

How To Cancel A Credit Card

If you are fed up with one of your credit cards or simply don't use it, then perhaps is the right time to cancel that card. However, cancelling a card can be tricky, as the company obviously wants you to stay with them. If you follow these simple steps then cancelling a card can be hassle free and will not affect your credit rating:

Pay it off

Obviously, the first thing you need to do before you can cancel a card is to pay off the balance. Although it can be hard to stop spending on the card, it is best to pay off the balance first. This will make it much easier to cancel and you won't incur any penalties when you do so. If you try to cancel the card whilst you still have a balance, the credit card company could put your interest rate up to the maximum whilst you pay the balance off.

Phone the credit company

After you have paid off the balance, the first step in cancelling your card is to notify the credit card company by phone of your desire to cancel. The number for your card issuer is usually located on your statement or the back of your card. When you call to cancel, expect the company to try and convince you otherwise.

Listen to their offer

When you cancel your card, the credit company might well offer you a new deal in order to keep you as a customer. They might offer you a lower interest rate or some other perks such as an upgrade to a platinum card. If the offer is good, then think about whether you should cancel. If you are trying to get rid of cards, then maybe you can get rid of another one. However, if the offer is not forthcoming then cancel your card without hesitation. If you have really set your mind to cancelling that card for whatever reason, then do so.

Write a letter

After you have cancelled your card, you should write to the credit card company and inform them that you want your credit report to show you cancelled the card voluntarily. If your credit report just shows you have had an account closed, other lenders might think the company closed it, and this will harm your credit score.

Check your report

Wait about a month after sending the letter, and then request a copy of your credit report. You want it to show that you cancelled the account. If the report says 'closed by creditor', then you need to do something about it because this will reflect badly on you. Call the credit card company again to let them know the mistake and follow up with another letter, along with a copy of the original letter. You need to do this because it is your responsibility to make sure your report is correct

When not to cancel

If you are trying to improve your credit score, then it might be a bad idea to close accounts. If you have unused credit this looks better than having used most of your credit. For example, if you have £5,000 used credit and £8,000 total credit, getting rid of one £2,000 card means you are using £5,000 out of £6,000 credit. This looks like you are more in debt than when you have free credit. However, if you know you need to close the account to avoid spending it, then cancelling a card is a good option.

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About the Author

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