convenient ways to pay your credit card each month.

## CommonwealthBank

Commonwealth Bank of Australia  
ABN 48 123 123 124

### MasterCard 5353 1801 0001 0001

Opening balance	\$207.72
New charges	\$460.14
Payments/refunds	-\$207.72

### Commonwealth Awards 1000123456

Opening points balance	50,500
Total points earned	460
Points redeemed	-15,600

[commbank.com.au/commawards](http://commbank.com.au/commawards)

SAL8  
1003

Payment  
record

Cheque  
number

Date

### Payment Options



[commbank.com.au](http://commbank.com.au)  
Pay your credit card using  
Netbank, 24 hours a day,  
7 days a week.



Call 13 2221 to pay  
by transferring funds  
from your other  
Commonwealth Bank  
account/s.



Billor code: 1818  
Reference number:



Mail this slip  
with your cheque to:  
Locked Bag 3402,  
BRISBANE QLD 4000.

If paying by cheque, please complete reverse

If you are a member of Commonwealth Awards, it will also list details on any awards points and Bonus Points you earned during the statement period.

Page number 1 of 2  
Statement begins 5 Oct 2011  
Statement ends 5 Nov 2011

**Enquiries**  
**Credit Card** 13 2221  
(24 hours a day, 7 days a week)

**Commonwealth Awards** 13 1661  
(8am to 8pm Mon-Fri)

**Payment due date**  
30th November 2011

**Minimum payment**  
\$25.00

**Closing balance**  
\$460.14

**Total Points Balance**  
34,910

**Summary**

Amount paid \$

ACCOUNT NUMBER 0001 0001 0001

Date paid

Amount paid

**Credit Cards 13 2221**  
Phone this number for all your credit card enquiries.

**Commonwealth Awards 13 1661**  
Phone this number for all your Commonwealth Awards enquiries.

**Payment Due Date**  
Your minimum payment must be made by this date to avoid a late payment fee.

**Minimum Payment**  
The minimum payment required to avoid a late payment fee.

**Closing Balance**  
The full amount to pay by the payment due date to avoid interest on purchases.

**Total Points Balance**  
Your points balance as at the statement end date.





## **Tips on managing your credit card**

For practical tips and general advice on using your credit card wisely, please download our brochure 'Handling your Credit Card' from [commbank.com.au/creditcards](http://commbank.com.au/creditcards) or pick up a copy from any branch.

ADB3181 300911

**13 2221**

24 hours a day, 7 days a week

**[commbank.com.au](http://commbank.com.au)**

Commonwealth Bank of Australia  
ABN 48 123 123 124