

Title:

Credit Card APR - What exactly is APR?

Word Count:

423

Summary:

Credit card financial jargon can be complicated for most people to understand. Even after being given the financial details from the companies themselves, most people would still be completely lost. Hopefully after reading this article you will have a better understanding of the terminology most companies use, allowing you to make a more informed choice when selecting the best card for your needs.

Keywords:

annual percentage rate, credit card apr, credit card, credit card comparison, interest charges, credit card companies,

Article Body:

APR stands for Annual Percentage Rate. APR attempts to create a single figure of interest allowing the consumer to compare like with like when selecting the best product for their lifestyle.

Without APR it would be literally impossible to make this kind of quick comparison because the credit card companies use different calculations to compute their interest and other charges. Without APR it would be possible for a card bearing an 'advertised' interest rate of 12% (not APR) to be more expensive than one charging 16%.

Financial Regulators (such as the the UK's FSA) have recognized this and as such have attempted to put in some safeguards to protect the consumer, making sure that there is at least some standard information allowing comparison between interest rates and other associated charges.

The main thing to remember is that APR takes into account not only the interest charges levied, but also any other costs that are also included. Credit card companies use different calculations to compute their interest and other charges, so APR makes it easier to make a good credit card comparison between products. Generally speaking, the lower the APR, the less money you will end up paying back in interest to the credit card provider. It is very important to make sure you compare the APR of different credit cards when deciding which credit card to take out, as card issuers may

offer a low rate of interest for an initial period but this will increase at the end of this period.

Any credit card deal will take the following items into consideration :

- the interest rate you must pay
- how you repay the loan
- length of the loan agreement (or term)
- frequency and timing of instalment payments
- amount of each payment
- fees associated with the product
- premiums for payment protection insurance (the lender may choose to make this compulsory)

Remember; if you are looking around for a credit card, you should try and get as low an APR rate as possible. However, be on the lookout for other costs; administration fees, legal fees or penalties you may incur for late charges. It is always wise to shop around for any deal involving finance, making sure that you consider all the options before signing on the dotted line. There are many ways to do this online, with many companies offering comparison tables on each deal offered. These days you have no excuse not to, the information is freely available.

The law that covers credit agreements in the UK is the Consumer Credit Act (1974).

Happy searching!