

Financially Speaking

With Trisha Arndt

One System that it Does Not Pay to Protest Against

There can be a time and place to protest and for every side there is to an issue there will be hundreds of different opinions about which is right. I count myself blessed that I live in a country where we are allowed to each have our own opinion – and to civilly express it.

There are, however, times when protesting only compounds the problem.

I recently encountered one such example with a client of mine. He owns a local small business and, like many small business owners, his cash flow varies. He is often subject to the whims of the bigger firms that he does work for and as a subcontractor he can not always control when he receives payment for his services.

Like many of us in business for ourselves, my client utilizes business credit accounts, including credit cards, to pay for things like materials and fuel. He prides himself on always paying his accounts in full.

A couple of months ago my client encountered a delay with getting paid for a substantial job he had done. While waiting to get paid, one of his gas station credit cards came due. He didn't have enough cash in his account to pay the full balance, but since he knew he would be getting paid the following week, he elected to wait to pay the credit card until he could pay it in full.

Oops.

By the time my client received the check he was waiting for and sent the credit card payment it was three days late. The credit card company charged him a \$50 late fee. My client was so outraged at being charged that amount for only a few days that he refused to pay the late fee in protest.

So the credit card company charged him another \$50 late fee for not paying the first one. They also started calling him daily looking for payment on the account that was now more than 30 days past due and reported the late payment on his credit record. Since the only thing not paid was the late fees that my client felt were unfair to begin with, he ignored the calls for two weeks before he happened to see me for an unrelated matter.

Wow. What a mess created over something so simple.

My client was so concerned about paying his account in full that he overlooked some basic rules of credit card accounts. Credit card companies are huge firms run in large part by computer software. They don't care if you pay your account in full – in fact they

would prefer that you don't so that they can charge you interest on the unpaid balance. What the computer system does know however, is the due date of your payment. If at least the minimum payment is not received by the due date they are going to charge you a late fee. Period. It doesn't matter if the payment is one day late or ten days late, the fee is the same. This a fee – not interest – so it doesn't compound with time.

My client protesting the fee by not paying it only made his problems worse. The computers at the credit card company don't know that you are ignoring the bill on principle, and they frankly wouldn't care if they did. Letting the bill go unpaid beyond thirty days only triggers more problems – including credit reporting and phone calls from the company bill collectors.

The fact is that credit card companies provide a service and they have a right to charge fees for things like late payments. As long as the company's fees are within legal limits, accurately applied and the terms are provided to the client in advance, the credit card company is well within it's rights to charge them. It is our job as consumers to understand those rules and work within them.

What my client should have done was made at least the minimum required payment prior to the due date and followed up with a second payment for the remaining balance once he had the cash flow to do so. That would have avoided a late payment and the corresponding fee and also accomplished his objective of paying the full balance as soon as he was able.

If you do run into a problem with making a payment and are charged a fee the best course of action is to pick up the phone and communicate with a person at the credit card company. They aren't obligated to adjust anything but a person is going to be more sympathetic than the computer and, if late payments are not a habit of yours, they will often remove that late charge as a courtesy.

My client's credit card company is working with him on removing the late charges and he has learned a lesson about dealing with firms like that. Sometimes it just doesn't pay to protest.

If you have a question that you would like answered or a suggestion for a topic for a future column please feel free to contact me via email at Trisha@wealthstrategies.biz.

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