

# A QUESTION OF INTEREST

Personal and Business credit card  
interest explained



CommBank credit cards offer a flexible and convenient way to manage expenses. The ability to buy now and pay later can be a great 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 credit card interest.

### 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. In simple terms, interest is what a borrower (i.e. you) pays a lender (i.e. the bank) for the use of their money. How much interest you'll pay depends on the type of card you have, the transactions you make, and when you make payments.

### The four types of interest

Interest charges can vary depending on the type of transaction you make.

Here are the four types of interest charges, which (if applicable) you may find on your credit card statement. Each type of transaction may have its own interest rate, for example a purchase interest rate or cash advance rate, which will be shown on your statement.

**Purchase interest** may be charged when you buy goods and services, like groceries from the supermarket, clothes from a store or insurance. Purchase interest applies unless you qualify for an interest free period (see over page).

**Cash advance interest** is charged when you get cash from your credit card account, for example through an ATM withdrawal or at a branch. Cash advance interest also applies when you:

- Make NetBank or CommBank app transfers from your credit card
- Make cash equivalent transactions, such as traveller's cheques, lotto tickets, money transfers and gambling transactions

**Balance transfer interest** is charged when you transfer a balance from another bank's credit card (or a store card) to your CommBank credit card. We offer a special interest rate for balance transfers for a set period. At the end of that period, any remaining balance reverts to the cash advance interest rate.

**Great rate interest** is charged on an eligible purchase of \$1,000 or more, at a reduced rate for a set period. (Only one great rate transaction is allowed at any one time).

### What is an interest free period?

Your card (other than a Business Low Rate card) comes with an interest free period of up to 55 days on purchases. This means that we won't charge any interest on purchases you make as long as you meet certain conditions.

To get the full benefit of the up to 55 days interest free period on purchases, make sure that each month you pay the total amount owing (closing balance) on your statement by its due date. You may also want to time your purchases at the beginning of the statement period (where you can) to make the most of the interest free period.

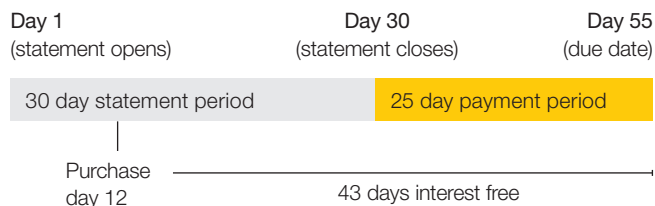
### How does the up to 55 days interest free period on purchases work?

A credit card statement period runs for around 30 days. Once the statement period has closed; you have approximately 25 days to pay. Combine the number of days and that's how we get your maximum 55 days.

The actual interest free period for any particular purchase depends on when you make the purchase.

For example, if you make a purchase on day 12 of your statement period, you have 18 days remaining until your statement period ends, plus 25 days to pay the purchase amount ( $18 + 25 = 43$  days interest free on that particular purchase).

**Note:** this example assumes that you've been paying the total amount owing by the due date each month.



## How is interest calculated?

We calculate interest on each amount we debit to your account starting from the date of the transaction until the day you repay it (except where you qualify for an interest free period).

### **The rate we use**

The purchase rate and the cash advance rate applicable for each statement period are detailed on your statement. Your credit contract schedule also sets out the annual interest rates that apply to your account. We'll notify you if a rate changes.

### **The calculation**

At the end of each statement period, we calculate interest separately on:

- **Purchases**
- **Cash advances**
- **Balance transfers**
- **Great rate purchases**

Interest on each of these categories is added to the balance. Fees are considered purchases.

For each category, we follow these three steps:

1. Average the relevant balances over the statement period
2. Multiply the average by the applicable daily interest rate (the annual rate divided by 365)
3. Multiply the result by the number of days in the statement period.

To these amounts we add any interest relating to the previous statement period that hasn't yet been charged to your account (for example, if an interest free period is no longer applicable because you didn't pay the previous statement closing balance by the due date).

### **When do we debit your account with interest?**

We do this on the last day of each statement period.

## When will interest be charged?

### **1. If you pay less than your total amount owing**

When you don't pay your total amount owing by the payment due date (for example, you pay the minimum payment only) you'll lose your interest-free period. This means you'll be charged interest on all purchases you make in that statement period as well as any outstanding purchases from prior periods.

You'll be charged interest from the date each purchase was made, not just from the due date. Refer to the case studies in this booklet for examples.

### **2. If you don't pay your total amount owing on time**

Your interest free period only applies if you pay your total amount owing by the payment due date each month. Even if you pay your total amount owing in full, if it isn't received by us until after the payment due date, you'll be charged interest on all purchases you make in that statement period as well as any outstanding purchases from prior periods. You'll be charged interest from the date each purchase was made, not just from the due date. Refer to the case studies in this booklet for examples. Because your payment was received late, you may also be charged a late payment fee.

