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Make your New Year stretch to 15 months with 0% interest!

See how much you could save with a 0% balance transfer deal

 BOOKMARK 

By Helen Baggott

Staff Writer, 2 January 2008

Most of us will have added on a few pounds over the past couple of weeks, but one area you can't afford to lose any is in your finances.

Perhaps you over-worked your credit card in the weeks up to Christmas? Then now would be a good time to look at ways to take some of the pressure off.

If your balance is around the £5,000 mark and you opt to just pay off the minimum each month, it would take a staggering 43 months to clear (based on an average minimum of £155 per month) - and that's ignoring the fact that you might like to add to the balance at some point during the next four years.

Your original debt will also be inflated by over £1,500 in interest (based on 16.9% p.a.) - making a mockery of all those pre-Christmas bargains you snapped up.



The Year of the Rat - "an appropriate time to start new ventures and break new ground"

So what to do?

Fortunately, credit card companies are desperate to help. Many are offering to accept your balance from a competitor and hold interest for up to 15 months, but is there a catch?

To take full advantage of an offer, you would need to clear the balance within the period of offer - and that might affect your personal cash flow. If you have savings, you might consider making a monthly withdrawal to cover the additional repayment. The loss of interest on the savings would be irrelevant in comparison.

[Egg credit card](#) is so keen to beat the rest that you can forgive them for charging a 3% transfer fee (most are quoting 2.5%). They have an extended interest-free period of 15 months and are then topping this off with 0% interest on transfers for five months in 2010 and 2011. This is a bold move and sure to tempt customers into cutting up more competitor's cards and stick with Egg in the future.

[Virgin credit card](#) are also offering 15 months at 0% on balance transfers with a fee of 2.98% - but Egg appear to beat them on some of the 'extras' we expect from a card. It's worth comparing the deals that all cards offer their customers. Most are tied-in with the products you buy - so future benefits are dependent on your spending patterns. Egg's offer of 20% cash back on purchases sounds tempting - but as it's linked to certain purchases, you might never see it.

Is it worth it?

If you did manage to repay the balance within the 15-month 0% period you could save yourself over £380 in charges (including the cost of transfer, approx. £150 for a 3% fee) - based on a monthly repayment amount of £370 to clear a £5,000 balance (plus fee) within 15 months.

Of course, to really make the savings you mustn't spend any more on the card and resist the temptation of any coupled 0% purchase deals - especially those that expire quicker.

If £370 sounds like a lot of money to come up with every month for the next year, you could still save that £380 and just shift any remaining balance to another [0% balance transfer deal](#) or even a [low-rate for life deal](#) when the initial 0% period expires.

Even if you didn't manage to move cards a second time, you would still of saved £380 over the next year, which you could put towards your balance owing instead of seeing it disappear in charges.

And for the future? Credit card companies know you won't stop spending, so some are now offering [0% on new purchases for up to twelve months](#). Play your cards right and you can win the game - hands down!

- ▶ [Compare 0% balance transfer credit cards](#)
- ▶ [Compare life of balance transfer credit cards](#)