

Borrowing – Credit-Related Cards

Besides credit cards, there are a couple cards that are related to credit cards in some way. These can be useful in a variety of situations, whether you don't qualify for a credit card or perhaps you want a card you or your teenager can use online that isn't connected to credit.

Prepaid Credit Cards

A prepaid credit card is a card that looks and acts a lot like a credit card except for the fact that it doesn't access any credit. You can use it to pay for purchases in the same situations as you use a credit card but it's not connected to a bank account like a debit card or to revolving credit like a credit card. You pre-load money onto the card and then you can use the card to spend that money in stores, online or over the telephone. Because you are spending money you already have, it's not the same as a credit card. You can usually put as much money onto the card as you like, but you must put it on the card before you can spend it and your spending can't exceed the amount you put onto the card. Because this is not borrowed money, any prepaid credit card activity doesn't show up on your credit report.

Some prepaid credit cards allow you to reload the card as many times as you like until it expires. Usually, the money on these cards won't expire and you may need to pay a fee to reload money onto the card. However, not all cards will allow you to reload them and so that's an important thing to ask before you purchase or sign up for a prepaid credit card. In some cases, you may be able to withdraw cash from the card and you usually won't have to pay for transactions you didn't make or approve. You may receive a promotional prepaid card or purchase one like a gift card at a store. These generally can't be reloaded and won't allow you to make cash withdrawals.

Prepaid credit cards may also include fees that will come out of the amount loaded on your card. Be sure to check the terms and conditions for your card to find out what fees may apply. Depending on your prepaid card, you may need to pay fees for activating your card, making purchases, checking your balance, withdrawing money from an ATM, or replacing the card. There may also be fees for customizing the card, loading money onto the card, covering overdrafts, transferring the remaining funds onto a new card, maintaining your card if you don't use it for a certain time period, or keeping your card active each month.

Prepaid credit cards are available through many financial institutions (such as banks and some credit unions), retailers (like gas stations and grocery stores) and even Canada Post. Not all cards work the same or have the same fees. Be sure you understand the specific terms and conditions for the card you are purchasing or signing up for. Typically, financial institutions have lower fees than some of the other places that offer them but there's no hard and fast rule. Be sure you do your homework before you get your card and read the terms and conditions.

Some questions to ask when you're looking at a prepaid card are: Is there an activation fee and if so, what is it? Many prepaid cards will charge an activation fee that will come out of the amount loaded on the card. What fees will apply to the card? Can you reload funds onto the card and if so, how do you do that? Can you use the card outside of Canada? Is there an expiry date and what happens to any money left on the card at the expiry date? Can you transfer your balance to a new card? What do you do if you lose your card? Will they transfer the funds from your lost card to a new card and is there a fee for that? How do you find out the balance on the card and is there a fee for that? Can you cancel the card?

Where can you use the card and what places won't accept it? Can it be used to make online purchases? Is this the best card for you and the way you want to use it? Are you comfortable with all the terms and conditions?

Credit Debit Cards

Your financial institution may offer you a debit card that is also connected to a credit card company such as a Debit Mastercard or a Visa Debit card. These cards differ from a credit card in that they are not connected to any credit so your activity will not show on your credit report.

They are, in essence, a debit card as they are connected to your bank account and function in the same way as your debit card. You can use them everywhere you can use your debit card...at ATMs and to make point of sale purchases. They do, however, provide the added benefit of allowing you to use your credit debit card at participating retailers wherever the associated company's credit cards are accepted. This means you may be able to use your credit debit card when shopping online at participating retailers, to pay for recurring payments such as subscription services and monthly service bills, and even to make hotel reservations at participating locations. Another benefit is that when you travel outside of Canada or shop online internationally, your credit debit card is accepted at international participating retailers usually wherever the company's credit cards are accepted. However, it's always a good idea to check before making a purchase or reservation to be sure the business will accept Debit Mastercard or Visa Debit cards. It's also important to check with your financial institution to see what fees you may incur, if any, when using your credit debit card outside of Canada.

While these credit-related card options don't actually access any credit and so they won't help you build or improve your credit score, they can be very useful in some situations whether you use them in place of a credit card or as a supplementary card in addition to your credit card.