### **3. Cash advances (including cash equivalent transactions), balance transfers and great rate purchases**

These types of transactions do not have any interest free period. Interest applies from the date that these transactions are made, until they are repaid.

### **4. If your card does not have an interest free period**

Some types of cards such as the Business Low Rate card do not have any interest free period. Interest applies from the date that the transactions are made, until they are repaid.

## Do I need to pay off my balance transfer to qualify for an interest free period on purchases?

If you have balance transfers, you don't need to pay these off to have an interest free period on purchases, unless you also have purchases at an introductory interest rate below the balance transfer rate.

## The amount you pay makes a big difference

These case studies show how interest is charged depending on between paying the 'total amount owing' and paying the 'minimum payment due' amount. The third case study shows how you can regain the interest free period on purchases, even if you have been

how much you pay. The first two case studies show the difference payment due' amount. The third case study shows how you can paying interest for a while.

### Case study 1

No interest is charged if you pay your **'total amount owing'** on your

statement by the 'payment due date' each month.

Statement period	Opening balance	New purchases	Minimum payment due	Payment received by due date	Interest charges	Total amount owing (closing balance)
September	\$75.00	\$210.00	\$25.00	\$75.00	\$0.00	\$210.00
October	\$210.00	\$165.00	\$25.00	\$210.00	\$0.00	\$165.00 <sup>#</sup>
November	\$165.00	\$280.00	\$25.00	\$165.00	\$0.00	\$280.00

<sup>#</sup>Since September's 'total amount owing' (\$210.00) was paid in full, 'new purchases'.

October's 'total amount owing' (\$165.00) is just made up of

### Case study 2

Interest is charged if you only pay the **'minimum payment'** due shown

on your statement.

Statement period	Opening balance	New purchases	Minimum payment due	Payment received by due date	Interest charges	Total amount owing (closing balance)
September	\$75.00	\$210.00	\$25.00	\$75.00	\$0.00	\$210.00
October	\$210.00	\$165.00	\$25.00	\$25.00	\$7.00	\$357.00 <sup>^</sup>
November	\$357.00	\$225.00	\$25.00	\$25.00	\$7.72	\$589.72

<sup>^</sup> October's 'total amount owing' (\$357.00) is made up of the 'opening balance', plus 'new purchases', minus 'payments received', plus 'interest charges'.

balance', plus 'new purchases', minus 'payments received', plus

**Please note:** these case studies are for illustrative purposes only and do not reflect advances, balance transfers or great rate transactions apply.

current interest rates. They assume you have purchases only, and that no cash

## Case study 3

If you have been paying interest, you can regain the **'interest free period on purchases'**.

Keep in mind that it takes 2 statement periods for all interest accrued to be charged even when you pay the total amount owing in full.

Statement period	Opening balance	New purchases	Minimum payment due	Payment received by due date	Interest charges	Total amount owing (closing balance)
September	\$75.00	\$210.00	\$25.00	\$75.00	\$0.00	\$210.00
October	\$210.00	\$165.00	\$25.00	\$25.00	\$7.00	\$357.00
November	\$357.00	\$225.00	\$25.00	\$357.00	\$4.75*	\$225.00
December	\$225.00	\$320.00	\$25.00	\$225.00	\$0.00	\$320.00

\* The \$4.75 interest charged in November relates to interest calculated from the beginning of the November statement period until the total amount owing in October is paid in full. In this example, no interest is charged in November for 'new purchases' (\$225.00) made in November.

### Why am I still being charged interest, even though I paid my card in full?

As mentioned in case study 3, it takes 2 statement periods for all interest accrued to be charged to your account even when you pay the total amount owing in full.

Let's go through case study 3 in some more detail:

- Let's assume that each statement period begins at the start of the month and closes at the end of the month.
- The October statement is charged interest (\$7.00) as a result of not paying the total amount owing on the September statement (\$210.00) in full by its due date.
- You then decide that you want to stop further interest from being charged.
- So, you pay the total amount owing shown on the October statement (\$357.00) by the payment due date (In this scenario you are given 25 days to pay, so the due date is in November).
- Once that payment has been received, interest will stop accruing on that balance.

**Remember, to avoid paying interest, don't do cash advances or make cash equivalent transactions, and make sure you pay your statement in full each month.**

Keep in mind, however, that interest continued to accrue after the October statement end date until payment was received in full in November.

The two payment scenarios shows the difference in the interest charge depending on when the payment is received in full.

Scenario	October Statement	Total amount owing paid in November	November statement will include:
1	Total amount owing = \$357.00	<b>\$357.00 received on the payment due date</b> shown on the November statement.	\$4.75 interest charge for the 25 days
2	Total amount owing = \$357.00	<b>\$357.00 received 7 days after statement end date</b> shown on the November statement.	\$1.39 interest charge for the 7 days*

Referring to case study 3; If the payment \$357.00 had been received on the Payment Due Date, interest charges for the period would have been \$4.75. By paying earlier than the Payment Due Date (as shown in scenario 2), a saving of \$3.36 has been made.

