Understanding Interest

Effective 12 December 2018

This guide provides an overview of the interest charges associated with your credit card issued by Macquarie. For more details, please refer to your Financial Table and Conditions of Use.

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Introduction

To make sure you're getting the most out of your credit card, a good place to start is with a clear understanding of what interest is and how it's charged.

Put simply, credit card interest is the charge for borrowing money through your credit card account. How much interest you'll pay depends on which card you have, the type of transactions you make and when you make your payments.

Credit card interest is calculated based on the balance you have outstanding on each day of your statement period. The interest rate, also known as the Annual Percentage Rate (APR), is included on the front page of every statement you receive. Different APRs apply to different transaction types.

Does my credit card interest rate change?

Interest rates are variable and subject to change. When interest rates change, you'll be notified by an advertisement in the national newspaper or in writing and your next statement will also include a notification of the new interest rate.

1. Understanding Interest

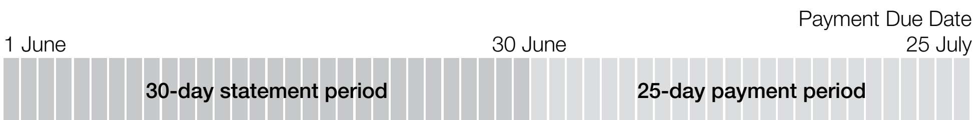
a. How does the up to 55 days interest-free period on purchases work?

Let's say you start with a $0 balance, as you would if you had just activated your new credit card or paid your previous month's balance in full.

As an example, if your next statement period runs from 1 June to 30 June and your credit card features an up to 55-days interest-free period, you'll have approximately 25 days (the payment due date) after 30 June to pay your bill in full before you're charged any interest. Purchases made on 1 June would be 55 days interest free and purchases made on 30 June would be 26 days interest free.

If the payment due date is scheduled to be on a weekend, the actual payment due date will be the next business day.

Here's how it looks:



b. Reinstating the interest-free period

If you don't pay off your statement closing balance (excluding Interest Free Finance amounts) by the payment due date, then you'll incur interest on your purchases from the day after the payment due date until the full closing balance (excluding Interest Free Finance amounts) as shown in the next statement is paid.

If you make a payment after your Payment Due Date on that statement but prior to your next Statement Period, you will continue to be charged interest until you pay the closing balance (excluding Interest Free Finance amounts) appearing on your next Statement by the Payment Due Date.

Once interest begins to be charged, any new purchases (excluding Interest Free Finance amounts) and fees will not receive an interest-free period.

The interest-free period will be reinstated once you have paid the full outstanding closing balance (excluding Interest Free Finance amounts) appearing on your next statement by the Payment Due Date.

Please note that interest may be shown on your statement after you've paid the full closing balance (excluding Interest Free Finance amounts), as interest is charged on unpaid purchases (excluding Interest Free Finance amounts) and fees as well as new purchases (excluding Interest Free Finance amounts) and fees from the transaction date in that statement period until the balance is fully paid off.

When you pay the full closing balance each month by the payment due date, you will enjoy the benefits of interest free days on purchases.

To make sure you never miss a payment, set up a direct debit in Online Services.

2. How is interest calculated?

We calculate interest on each amount we debit to your account starting from the date of your payment due date or transaction date until the day you repay it. At the end of each month, we charge interest separately on:

1. purchases
2. cash advances
3. balance transfers
4. special promotions (interest free finance if available on your product).

Interest on each of these categories is added to the balance. Please note, any fees charged are considered purchases. For each category we calculate the interest by performing the following three steps:

1. identify the balances outstanding at the end of the period.
2. multiply each balance by the number of days interest is accrued. This is either the number of days since the payment due date or transaction date, depending on the type of balance and if you have previously made your payment in full. The resulting figure is called the aggregated balance.
3. multiply the aggregated balance by the applicable daily interest rate (the annual rate divided by 365).

Interest charged = aggregated balance x daily rate (%)

3. Making payments

The minimum monthly payment is calculated as a percentage of your closing balance for the statement period or up to $50 (whichever is greater). Please note, the minimum monthly payment calculation is dependent on your product. You must pay the full amount of the closing balance if it's less than $50.

You may always pay more than this amount and payments can be made at any time. If your balance exceeds your credit limit or you have an overdue payment outstanding, over-limit and overdue amounts as indicated on your statement must be paid immediately to your account.

Payments are first allocated to the part of balances to which the highest annual percentage rate applies, then to the next highest rate and will continue in descending order. Payments are therefore usually allocated to your account in the following order:

1. cash advances
2. purchases
3. balance transfers or special promotions*.

*Accounts with balance transfers are not eligible for an up to 55-day interest-free period. When your balance transfer or interest free finance offer expires, the interest rate on relevant remaining balances will revert to either the cash advance rate or the purchase rate (dependent on your product). Payments will not be allocated on the balances not included in the statement (unbilled balances).

