

Credit cards: advantages, disadvantages, and personal opinion and analysis

Law



Advantages and Disadvantages of Credit Cards Advantages and disadvantages of Credit Cards Introduction Credit cards have been on the increase in the recent past days. Resulting from this pressure, the act of 2009, Credit Card Accountability, Responsibility and Disclosure, was signed into law by President Obama. This legislation geared towards improvement of consumer disclosures and stopping the numerous egregious practices in the entire industry. These cards could either be used to make payments locally or internationally. However, the cards have advantages as well as disadvantages.

Advantages of Credit Cards

For those who use credit cards and those who would like to use the cards in future, they have several advantages governed by the Credit Card Law. One of the advantages is that the lender or the issuer of the card has no right to increase any rates of one's existing balance. However, the rates increase if the rate of promotion expires or the user pays later after 60 days or if there is an increase in the rate of the variable index. Therefore, the consumer will not be in a position to face any type of punishment because of doing late payments on accounts that are not related. This is achieved because there are clauses that state that one can do payments anytime with any reason. However, if by any chance the borrower triggers the rates that are default due to the delinquency of 60 days, the lender must do the restoration of the lower rate immediately the borrower pays on time for a period of six months consecutively.

Another advantage is that the consumer must get a notice from the lender about the changes made in the contract for forty-five days. The lender of the

card has no right to change the limit credit of the borrower unless the owner agrees and approval is done. Therefore, as the cardholder, one must be notified on the changes made in the terms and condition of the contract in holding the card. The issuer is required to give the cardholder a twenty-one days period to do the payment. Once the account is opened, the holder does not pay much charges because the charges do not go beyond 25 percent of the previous limit of credit. A lender has no right to apply two methods when manipulating variable rates (Furlong, 2012). The law restricts the lenders from issuing cards to persons under twenty-one years who are not in a position to prove that they are independent and they have an independent income means. The law prohibits the issuers from basing the charges of the borrowers on the previous balances and the current balance because this can lead to charging interest on the debt that is already cleared in the last months.

Disadvantages of credit cards

Any persons under the age of 21 have no right to own a credit card unless he or she has a cosigner. However, only those who indicate that they have means that are independent in making of the payments can own a credit card (Furlong, 2012). The consumer has the chance to increase charges after sending a notice to the cardholders. With this, the charges continue increasing. Worth noting, these cards blow one's budget since in most cases it is not mandatory to offset one's balance monthly. Specialists in law argue that the cards are prone to fraud. Not just the card's physical stealing, the card number can be stolen hence chances of racking up one's debts.

In conclusion, the law is good because it protects the consumers from

exploitation from the lenders but it should consider students by charging them less and put a maximum amount to borrow because most of them end up falling into the hands of payday loans' lenders who charge more than the credit card lenders. However, just as the law protects the young people, it should protect the elderly people who are not considered yet they depend mostly on their pension and do not have an income. The law should protect the elderly in that they are charged less. Constant charges should be set because after the issuers give a 45-day's notice, they end up increasing charges now and then.

References

Furlong, M. A. (2012). How Americas Newest Consumer Credit Statute Fails to Protect Its Oldest Consumers: A Critique of the Credit CARD Act of 2009*. Oklahoma Law Review, Vol. 64 (161).