

Bad debt credit card

'Bad debt credit card' - what's that?

Bad debt credit card is basically a credit card that the credit card suppliers offer to the people who have bad debt. Did that astonish you? Well, don't let your thoughts run just yet.

You can classify bad debt credit cards into 2 categories based on what you understand by bad debt credit card. The first category of bad debt credit cards is those credit cards that are secured (and are also known as secured credit cards). These bad debt credit cards require a security i.e. you have to open (and maintain) a bank account with the bad debt credit card supplier. The credit limit on your bad debt credit card is calculated as a percentage of the balance you hold in the bank account you have opened with bad debt credit card supplier. Generally, this is 50-100% of your bank account balance. So, this bad debt credit card enables you to spend the amount you hold in your bank account; only the way you spend it changes (i.e. instead of spending that as cash you spend it using your bad debt credit card). So bad debt credit card lets you enjoy the convenience and other benefits that are associated with credit cards, even with a bad debt. This security is as such important for the bad debt credit card supplier; after all how can you trust someone who has a bad credit rating.

The other category of bad debt credit cards are nothing unusual, they are the same cards that we know of most commonly; the only difference is in the way you get them and the objective behind getting them. Here, we are talking about the credit cards that you use as a debt consolidation mechanism i.e. consolidating bad debt (as such any debt is bad). So we can call them bad debt credit cards too. These operate by transferring of the balance you owe on your current, high interest credit cards to these bad debt credit cards that have a lower APR (at least for some initial period). Hence, these bad debt credit cards help you in consolidating your debt and getting some relief from the higher APR that you were experiencing on your current card.

Some people accept both of the above categories of credit cards as bad debt credit cards while others tend to go with one or the other. So, what you regard as a bad debt credit card is really a matter of personal choice.