

How to understand your credit card statement and avoid penalties

Thoroughly understanding your credit card statement is not difficult, but how you react to the listed information is very important.

Credit card statement is a monthly summary which is generated at the end of a credit card's billing cycle. The statement is sent to the card user via regular post or courier or through email notification for each billing cycle when there is any activity or outstanding balance on the account. However, there may or may not be a statement for the period that had no transaction or outstanding balance.

When you receive your credit card statement, there are various elements in it, that you should look out for:

Statement period

On the top of the bill, you will find the statement period. Statement period generally runs over one month cycle. For instance, if your statement period begins on April 12th, it will end on May 13th. This period must be noticed if you want to know the number of interest-free days. Generally, banks offer an interest-free period of up to 55 days, provided you begin your statement period with no outstanding amount. However, it is essential for you to know that the "interest-free period" is calculated from the starting of the statement date and not from the date you make your purchase via the credit card. For instance, if you make a purchase on April 12th, you will have 55 interest-free days – until 6th June, but if you make a purchase on May 1st, you will have 37 interest-free days.

Payment due date

You will see your payment due date over the top corner below the statement period. It shows the date by when you must repay the amount on your credit card. Any payment if you make after this date will be subject to finance charge and late payment fees.

Minimum amount due

While it is essential to pay your credit card bill in full by the due date, in case you are unable to do so, you must at least pay the amount mentioned under 'Minimum amount due.' If you pay lesser than the minimum amount due, you will have to pay late payment fee along with finance charge.

Finance charges

Your statement also shows finance charges on your account. Finance charges are payable at monthly percentage rate on all the transactions in the event when the user of the card does not pay the outstanding dues in full and on all the cash advances by the member, till the amount is paid back.

Rewards

Lastly, your statement also lists the rewards that you have earned over course of the period. This only applies to the credit cards endowing rewards programme. The rewards column provides details of the total points carried from the previous statement period, and also those earned in the present statement period, along with points disbursed, lapsed or redeemed.

Thoroughly understanding your credit card statement is not difficult, but how you react to the listed information is very important. Analysing your credit card bill is a good manner of keeping the debt at bay. Once you get the hang of how the statement works, you are already well on your way to a financially subtle and responsible future.

(Financial Express)