

## Alternatives to Credit Cards

Are you one of those people who only ever got a credit card for the convenience of being able to pay without cash, or because you weren't aware of any other easy way to borrow money? Millions of us are, thanks to the unavoidable advertising of the credit card industry, and few people realise just how many alternatives to credit cards there are. Let's take a look at a few.

### ***Debit Cards.***

Debit cards are often used in many European countries, but are relatively unheard of elsewhere. Basically, they're just like credit cards and are accepted everywhere credit cards are accepted – the only difference is that they take any money you spend directly from your bank account, instead of you getting a bill at the end of the month. You should be aware, though, that you aren't as well-protected from fraud with a debit card as you would be with a credit card.

### ***Pre-Paid Credit Cards.***

These are cards that work just like credit cards, except that you can't have a negative balance – you have to put money on the card before you can spend it. That means that you 'top-up' the card, like you would a mobile phone. This is good if you want to know how much you're spending, not to mention that you can even give the cards to children. They're also safer than debit cards, since someone who stole the card could only spend whatever money was on it at the time.

### ***Bank Overdrafts.***

A good bank overdraft, used together with a credit card, can be a far better way of borrowing money than using a credit card. Your overdraft limit is set by the bank according to how much you get paid into your account each month, and you don't need to pay it off until you want to.

Basically, it just gives your account the facility to go into minus numbers, if you want it to. Many banks charge relatively high interest rates for overdrafts, but rarely as high as a credit card – and they will give much better rates for good customers.

### ***Real Loans.***

When you're buying one big thing at a fixed price (like a car), or you're going to spend all the money on one type of thing (home improvements, for example), it's worth budgeting it all out and going to a bank or another loan company. They'll be able to lend you the money at a much better rate than a credit card would, simply because they know why you're taking the loan and can set regular monthly payments for you to repay it.

### ***Credit Unions.***

Credit unions are like banks, only more local. They are co-operative, owned by their members and run by the community, and are a great place to borrow money. This is because there are limits in law on how much interest credit unions can charge, and they don't need to make a profit for owners or shareholders, because they don't have any. It's well worth checking if there's one in your area.