

Secured Cards vs Unsecured Cards



Introduction

Now a days, online banking has been growing rapidly. There are different ways by which we can do a number of transactions from anywhere. You have to just carry a small card and you are able to do what you want to do. There are mainly two types of card

- 1) Secured card
- 2) Unsecured card

These cards are issued by banks to their clients to provide services as per their requirement.

Secured card:

- A secured card has a support of security deposit as a backbone.
- It means a card is backboned by a collateral security.
- Secured card's credit limit is the balance available in the bank account as a security.
- In short credit limit of card rely on deposit and it is expand by increasing the balance in deposit.
- Secured card is less risky for the bank. It is easy for customer to carry a secured credit card than paper money.

Unsecured Cards

- An unsecured card is a card which is not backboned against a collateral security.
- The limit of unsecured card is higher as compare to the secured card.
- In unsecured card there is high rate of interest charged because of high level of risk involved.
- Banks issue unsecured card to those who has a good credit history.
- Unsecured card sometime becomes issue when a customer is not able to pay debts.
- Generally unsecured card is issued to the highly credible customers.
- And in case of default, banks have to take legal action against defaulter to collect debts.

Difference between secured and unsecured card

Basis	Secured card	Unsecured card
Protection	It is protected against collateral security.	It is not protected against collateral security.
Interest rate	Low rate of interest.	High rate of interest.
Risk level	Lower level of risk.	Higher level of risk.
Credit limit	Low credit limit	Higher credit limit

Case of defaulter	Bank Covers it from the balance available in bank account of the client.	Banks have to take legal action against defaulter to recover the unpaid debt.
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Conclusion

The main difference of credit card rely on a number of factors such as collateral security, credit limits and interest rates. Unsecured cards are less issued as compare to secured cards. So while issuing an unsecured credit cards banks have to check credit history of the client.

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