**Please note:** these case studies are for illustrative purposes only and do not reflect current interest rates. They assume you have purchases only, and that no cash advances, balance transfers or great rate transactions apply.

## Reading your statement

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

The second page of your statement will show a range of convenient payment options, contact details, and if you are an Awards customer, all your Awards information.

### 2. Your key payment information

Summary of credit card information such as your opening and closing balance, new charges, payments and refunds.

### 4. Minimum repayment warning

This table illustrates the time it would take to pay off the total amount owing if only the minimum payments are made.

### 5. Offers and general information

This is where we will keep you up to date with offers and handy tips.

**Commonwealth Bank**  
Commonwealth Bank of Australia  
ABN 48 123 123 124  
Australian credit licence 234945

## Your Statement

### Platinum Awards MasterCard®

Page x of y

MR JOHN CITIZEN  
123 SAMPLE STREET  
SUBURBIA NSW 2000

Your account balance	
Opening balance at 15 Aug	\$2,199.25
New transactions and charges	\$798.33
Payments/refunds	\$125.54
Closing balance at 15 Sep	\$2872.04

Your payment summary	
<b>Minimum payment due</b>	<b>\$71.55</b>
Payment due by	10 Oct 2013
Total amount owing	\$2,872.04

To minimise interest, pay your total amount owing by the payment due date each month.

If you make no additional charges using this card and each month you pay...	You will pay off the Closing Balance shown on this statement in about...	And you will end up paying estimated total interest charges of...
Only the minimum payment	5 years, 7 months	\$4,931.52
\$120.93	2 years	\$2,457.34, a saving of \$2,474.18

**Having trouble making repayments?**  
If you are having difficulty making credit card repayments, please contact us on 1300 130 107. We may be able to assist you. Please note: in the minimum repayment warning calculation, we use the cash advance rate and apply it to the entire balance.

Transactions		
Date	Transaction Details	Amount (A\$)
	Interest charged on purchases	Purchase Rate 19.00%p.a. 0.00
	Interest charged on cash advances	Cash Advance Rate 20.00%p.a. 0.00
Please check your transactions listed on this statement and report any discrepancy to the Bank before the payment due date.		

### 1. Your general account details

This includes your statement period, credit limit and available credit. If you have a CommBank Awards credit card, your total Awards points are located here.

### 3. Your payment summary

#### Minimum Payment due

The minimum payment amount required to avoid a late payment fee.

#### Payment due by

The date your minimum payment must be made by to avoid a late payment fee.

#### Total amount owing

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

### 6. Interest information

Page 2 shows the interest rate applicable at the time of the statement and a break down of interest charges (if applicable).

## Reading your repayment information in NetBank

Payment and balance information can be located on the **Account Information** page in NetBank and is displayed differently from how you would view the information on your credit card statement.

### 1. Minimum amount due.

The minimum payment amount required to avoid a late payment fee.

Account <input type="text" value="MasterCard Platinum 1234 5678 9012 3456"/>			
Nickname/Type	Card/Account number	Account balance	Available funds
MasterCard Platinum	1234 5678 9012 3456	\$3400.00 DR	\$600.00 CR <a href="#">Transfer a credit card balance</a>
American Express	3456 7890 1234 5678	N/A	N/A
Credit limit		\$4000.00	N/A
Nickname/Type	Card/Account number	Account balance	Available funds
Last payment	24/03/2015		
1. Minimum amount due ⓘ	07/04/2015	\$20.00 CR	<a href="#">Pay minimum amount</a>
Previous statement closing balance	07/04/2015	2. \$136.43 DR	<a href="#">Pay closing balance</a>
Monthly automatic payment option	Minimum amount due		<a href="#">Change automatic payment option</a>
Cardholder relationship	Primary		
Commonwealth Awards member	Yes		<a href="#">Visit Awards site</a>

### 2. Previous statement closing balance.

This is the same as the 'total amount owing' as shown on your most recent credit card statement (refer to the previous statement example page). This is the full amount to pay by the payment due date to avoid interest on purchases.





# CONTACT US



## By phone

---

**13 2221**

Personal and Business  
Awards customers

**131 576**

Business Non-Awards  
customers

---

+61 2 9999 3283  
(reverse charges)



## In Person

---

Go to your nearest CommBank branch in business hours.



## Online & Mobile

---

### Online Support and FAQ's

For online support, please visit

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

### Manage your account

Check balances, view transactions in real time, make transfers; lock, block and limit the use of your card; pay bills; pay friends via email; mobile or facebook, and locate branches or ATMs through the Commbank app. For more information and download links visit [commbank.com.au/commbankapp](http://commbank.com.au/commbankapp)

In addition to the above, you can also view statements; set up reminders and Autopay in NetBank. For more information or to register visit [commbank.com.au/Netbank](http://commbank.com.au/Netbank)