4. How it works in practice

These three case studies show how interest is charged depending on how much you pay each month. The first two look at what happens when you pay off the full amount owing compared to only paying the minimum monthly repayment. The third case study shows how you can return to interest-free status.

The following applies to all three case studies:

The account is opened on 3 December. The interest rate on purchases is 19.99%.

Case study 1 – No interest charged when you pay off full amount owing

If you pay the full balance ($150) by the due date, no interest will be charged. To avoid paying any interest on your credit card account, the balance should be paid in full by the due date each month.

December statement	
Statement period 3 December - 2 January	
Opening balance	$0.00
Payments & credits	$0.00
Purchases	$150.00
Interest & other charges	$0.00
Closing balance	$150.00
Payment due date	27 January

Transaction summary			
Date	**Detail**	**Amount**	**Balance**
3 Dec	Opening balance		$0.00
6 Dec	Groceries	$115.00	$115.00
24 Dec	Gifts	$35.00	$150.00

Case study 2 – Interest charged when you only pay minimum monthly repayment

Interest is charged when you don't pay off the full outstanding balance. In the case study below, interest is calculated from the day after payment due date on the outstanding December 2018 balance.

In addition, interest will also be charged on the January transactions and will be assessed from the day after the December statement payment due date or the transaction date (whichever is the later date). Once you begin paying interest, you'll no longer have the up to 55-day interest-free period on purchases.

January statement	
Statement period 3 January - 2 February	
Opening balance	$150.00
Payments & credits	-$50.00
Purchases	$80.00
Interest & other charges	$0.58
Closing balance	$180.58
Payment due date	27 February

Transaction summary			
Date	**Detail**	**Amount**	**Balance**
3 Jan	Opening balance		$150.00
27 Jan	Petrol	$35.00	$185.00
28 Jan	Payment	-$50.00	$135.00
28 Jan	Travel	$25.00	$160.00
29 Jan	Bills	$20.00	$180.00
2 Feb	Interest-purchases	$0.58	$180.58

Calculation of interest:

Date	Detail	Amount	No. of Days	Aggregated Balance	Interest Charged
28 Jan	December balance	$100.00	6	$600.00	$0.33
28 Jan	Petrol	$35.00	6	$210.00	$0.12
28 Jan	Travel	$25.00	6	$150.00	$0.08
29 Jan	Bills	$20.00	5	$100.00	$0.05
				TOTAL: $1,060.00	**$0.58**

In this example, the APR is 19.99%. The daily rate is therefore 19.99/365 = 0.054767%. Interest charged = total aggregated balance ($1,060) x daily rate (0.054767%) = $0.58.

Case study 3 – Returning to interest-free status

In this scenario, the customer is accruing interest on an outstanding balance from previous months. The customer pays the entire balance in full by the payment due date. Interest will not be payable on purchases after the full payment is made. Interest is applicable for the purchases balance from the start of the statement period to the date the full payment is received.

Assuming the customer continues to pay the entire balance in full next month, interest will not be accrued starting from the payment on 27 February.

February statement	
Statement period 3 February - 2 March	
Opening balance	$180.58
Payments & credits	-$180.58
Purchases	$150.00
Interest & other charges	$3.10
Closing balance	$153.10
Payment due date	27 March

Transaction summary			
Date	**Detail**	**Amount**	**Balance**
3 Feb	Opening balance		$180.58
5 Feb	Restaurant	$50.00	$230.58
18 Feb	Groceries	$25.00	$255.58
27 Feb	Payment	-$180.58	$75.00
28 Feb	Insurance	$50.00	$125.00
28 Feb	Petrol	$25.00	$150.00
2 Mar	Interest-purchases	$3.10	$153.10

Calculation of interest:

Date	Detail	Amount	No. of Days	Aggregated Balance	Interest Charged
3 Feb	Dec+Jan balance	$180.58	24	$4,333.92	$2.37
5 Feb	Restaurant	$50.00	22	$1,100.00	$0.60
18 Feb	Groceries	$25.00	9	$225.00	$0.12
				TOTAL: $5658.92	**$3.10**

In this example, the APR is 19.99%. The daily rate is therefore 19.99/365 = 0.054767%. Interest charged = total aggregated balance ($5,658.92) x daily rate (0.054767%) = $3.10 ($3.099).

Why was interest charged on the opening balance for 24 days?

At the beginning of the statement period, the customer had an outstanding balance of $180.58. This amount had not been paid by the payment due date in the previous month, so interest is continuing to be charged on this amount until it is fully paid off. For this statement, interest was charged for the 24 days from the beginning of the statement period (3 February) up to but excluding the payment date (27 February).