

## Frequently asked questions

### **I've been contacted to say I've paid more in interest and charges on my credit card than I've repaid of the amount borrowed**

#### **Why have you contacted me about this, and why now?**

The Financial Conduct Authority (FCA) has carried out a study looking at how consumers use credit cards and whether they're working as well as they could. As a result, credit card providers are taking a series of steps, including providing support to customers where their repayment choices could be costing them a lot in interest and charges.

#### **What's the purpose of the letter you've sent me?**

It's to explain that the way you're repaying your credit card balance could be costing you more in interest and charges. As a general rule, the less you pay each month, the more it will cost overall. By paying just a small amount more each month, you could save money and see your balance reduce much faster. We're also providing information to help you review what you pay, and about where you can get support if you need it.

#### **I've seen 'persistent debt' referred to – what does it mean?**

It's where, over a period of 18 months, you've paid more in interest and charges than you've repaid of the amount borrowed on your credit card. It's a description used by the FCA and they've introduced some rules and guidance about this – so you might notice credit card providers referring to it more frequently.

#### **Why has the FCA introduced rules about 'persistent debt'?**

The FCA was concerned that some customers could end up having a credit card debt over a long period, without making any significant contribution toward repaying the amount borrowed. This can happen, for example, where you only make minimum payments on your credit card for an extended period, which means it can take a long time to clear your balance.

#### **Why are you writing to some customers about this, but not others? My friend/family member has a card with you, but hasn't received a letter about this.**

We're only writing to customers who are in the situation described. It may be that your friend/family member hasn't paid more in interest and charges than they've repaid over the previous 18 months. If they're in a similar situation, then we'll write to them at the appropriate time.

#### **Does this mean that customers who aren't in 'persistent debt' aren't entitled to any support?**

No. A lot of the information we're providing could be useful, whether you're in 'persistent debt' or not. For example, any credit card user can benefit from reviewing what they pay and from paying more than the minimum payment each month where affordable, and can ask for support in the case of financial concerns. However, the FCA has focused particularly on customers who may have been paying a lot in interest and charges over a long period.

#### **Why does this matter?**

Credit cards offer a lot of flexibility to decide how you want to repay your balance, which is a feature lots of customers value. But credit cards aren't really intended for long-term borrowing, and making consistently low payments may not be a cost-effective way to borrow. It's important to remember that just making the minimum or low payments over a long period of time will take you longer to clear your balance and cost you more in the long run.

#### **But I've been making my minimum payment – so I haven't done anything wrong?**

Your credit card agreement only requires you to pay at least your minimum payment each month – so if you've done this and stayed within your credit limit, you won't have breached your agreement. But there are still steps we need to take if we identify you've paid more in interest and charges than you've repaid of the amount borrowed over an 18-month period, including making you aware of the implications of continuing to do this over a longer period.

#### **How could I have paid more in interest and charges than I've repaid, when I've been making my minimum payment?**

Your minimum payment is calculated as the amount of interest and default charges added to your account since your last statement, plus 1% of the rest of your balance. For example, if you borrow £2,000 on your account at an interest rate of 18%, your minimum payment would be £50 – made up of £30 interest, and £20 towards the rest of your balance (1% of £2,000). So if you only made the minimum payment, you'd pay more towards interest and charges than towards the £2,000 you owe.

### How can you make these changes to my account, when I've already signed my agreement and kept to it?

There's no change to what you have to pay under your credit card agreement – we're encouraging you to pay more if you can, but it's up to you to decide if you want to increase what you pay, and what you can afford. However, there are certain steps we might have to take if this situation continues (there's more about this below).

### What are the implications?

If we've contacted you to let you know you're in 'persistent debt', we'll keep monitoring your account and contact you again after 9 months or so to encourage you to increase your payments, if you can. If you pay more interest and charges than the amount you repay over a second 18-month period, then we might need to take further steps which could include asking you to increase your payments in accordance with options we provide. We may also cancel or restrict the use of your account if you don't reply or meet our request (we'll always contact you to explain what's happening before we do this).

### Is this affecting my credit score?

No, as long as you've been making at least your minimum monthly payment and have stayed within your credit limit.

