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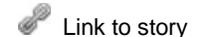


## Dangers of having too many credit cards

By Lisa MacColl



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Credit card companies dangle credit cards with offers of travel rewards, cash back, low interest rates and other perks in front of consumers on a regular basis. Stores promote "buy now, pay later" deals that involve signing up for a credit card. Signing up for multiple credit cards is tempting and, often, easy.

According to a [study](#) by the Financial Consumer Agency of Canada (FCAC), 58 per cent of Canadians have more than one credit card. As of October 2014, the [Canadian Bankers Association](#) estimated there were 72 million Visa and MasterCard credit cards in circulation.

You probably feel you're in the clear as long as you pay your bills on time and don't keep a high balance on your cards. And you're right -- to an extent. But even with low or no balances, having too many cards can be expensive, time-consuming and could hurt your ability to get more credit.

**More cards, more risk**

To lenders, how you handle your credit cards is of utmost importance. Do you pay your full balance every month, or at least make the minimum payment on time? Do you have an established credit history?



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"Each customer's borrowing history is different and is assessed individually, so there is not a specific number of credit cards that would cause concern," Jennifer Douglas, senior vice president of credit cards at Scotiabank, said in an emailed response to questions.

However, Douglas said, financial institutions consider other factors when reviewing a credit application. For instance, they will factor in any open credit cards with an available balance, whether or not you regularly use the card.

"It is helpful for a customer to have some credit history to be able to demonstrate that they have a credit card and an ability to pay at least the minimum payment on time," said Douglas. "However, we do not recommend that customers carry and hold onto cards that they do not plan to use."

A few reasons lenders see more cards as a bigger risk when deciding whether to extend you yet more credit include:

**1. Increased risk of fraud:** If you have multiple cards open and a thief gets access to them and runs up the balances, you won't be on the hook for the fraudulent charges. However, the lender will be, thanks to zero liability policies. It may be hesitant to take that risk.

With numerous cards, there's also a greater chance that you won't notice any fraud right away, allowing criminals to rack up hundreds or thousands of dollars in charges. You may even be more susceptible to physical theft, as it may take you longer to notice a card is missing.

**2. Poor money management:** Several credit cards with no balance may signal to financial institutions that you have needed to consolidate your debt recently, which raises alarm bells that you've had money management problems in the past.

And several cards *with* balances can raise several red flags to issuers, too, especially if you're only paying minimums or, worse, using one card to pay another. It may be a sign that you're relying on credit for everyday expenses, or that you're using credit to finance big-ticket items that you don't need and can't afford.

"The financially savvy concentrate their use of credit cards to maximize rewards programs and pay the balance in full every month without fail," Rona Birenbaum, a financial advisor with Caring for Clients, a Toronto financial planning service, said in an emailed response to questions. "When credit cards are used as financing vehicles, there is likely a cash flow problem."

**3. Inability to repay in event of emergency:** Lenders base affordability on the assumption that you're going to use all the credit available on all your cards, Birenbaum said. In other words, the lender considers whether you could afford your bills if you went out the next day and maxed out all your cards, or if you had a sudden change in income.

### There are risks for you, too

Aside from being a riskier candidate for credit, having a ton of unused or rarely-used cards could mean you're paying annual fees



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on cards you don't use anymore. You may even have rewards going to waste if you collect rewards on a rarely-used card - or simply have too many rewards programs to keep track of -- and forget to use them before they expire. What's more, if you neglect a card long enough, you could get hit with an inactivity fee, or the issuer could close it without having to ask you, plus charge you a fee to boot.

"Why would you pay a fee for a card you don't use?" Birenbaum said.

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