

# How to get a raise on your credit limit

 [creditcards.ca/credit-card-news/raising-credit-limit-1264.php](https://creditcards.ca/credit-card-news/raising-credit-limit-1264.php)

When it comes to credit cards, you might feel powerless over how much your issuer allows you to charge. But a few simple steps can prove to banks that you can handle debt responsibly and encourage them to raise your credit limit.

"What banks are looking for is evidence that you can pay off your credit card on a regular basis and that you're able to properly handle your debt," says Scott Plaskett, senior financial planner and CEO at Ironshield Financial Planning.

## How to increase your credit limit

When Plaskett wanted to increase his credit limit years ago, he followed a simple strategy.

"I would go out, buy some things and I would pay the credit card off in full," he says. "I would do that for a quarter and then I'd call the company back and request an increase in the credit limit."

Quarter by quarter, his limit steadily increased.

"What they saw was a pattern of paying it on time and paying it in full, and they recognized I had the ability to properly manage that debt," Plaskett says.

Here are six steps to getting a higher credit limit:

1. **Use whatever credit you currently have.** You can't prove you're responsible with credit if you don't use credit. If you don't have credit yet, try getting a [secured card](#) to start off.
2. **Pay your bills on time.** Be sure to give the payment time to process, typically one or two days, even if you pay online.
3. **Pay your full balance each month.** This proves to the issuer (and yourself) that you can handle the debt.
4. **Be patient.** Lenders like to see a long history of good behaviour. After several months of responsible use, you can call your issuer (or log in to your account online) and ask for an increase. Otherwise, just wait and an offer to increase your credit limit will likely appear in your mailbox.
5. **Be courteous when you ask.** You can start with a statement like this: "I've been a credit card customer for X months, and I've proven I can handle my credit responsibly. My limit is currently \$X and I'd like have more spending power in my account."
6. **Use your new limit responsibly.** Maxing out your new limit or leaving behind good credit behaviours could cause your issuer to lower your limit again.



According to the Financial Consumer Agency of Canada, federally regulated institutions must get your consent before they can increase your credit card limit. If you give verbal consent, then the institution must provide confirmation in writing no later than your next statement.

## Benefits to increasing your credit limit

Having a higher limit on your credit cards will actually give your credit score a helping hand; the better you can illustrate your ability to manage your revolving credit, the higher your score will be, says Plaskett.

Also, if you ever needed financing, you'll have it available, he adds.

"If you're a business owner especially, if you ever needed some short-term financing for something, you could

always turn to your credit card."

Short-term financing is one of the benefits of a higher credit limit, along with financial backup in an emergency -- as long as you pay it back on time or at least pay the minimum -- says Alim Dhanji, a certified financial planner with Assante Financial Management Ltd.

Patricia White, executive director of Credit Counselling Canada, says it's important to take a "responsible approach" to increasing your limit. It's not a bad thing to increase your limit, so long as it's done for the right reasons, she says.

For example, if you're travelling, extra credit can act as a cushion in case of an emergency while on the road, she says. Of course, you should have the money to pay off the trip itself.

### **When it's a bad idea to up your limit**

If the main reason you're seeking a credit limit increase is because you're bumping up against your current limit or not able to pay off other credit cards, then raising your limit is probably not a good idea, says Plaskett.

"That's a negative spiral that's not going to go anywhere positive," he says.

And if you are afraid of using the credit and not being able to pay it off, Plaskett doesn't recommend going down this avenue.

If a higher balance isn't paid off, you're going to be paying more in interest over time, White notes.

And be warned: if you go over your credit limit, you may have to pay a penalty, which varies from one credit card issuer to another. Royal Bank of Canada and TD Canada Trust, for example, charge \$29 over-limit fees.

For Dhanji, when it comes to asking for a credit limit increase, the bad outweighs the good.

"The temptation to make unnecessary purchases can lead to maxing out your credit and can lead to a poor credit rating and even bankruptcy," he says.

But if you can use the higher limit responsibly, it can help you grow your credit score and help you spend more on credit per month, which can come in handy if you're earning cash back or other rewards.

As long as you are smart, a higher credit limit can be a great tool to have in your wallet.