## I'd like to know what I can do to pay my balance faster and save money on interest

### How do I review what I'm paying?

You should always carefully consider what you can afford - the key point to remember is that, by paying even a bit more each month, you could save money and see your balance reduce much faster. A good way to explore how long it'll take to repay your balance and how much you could save by paying a bit more is by using the calculator at [www.cardcosts.org.uk](http://www.cardcosts.org.uk) – you'll find all the information you need to use it on your monthly statement.

### What's the best way to change what I pay?

There are different ways to pay, so you can work out what's best for you – for example:

- You might prefer to carry on making your minimum payment each month, and to make additional one-off payments when you can. You can make a one-off payment by logging on to Online Banking and selecting 'make a payment', transferring from another account or even posting a cheque – there's more information on the back of your statement.
- You could think about setting up or amending a Direct Debit, which you can do by logging on to Online Banking or calling us. If you prefer to budget for a fixed amount each month, setting up a fixed monthly payment could be a good option. Even paying just a small amount more than your minimum payment each month can make a difference in the long run, as long as you keep an eye on what you're paying as you might need to adjust it if you spend more on your card. Here's a simple illustration (it assumes you don't keep spending on your card and that there's no change in the interest rate):

### Using our example of spending £2,000 on your card at an interest rate of 18%...

	If you make your minimum payment	If you fix your payment	If you fix your payment at a higher amount
Monthly payment	Starts at £50 and reduces over time	Fixed at £50 per month	Fixed at £75 per month
Time to pay off your balance	24 years, 1 month	4 years, 11 months	2 years, 10 months
Total interest paid	£2,594	£940	£516

## I'd like to know more about the 'voluntary payment' option I've seen on my statement

### What's the 'voluntary payment' option?

It's an amount we'll show on your statement over 18 months, if we've written to tell you you're in 'persistent debt'. It shows how much you'd need to pay that particular month to be on track to pay at least as much towards the rest of your balance as you do in interest and charges on your statements over the 18-month period.

### I already make my minimum payment each month. Why are you asking me to make this voluntary payment?

The voluntary payment option doesn't change what you have to pay (your minimum monthly payment, and any missed payments and amount above your credit limit). But you can choose to pay a higher amount to see your balance reduce faster and save money on interest – this could be the voluntary payment amount, or another amount based on what you can afford.

### Is this as well as my minimum payment, or instead?

Instead. The voluntary payment option will always be at least as much as your minimum payment – it will usually be more, because it's designed to pay off double the amount you're charged. So using our example of a £2,000 balance at an interest rate of 18%, your minimum payment would be £50 including interest of £30 – but your voluntary payment would be £60.

### How does this help me?

If you're able to pay this amount or more over the 18 months we show it on your statement, you know you'll pay at least as much towards the rest of your balance as you do in interest and charges on your statements over the 18 months. This means you'll pay down your balance sooner and pay less interest than if you stick to making the minimum payment. It's really there as a guide for you, so you can check what you're paying over the 18 months and whether you're on track.

### Will the voluntary payment option be the same amount each month?

No. It depends on how you've used your card and what you've paid off, so it'll change each month. It's designed to work over the 18 months, so you can start paying it at any point in the 18 months and the end result will be the same (though bear in mind that, the later you start, the higher the monthly amount will be).

### What happens if I don't make the voluntary payment?

You don't have to pay it – it's voluntary, and there are other ways to increase what you pay. You might still find the voluntary payment option useful as a guide, to check what you're paying. If you can't pay it any particular month, you can still choose to pay just the minimum – in which case we'll adjust the voluntary payment amount we show over the remainder of the 18 months, so you can start at any point (if you're able) and still get on track. So in our example, if you made your minimum payment of £50 but weren't able to pay the higher voluntary payment of £60, the £10 difference would be carried over.

### Can I set up a Direct Debit to pay the voluntary payment amount?

Yes, you can do this by calling us – see contact details in the table below. You won't be able to set up a Direct Debit for the voluntary payment option through Online Banking or by completing a paper mandate (though you can continue to set up your Direct Debit in any of these ways for other payment options – your full balance, a fixed amount or your minimum payment).

