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WHEN CAN A 0% BALANCE TRANSFER COST 9%?

WHEN YOU PAY A BALANCE TRANSFER FEE

M&S Money urges credit card customers to look beyond headline rates and check the real cost of 0% interest deals

New research from Marks & Spencer Money reveals that people who switch credit cards to benefit from a 0% balance transfer could be worse off than if they kept the debt on their existing card. The recent trend for credit cards to charge balance transfer (BT) fees has meant that possible savings for 'switchers' are reducing fast.

Even though a BT fee may only be 2% or 3% of any balance transferred, it is an up-front charge and based on the entire balance. By contrast, standard credit card interest rates are displayed as an annual rate and interest is applied monthly to any outstanding amount. This makes it difficult for consumers to compare the cost of different balance transfer deals.

The following table gives BT fees an annual equivalent interest rate, making them easier to compare against any existing credit card.

Costs compared:

Balance transfer fees expressed as annual equivalent interest rates

Balance transfer fee	2%	2.5%	3%	4%
Number of Interest free months				
6 Months	7.0%	8.9%	10.7%	14.5%
9 Months	4.9%	6.1%	7.4%	9.9%
12 Months	3.7%	4.7%	5.6%	7.6%

Calculations based on initial BTs of £1,000 and equal repayments each month, with balances being fully repaid by the end of the introductory 0% interest period.

A simple alternative for people looking to save on their interest costs, is to opt for a credit card such as the &MORE Credit Card from M&S Money. It is one of the few cards not to charge a BT fee and it's now offering 0% for 12 months on all purchases and 3.9% on balance transfers for the lifetime of the balance*.

Eddie Nott, deputy chief executive of M&S Money, commented; "You would like to think that nothing could be cheaper than 0% interest, however the spread of credit card balance transfer fees has in some cases wiped out much of the benefit of switching. Fees of 3% are already being charged, should these increase further then the vast majority of 0% balance transfer deals will become largely worthless."

As the table shows, the cost of borrowing on a credit card with a 0% balance transfer period of 6 months and a 2.5% BT fee is effectively an annual equivalent interest rate of 9%.

Eddie Nott added; "We urge consumers to look beyond the headline offers when comparing the cost of transferring their balances to low or 0% interest deals. By having the &MORE Credit Card free from balance transfer fees, we are making it easier for people to weigh up the possible savings by simply comparing interest rates."

For more information customers can call 0856 900 0900 or go online at www.marksandspencer.com/money

Ends

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Notes to Editors:

- All comparisons are based on initial BTs of £1,000, monthly payments of equal amounts and total borrowings being repaid by the end of the set introductory period.

- The comparison of 9% used in the headline was chosen as it compares to a 0% interest introductory period of 6 months and a BT fee of 2.5% - an offer which is readily available to consumers.
- * Offer launched 5th September 2006:
 - 0% on all purchases fixed for 12 months from the date of the account opening
 - 3.9% pa fixed for the life of balances transferred within 6 months of account opening
 - 0% fixed for 2 years from the date of purchase of M&S furniture in-store over £1,000 (maximum purchase £3,000 for new card applicants)
- Typical 16.9% APR variable
- No fees for balance transfers
- &MORE reward points on every purchase - 1 point per £1 for purchases made within Marks & Spencer stores, 1 point per £2 for purchases made elsewhere
- Additional &MORE bonus points on offers in Marks & Spencer stores and online
- Up to 10% off millions of holidays with the &MORE Travel Club
- Card issued by Marks and Spencer Financial Services plc
- Credit subject to status to UK residents aged 18 or over