

What if you can't pay your credit card debt?

If you can't make payments on your credit card, consider contacting a non-profit credit counselling organization - they offer free advice (and may enroll you in a debt management plan).

Otherwise, consider the following steps:

1. Find a cheaper way to borrow money and pay your credit card fully, with interest.
2. Focus on repaying the new loan - you either need to earn more money or cut your expenses.
3. Cut up your credit card - you clearly don't know how to use it safely. Consider a pre-paid card if you need to make hotel reservations or rent a car.

If you can't find a cheaper loan, you must focus on repaying the credit card debt as soon as you can - find a way to earn more money or cut your expenses.

- If you only make the minimum payment, your debt will grow even if you don't use your card for any new purchases. You need to pay back a lot more than the minimum each month.

If you can't make even the minimum payment, there are additional consequences:

- If you have other business with the credit card provider (for example, the card is from the same bank where you have your chequing account), the bank may have the right of set-off:
 - If it does, the bank can dip into your account, for example when your paycheque is deposited, and settle your minimum payment obligation on the credit card. You may not have enough money to cover your rent or pay for food.
 - If you find yourself in this situation, you may want to move your deposit accounts to another bank and, once the new accounts are working, close the old accounts.
- The credit card provider will attempt to collect money from you:
 - In the first 3-6 months, you'll receive phone calls from the collection department of your credit card provider and written notices demanding payment.
 - You may receive a demand letter from a lawyer - at first, a mass-produced, computer-generated one, as at this stage no lawyer is looking at your file.
 - At about 6 months, the provider may hire a collection agency to collect on its behalf. The agency is paid from the money it collects from you. The collection agency may threaten to take you to court (but it would only do so if the amount you owe is substantial, like a few thousand dollars). More likely, it will attempt to negotiate with you a smaller payment than what you actually owe.
 - At this point you can try contacting your credit card provider to explain your difficulties and negotiate a reduction in your debt in return for one-time repayment. The older your debt, the more generous the provider will be. You need to put aside the money for the one-time payment.
 - You can also try to do nothing and wait until the expiry of the limitation period, especially if you don't owe a lot.
- There will be a negative impact on your credit history.
- If you stopped making minimum payments on the card, you won't be able to use it for new purchases. Consider a pre-paid card if you need to make hotel reservations or rent a car. The least of the consequences is that you'll lose entitlement to your card's rewards.

If you owe a lot of money, a consumer proposal drafted with a licensed insolvency trustee is a possibility - if the institutions you owe money (creditors) agree, you'd repay only a portion of your debt over 5 years. Or you can choose to file for personal bankruptcy - you have to give to your creditors all of your property and possibly a portion of your pay for several years, but in exchange your debt is wiped out.