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Hike in credit card charges to hammer hard-up shoppers

MILLIONS of borrowers are facing a New Year catastrophe over a crippling increase in the cost of paying with plastic.

Credit-card companies came under fierce criticism yesterday after it was revealed that one firm is hammering its hard-up customers with an interest-rate hike of nearly 10 percentage points.

From tomorrow cardholders will have to pay 33.9 per cent for some transactions. The move by credit-card company Marbles will hit 338,000 customers and financial analysts predicted the shocking increase was "only the tip of the iceberg".

Experts warned that the most cash-strapped users will be the worst hit by the increases but insisted that every household will feel the pinch as the worldwide credit crunch kicks in.

Borrowers in Britain already owe £1.4trillion - more than the entire economy generates in a year.

In the run-up to Christmas consumers put nearly £34billion on their cards - and a report revealed customers

By David Pilditch

are still paying more than £4.4million debts from last year's festive period.

Marbles, bought from HSBC by SAV Credit in October, is the latest firm to lift rates after a clampdown on rip-off late-payment penalty fees.

From tomorrow the firm, which targets customers with poor credit records, will charge as much as 33.9 per cent interest per annum on cash withdrawals - up from around 24 per cent.

Customers will also be hit by a higher rate of 26.9 per cent for purchases - up from 19.9 per cent and double the average rates charged by most credit cards.

Financial planner Jonathan Davis said: "If people are paying 30 per cent on their credit cards they are in great difficulties."

"Who can pay that and keep their head above water? Unfortunately I'm not surprised by this - it's just the first of many."

"Credit-card companies have to make up their losses from bad debts. There is a global credit crunch going on."

"We have all gorged on borrowing and debt. Britons borrow more money per

capita than anyone else in the world. The economy has been propped up by increasing borrowing and spending."

"We are now heading for a recession and we have to face up to that - 2008 is going to be grim but it's going to get worse. There is an element of individual responsibility. People need to stop spending more than they earn."

Campaigners warned that the most needy customers would be the hardest hit by the hikes.

Damon Gibbons, of anti-poverty pressure group Debt On Our Doorstep, said: "It's another example of how firms target low-income borrowers, charging them high rates of interest that can only lead to them becoming credit-dependent, tied into a spiral of debt."

Marbles, one of the UK's first online credit cards, was launched in 1999.

SAV Credit said the average rises would work out at around four per cent for retail transactions and six per cent for cash advances.

A spokesman for the firm added: "People are able to move to other providers if they don't want this."