## I can't/don't want to pay more than my minimum payment

### What happens if I carry on paying the minimum amount, and don't increase what I pay?

You only have to pay the minimum amount. We're encouraging you to pay more if you can, but it's up to you to decide if you want to increase what you pay, and what you can afford. However, there are certain steps we might have to

take if this situation continues (See ‘**What are the implications?**’ above), such as stopping further spending on your card.

### **What should I do in this situation?**

We appreciate you might not be able to pay any more at the moment – but keep it under review, and if things change, remember that even paying a small amount more each month (or making a one-off payment, if you can) could really make a difference. If you need some help budgeting, there are some contact details for free, independent advice in the table below. It might also be worth looking at some of the online budgeting tools which are available, for example at [www.moneyadviceservice.org.uk/en/tools/budget-planner](http://www.moneyadviceservice.org.uk/en/tools/budget-planner).

### **What if I already know I won’t be able to increase my payments?**

We’ll still need to keep writing to you about this in accordance with the FCA rules, and might need to take further steps as we’ve explained. Remember that, if you carry on using your card, your minimum payment will increase – so it’s best to avoid spending more if you know you’ll be unable to afford a higher monthly payment. And if you’re also able to fix your payment at the current level, then you’ll still clear your balance faster and pay less interest than if you keep making just the minimum payment (which will reduce over time if you don’t spend more) – take another look at the example we’ve included under ‘**What’s the best way to change what I pay?**’.

### **Will you stop me from using my card?**

We might, in some cases, decide there’s an increased risk you won’t be able to repay us (for example, if you’re still spending on your card but you’ve told us you won’t be able to pay any more than you are currently), in which case there are steps we might consider such as suspending your account or reducing your credit limit. If you’re in ‘persistent debt’ over two consecutive 18-month periods, then we may have to stop further spending on your card if you can’t or choose not to increase your payments in accordance with the options we provide.

### **I don’t want to carry on paying more in interest and charges than I repay – are there less expensive ways for me to borrow?**

Depending on how you use your card, there can be cheaper ways to borrow over a longer term – such as taking out a fixed-sum loan (depending on the rate you’re offered). Being in ‘persistent debt’ on your credit card doesn’t stop you applying for a loan, although any application for further credit will be subject to an assessment of your creditworthiness and usual lending criteria, and of course the relevant terms and conditions.

## **I’m already having difficulty making my credit card payments**

### **You’re already aware that I’m struggling to make my minimum payment each month – why are you asking for more?**

If you’ve already contacted us to discuss your circumstances and what you can afford to pay, we’ll continue to work with you. We’re not asking you to pay more if you can’t afford to – but we still need to make you aware of what could happen if you carry on paying more in interest and charges, and where you can get further support if you need it.

### **I’m already on a repayment plan – is there any impact on this?**

No – your repayment plan isn’t affected and we appreciate you may not be able to increase what you pay at this time. However, we still need to make you aware of the implications of only making low payments over a long period of time.

### **Where can I get help if I’m worried about my finances?**

We’ve included contact details in the table below, and you can also find help online at <https://www.hsbc.co.uk/1/2/contact-and-support/money-worries>.

## **I’d like to know who to contact with my query, or for further support**

**Who should I contact if...**

I want to set up or amend a Direct Debit over the phone?	Call us on 03457 404 404
I've received a letter about paying more in interest and charges than towards the amount borrowed, and I've a query or would like to discuss this letter with you?	Call us on 03457 404 404
I'm facing financial difficulty and would like to discuss my options?	Call us on 0345 607 7088
I'd like some free, independent advice to help with budgeting and managing my finances?	Contact StepChange Debit Charity on 0800 138 1111 or visit their website at <a href="http://www.stepchange.org">www.stepchange.org</a> ; or Citizens Advice – the contact details of your nearest office are available from their website (England & Wales: <a href="http://www.citizensadvice.org.uk">www.citizensadvice.org.uk</a> ; Scotland: <a href="http://www.cas.org.uk">www.cas.org.uk</a> ), your local telephone directory or library