

Rate Tarts Are In A Jam As 2 Million Balance Transfer Applications Are Rejected



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The latest credit card market analysis from uSwitch.com, the independent price comparison and switching service, reveals that almost 2 million consumers have been rejected for balance transfer deals in the last year. This represents 57% of all credit card rejections, forcing these consumers to fork out £535 million in interest payments in the next 12 months as they are unable to switch to a new provider. In total, £3.5 billion of credit card debt is now stuck on interest bearing credit cards as consumers cannot switch to their next 0% deal.

Across all types of credit card, more than one in ten consumers, totalling 3.32 million, has had an application declined in the past twelve months. This is a clear sign that providers are still acting on the air of caution and only lending to those with a squeaky clean credit record. This is a huge problem in the credit card market, particularly for rate tarts. In 2008, consumers carried out an average of 650,000 [balance transfers](#) every month. For many people, the 0% party really is over as they have reached a dead end.

Alongside a drop in acceptance levels, the number of balance transfer deals available is also a problem for consumers. There are now 178 balance transfer credit cards, representing 74% of all credit cards compared to 204 this time last year. The biggest casualty of this has been the 10 month deals which have fallen by 83% to just 1 deal.

With just one provider, Virgin, offering a 16 month 0% balance transfer deal, consumers are pushed towards the more popular six

month balance transfer deals which represent a third of the market (33%). However, with the average balance transfer fee currently at 2.9% consumers will have to pay £54.09 on the average balance of £1,846. Unless consumers are planning to pay the credit card balance during the six month offer period, this could be a costly way to move money around.

Louise Bond, personal finance expert at [uSwitch](#), comments: "We can't ignore the fact that the country is in economic turmoil – a situation which has been catalysed by bad consumer credit. The knock on effect for credit card customers is that those with a less than perfect credit history could find themselves being turned down for the next best 0% deal, forcing them to pay interest. This is a huge problem for switchers as these people have accumulated debt based on the fact they do not have to pay interest on it.

"The knock on effect of rejected credit applications is that it will appear on your credit report and, in the long term, have a negative impact on your score. With this in mind, it's important to check your report before applying for products to make sure you stand a good chance of being accepted – constantly reapplying to different suppliers will make the situation worse. If you can't get another credit card, think about using a 0% overdraft, an [unsecured personal loan](#) or, if there are no other options and debt is getting out of control, speak to your provider or seek professional advice."

Bond's credit card tips:

- Check your [credit report](#) before making any applications for credit.
- If you are rejected for your next credit card, do not any further applications until you have checked your credit record. Failed applications for credit will have a negative impact on your credit score.
- You must also close down any credit card accounts you are not using. The available balance on these accounts will be taken into consideration when you are applying for a new card.
- Missed credit card payments also impact your credit score, the best way to avoid this is to set up a monthly direct debit for the minimum payment.
- If you are not planning to pay the balance off in full during the 0% balance transfer period you should consider life of balance cards. This

will provide one low rate of interest for the entire time the balance is on the card.

- Depending on which issuer your balance transfer card is managed by, you may not be allowed to switch your balance to another card within the same group. By using uSwitch.com's balance transfer tool, you will only be allowed to apply for cards that are available at you.

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