

Advice

Credit Crunch Vs. Christmas

By Chris Eccles

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With money tight and the holiday's approaching, the question is: How will you afford all those lavish gifts? Chris Eccles of Employment for Students tells you how to use [Credit cards](#) and make money!

If you're living away from home, say, studying at a London university taking the maximum maintenance loan of £6,475 from the Student Loans Company, you could earn £243.46 in 10 months if you save the cash in a Birmingham Midshires e-Saver Account earning 6.52% AER.

Thousands of students across the UK will have embarked on, or returned to, their university adventure very recently, with, almost certainly, money on their minds. Many will also have a significant loan payment coming into their account. Some websites, such as [E4S.co.uk](#), can show you how to use credit cards to actually make money out of that loan, even while spending it!

Despite the "credit crunch", many credit card companies are offering 0% interest deals when you take one of their cards, which, according to a recent survey by E4S, was the single most important feature considered by nearly 50% of the responding students. The interest free period can be anything up to 10 months, which means that you can put your maintenance loan into a high interest savings account and use the credit card for your expenditure. A small monthly payment (around £5-£10 depending on the card) needs to be made, but no interest will be charged on the credit card balance for the 0%

interest period.

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Once the 0% interest period is over, the credit card company will start charging interest, which can be anywhere from 10-40% APR. So you will only benefit if you pay off the balance in full (according to the E4S survey, 40% of responding students wisely ensure they do this). The key, therefore, is to keep the spending below your loan, so there is enough money in the savings account to pay off the credit card balance as soon as the 0% interest period is over.

Care is needed, however, as the maintenance loan also charges interest, but that is fixed at 3.8% until 31st August 2009, so the interest on the £6,475 loan over the whole year is £187.11. That makes it £56.35 less than the interest paid by the high interest account. Therefore, some students could use a credit card and savings account to cancel out the interest on their maintenance loan, and still get as much as £50 for their troubles!

There is a common misconception that a high salary and full time job are required to get a credit card. Don't be put off by this inaccuracy, as credit card companies assess the ability of someone to pay back the money they borrow on a credit card, so many card companies factor in different types of "income", and not simply salary. The Student Barclaycard, for example, asks whether a student's main income comes from loans, Local Education Authority awards, parental contributions or other sources. Many credit cards do require a minimum "income", but that can include maintenance grants/loans, interest on savings/investments, funding from parents, as well as any part time or holiday job wages, so students should not be put off applying on the basis of their salary alone.

Whilst credit cards can help with short term cash flow problems and develop a credit rating, they have incredibly high interest rates on unpaid balances, so they have to be managed carefully. If you are disciplined and good at spending within a budget, then you can benefit from some of the credit card deals currently in the market. However, shopaholics and spend thrifths should steer well clear of credit, because it is incredibly costly if badly managed! All others, enjoy!

Chris Eccles is the director of Student recruitment website Employment for Students