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## **Balance Transfers may not result in a happy ending**

Reduction of a Christmas credit card debt may be a new years resolution for many Australian households. However when considering the options available, Members Equity Bank (ME) is warning consumers to be cautious when considering special offers such as low rate balance transfers, because these offers don't always result in faster debt reduction.

Tony Beck, Executive Manager of Workplace Business and Direct Marketing said consumers need to understand the components of their credit card debt before transferring the balance to a new provider.

"In a cluttered finance market, honeymoon rates and other gimmicks to attract new business are common practice. Balance transfers offering a low rate of interest are a particular concern for people hoping to reduce their debt sooner," he said.

Garfield Wright from CANNEX says there are over 50 cards on the market offering balance transfer offers under 4%, however some of these have a balance transfer revert rate that is higher than the card rate for purchases.

"It's important that the cardholder taking up the balance transfer offer sees it as an opportunity to pay off their debt rather than as a free parking space for their debt.

"Recent research from the UK has found that people who try and jump from one balance transfer offer to the next are simply carrying their debt around rather than paying it off," he said.

Tony Beck added that many banks charge different interest rates for different components of an outstanding account, and consumers need to understand the rates applicable to each part of the balance and the way that payments are applied to the account.

"For example, a customer usually incurs a higher rate of interest for purchases and cash advances but any payments being made are applied to the lowest rate component. This means that over time, the balance transfer amount on the low rate of interest is repaid leaving the higher interest components outstanding and attracting a high rate of interest.

"To really benefit from these special offers, a customer must avoid using the new card until they have repaid the entire balance that was transferred.

"Consumers also need to be aware that transferring a balance from one card to the next can also affect the interest free period. The balance transfer may eliminate any interest free period, so the consumer then pays interest immediately on any new purchases.



**MembersEquity  
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# Media Release

"ME encourages consumers to understand the true cost of credit. When researching credit cards, look for products that offer a low, flat rate fee for cash advances and purchases," he said.

Other tips to reduce your balance include:

- Ensure that at least the minimum payment is made by the due date to avoid penalty fees applied by some banks to late payments;
- If possible, pay more than the minimum repayment. Every extra dollar reduces the total amount outstanding and can cut years from the time taken to repay the debt.

Members Equity Bank (ME) works in partnership with the ACTU, affiliated unions and various industry superannuation funds to deliver a fair deal to working Australian families. ME is 100% Australian owned and is committed to providing exceptional customer service.

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