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## Big rise in credit cards brings increase in debt

Updated: 2012-10-22 09:41  
By Wu Yiyao in Shanghai (China Daily)

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Shao Xiaowei was excited to see the weblink of his micro blog accounts inscribed on his new credit card, the fourth credit he applied for in the past three months.

"It's trendy, isn't it? I need to get another wallet with more card slots - another two more cards are on their way," said Shao, a 20-year-old college student.

Every co-branded card in Shao's wallet works to "up-grade my lifestyle and helps save money", Shao said.

A card personalized with his horoscope sign gives him discounts at duty-free shops; another card provides free upgrading of cup size at Starbucks; yet another enables "buy one get one free" movie tickets at certain cinemas; the final one with the micro blog account link offers free food vouchers at some restaurants.

It's easy to apply for the cards: at college gates, at exits of subway stations, at shopping malls or just click your mouse.

In taxis, subway stations and even in supermarkets, residents in Shanghai are drawn by many advertisements for a dizzying variety of credit cards.

Since 2001 many Chinese banks and some foreign banks have gone to great lengths to promote their consumer credit card businesses. Consumer credit yields high interest at relatively low risk. A bad loan ratio, hovering around 1 per-cent for consumer lending, is considered pretty low by global standards. The high interest rates easily justify the low risks.

Launching co-branded cards may significantly help card-issuing banks to conduct data mining and increases the number of clients, said Sullivan Chan, a data analyst with Citi Bank Shanghai.

A sales pitch for co-branded cards, especially those between banks and airlines or department stores, may target and easily appeal to certain groups of customers who are loyal enough to take frequent advantage of them - very often application terms and conditions have been designed to select people with purchasing power and loyalty to certain products or services and have screened random buyers, according to Chan.

Shao's six cards are among the approximate 3.35 billion cards issued on the Chinese mainland since 1985. In the first half of 2012 alone, customers in China signed up for 400 million newly issued credit cards, a 17 percent year-on-year increase, according to a recent report by the People's Bank of China, the central bank.

Average per capita spending using a bank card in 2011 was 3,619 yuan (\$570), the report said.

A recent report by China Union Pay said, in 2011, about 1 yuan out of every 5 yuan spent in China was spent using a credit card. The total, 2.85 billion transactions, amounted to 7.56 trillion yuan.

Veteran credit card users have enjoyed other ways of saving money.

"In 2001, I got bank cards for the convenience of wiring money, as requested by my university, which asked us to send tuition fees via bank cards. It took me half a day to learn how to do it safely," said Hu Haofeng, a 29-year-old salesman and owner of 12 credit cards.

Hu was attracted by the free gifts offered by various banks to new credit card applicants. He then applied for two more cards.

Later he applied for a Master card and a Visa card for easy transactions overseas. He now receives now about 10 newsletters from banks informing him about the latest promotions for card owners.

"The best part about having a credit card is the convenience and that's the very reason why I have applied for so many of them," said Hu.

Zhu Yin, a 27-year-old specialist with a call center for the card department at a Shanghai bank, said if users do not understand the basic rules of using cards, it could be most inconvenient.

"Among all the phone calls I receive every day, most of the users complain or inquire about problems with the limit of their credit, said Zhu.

Some users do not remember their credit ceiling and just buy far beyond their budget. They have difficulties paying back the money when it's due.

"Once they are charged interest for delayed payment or they are given a fine for not returning the money on time, they lose their temper, shouting at me, saying that banks are an evil power that lured them to apply for a card and then chased after them for money," said Zhu.

Zhu said she feels quite depressed at receiving such calls but all she can do is to explain the terms and conditions to the users and try to help them figure out a solution.

Mark Chang, a credit manager at a branch of Standard Chartered Bank, said banks must control the risk of default by card users.

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