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Market Watch

Deferring credit card, personal loan payments may cost more

BY [ASHWIN MANIKANDAN](#), ET BUREAU | UPDATED: MAR 31, 2020, 03.02 PM IST

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MUMBAI: Read the fine print on your [credit card](#) bill? If you did, you might not consider deferring those repayments — or that [personal loan](#) you took to fund that trip to Maasai Mara this winter.

Of course, the central bank has given a three-month grace on repayments — and those include unsecured loans such as credit card repayments and personal loans. But the interest on them wouldn't be waived, and since banks don't have a security on these advances, the rate of interest would pinch.

While lenders across the board are still finalising the nuances of how they'll extend to customers the moratorium benefits, [industry](#) experts are advising customers to pay off those loans where interest rates are rather high.

“The moratorium applies for overall card outstanding inclusive of interest. If one chooses to opt in for the moratorium, such outstanding interest will accrue further interest, leading to compounding,” [RBL Bank](#) said, responding to ET's mailed questionnaire on the topic.

“Customers are advised to make the maximum possible payments on time rather than deferring payments, leading to interest charges being levied.”

While the burden could be manageable for borrowers of a benign interest loan tenor — home loans, for one — this may not be the case with borrowers of loans with higher interests, such as credit cards and other unsecured personal loans. Rates in these cases are typically north of

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40% per annum.

Industry experts have pointed out that the central bank relaxation guidelines only cover deferment of principal amounts and lenders may still opt to accrue compounded interest rates in this period, leaving customers under huge repayment burden when the moratorium ends.

Take for example a letter by credit card bill management fintech CRED to its customers: "CRED recommends that you continue paying your total due amount (or as much as possible) within the due date to avoid interest charges at 36-42% compounding annual interest rate, if you can."

A customer, choosing not to pay until end-May dues of Rs 1,00,000 on her credit card as on March 3, would be required to pay Rs 1,15,000 in June, CRED explained. That would include the Rs 1,00,000 due as principal, and RS 15,000 by way of interest and other charges.

The central bank governor on Friday announced a slew of measures, including a 75bps repo rate cut and grace period on all term loan repayments for a period of three months between March 1 and May 31. These are taken to ease the economic impact on millions of borrowers facing financial disruption caused by the pandemic. In the absence of clarity from the central bank, the call on how and when the interest rates would accrue for customers opting for the moratorium could depend on individual lenders.

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