

CREDIT CARDS - Everything you need to know about Credit Cards!

Credit cards, charge cards, ATM cards, and debit cards are all ways to make purchases or get cash. But each one works differently and these differences are important. In order to use these cards wisely, you should know what each one is and how it differs from others.

Credit Cards

The way credit cards work is fairly straightforward: The credit card issuer gives you a card. You use the card to pay for items and services up to a certain total amount, your credit limit. The store merchant or service provider collects what you owe from the card issuer, whom you repay.

Carrying a balance. If you carry a balance, credit cards function like very expensive loans. The credit card company allows you to pay off what you owe little by little each month, as long as you pay a minimum amount each time. In exchange, you pay interest on the balance you owe (as high as 29% each year) at the end of each period.

How credit card companies make money?

Credit card companies earn high profits in several ways.

- High rates of interest -- interest on credit cards accounts for the bulk of the profits earned by banks that issue credit cards.
- Annual fees.
- Late fees, over-the-limit fees, and other miscellaneous charges.
- Charging merchants and service providers a fee each time a customer uses the company's credit card in the merchant's establishment.

The federal Credit CARD Act of 2009. President Obama signed the Credit Card Accountability and Disclosure Act of 2009 (the Credit CARD Act) into law on May 22, 2009. The new law provides additional protections to consumers, including better disclosures of account terms,



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limits on interest rate hikes, and restrictions on certain billing practices and fees. To learn more about the new law, see Nolo's article [New Credit Card Rules for 2010](#).

Indian legal position is concerned, any offence pertaining to online payment through credit cards comes within the purview of Information Technology Act, 2000 read with relevant provisions of Indian Penal Code, 1860.