



DEBT COUNSELLING

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Why is it said that credit cards are the most expensive loans? Don't all loans charge interest and hence make them an expensive affairs?

The rate of interest charged by credit card issuers is normally close to 40 per cent a year, which is much higher than any loan available from the banks and financial institutions. In case revolving credit is availed, fresh purchases attract the same rate from the date of purchase, making it an expensive affair.

I started earning six months back and several credit card companies have approached me. I have resisted the temptation since I don't understand the process of levying interest on the balance. Do you have to pay interest each time you use the card?

Payment to credit card issuers is made according to the billing cycle where cardholder is given a date by which he is supposed to make the payment for purchases done before a specific date. The cardholder actually gets an interest-free period to make the payment, which can extend up to 50 days. It is advisable to pay the full amount to avoid paying high interest on revolving credit. In case of part-payment you not only pay high interest up to 40 per cent annually on the balance amount, but also on fresh purchases. If used judiciously, credit card is a very good way to make payments.

I am currently servicing a personal loan (₹3 lakh), car loan (₹6 lakh), consumer durables loan from my employer (₹2.5 lakh) and a home loan (₹30 lakh). We are a joint family and there are only two earning members. I earn ₹55,000 a month and my daughter ₹12,000. In terms of savings, my daughter and I together have ₹80,000 in cash and I have put money in insurance and PPF. There is a sudden need for ₹4 lakh from my son's college. My daughter can get a personal loan of ₹1 lakh. Where can I generate cash from?

Information provided by you here is inadequate since you have not given your loan repayment details or expenses, type of insurance and so on. However,

the best solution for funds for college education is an education loan that your son can take from any reputed bank. Repayments for this begin once he starts earning. Apart from that, you can take a loan from your insurance company depending on the type of policy you hold. Similarly, you can avail a loan against your PPF account. All these loans will be cheaper than the personal loan.

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