

Secured vs. Unsecured Business Credit Cards: Which is Better?

Having a bad credit record can surely become a hindrance in establishing your business. Most likely, you will have difficulty in trying to persuade lenders to give you a credit account, which can be very significant for your company. Without a credit account for back up, you are placing your company at a very huge threat of running out of financial resources and even a possible pause in its operations.

But because your credit score may not be very constructive to your reputation, you may have very limited options -either you get an unsecured bad debt credit card or a secured credit card. In this article, let us know the difference between these two credit cards and how they can help your business, especially if you have bad credit.

The Difference Between a Secured and an Unsecured Credit Card

A secured credit card would basically require you to have a security deposit in the bank before you can use it. This amount of deposited money will be your guarantee of payment to your lender. Most secured credit cards though, hold credit limits amounting to a percentage of the balance that you have in your account so if your business may need to make large purchases that your balance cannot afford, then this may slow things down.

On the other hand, an unsecured credit card allows you to make purchases even without the collateral. But such a loose set-up may also charge high rates of interest and may have stricter penalty agreements for late payments as compared to that of a secured account. Despite this, a lot of people still prefer this type of account, as it seems to offer more flexibility and freedom to its users.

However, in cases mentioned above wherein you have a huge debt or a bad credit record, the chances are that signing up for an unsecured account might be too risky. After all, if you are not well disciplined in using your credit card, you might just end up adding more and more to your already escalating debt.

How Do I Choose Which Is Best For My Business?

Because of the fact that both types of credit cards have good and bad characteristics, the key to choosing which would be best in your situation is to consider the potential of your company to make the right payments as well as its needs. Bear in mind that you have already started off with an unfavorable credit score. So be sure that if you sign up for an unsecured credit card account, your business is making enough profit to put up timely payments to the lenders.

Otherwise, the high interest rates will just further sink your business into bad debt.

Also, unsecured credit cards are only best used if the type of business that you have is really in need of a more flexible system of borrowing finances, such as that of manufacturing companies that need to purchase large quantities of materials in order to have production.

In such cases, unsecured credits are reasonable for use. But still, if you are just running a small business and fearful of possibly worsening your already damaged credit score, then opting for a secured credit account will be a much safer bet. With this, you can forego with possibly drowning yourself in escalating rates of interest that your company might not be able to cope up.

If you have bad credit, the choice for which credit card would be best for you will basically depend on your business. If your business has high demands for large purchases and if you as the business owner can make sure that you can most probably make your payments on time, then there is nothing wrong with getting an unsecured account.

But if your company does not always need to make huge purchases anyway and you want to be sure in improving your credit score by avoiding late payments and huge debts, a secured business credit card is highly advisable.

No matter which you choose, always remember that you can only improve your bad credit and pave way to the growth of your business if you handle your finances and credits well.