

## BEWARE OF REVOLVING CREDIT!

**Revolving credit** is another form of consumer credit, and consists of **a sum of money that the bank or financial intermediaries have made available to the consumer**. The term 'revolving' means that **once the credit has been repaid, it becomes available again**. This sum may be used by the consumer for his personal needs, but not for business needs.

For example, if the consumer applies for a revolving credit of €1,000 and uses €600 of it, the amount of money that can still be used is €400. If in the course of the following weeks the consumer repays part of the credit used, e.g. 100€, the available credit will become 500€.

Compared to special purpose and personal loans, **this type of credit is more flexible with regard to its use and there is the possibility that it does not have a predefined repayment schedule**. In any case, the consumer repays the loan amount, interest and any ancillary financing costs through future payments.

### ATTENTION

This type of unsecured loan is among the most insidious for the consumer. Careless use of the revolving card can lead to unpleasant consequences. First of all, if you make several transactions with the card, you can lose track of the amount for which you are borrowing. And then, since the credit limit is replenished as you pay off your instalments, you can continue to borrow money from month to month. If one uses the card over and over again, not only for important one-off purchases but also for everyday needs, one actually continues to borrow potentially indefinitely. With the effect that you pay far more than you spend, since each instalment includes both a principal and an interest portion, and interest continues to accumulate even on small amounts used.

**Revolving credit cards** are one of the instruments with which revolving credit can be used. These particular credit cards provide for the existence of **a sum of money (ceiling) and the possibility of disposing of it through the use of the card itself**, for the payment of one's purchases or the withdrawal of cash. At the end of the month, **the amount used is distributed and charged through monthly instalments agreed in advance** with the bank or financial intermediary.

Another instrument are **'balance' credit cards**, whereby **the amounts used in the month are debited all at once on a specific date**, e.g. the 15th of the following month.