



Is It a Problem to Have a Credit Card and Not Use It?

Description

Excessive credit card usage can lead to serious [debt problems](#) down the road. For this reason, people who struggle with debt opt for cash or debit whenever possible. They may have one or more credit cards tucked away somewhere but reserved strictly for emergencies.

If you are struggling with credit card debt, or are trending in that direction, minimizing your reliance on credit cards is commendable. But are there any consequences that can emerge if you tuck your card away and let it gather dust? Is it a problem to have an open credit card account and not use it at all?

Surprisingly, not using your credit card can adversely affect your finances and even damage your [credit score](#). Read on to learn how and what you can do to avoid these scenarios.

Your credit limit may get reduced

Your card issuer may choose to decrease your [credit limit](#) after a prolonged period of inactivity. The reasoning of the issuer is well-founded: if you're not utilizing a reasonable portion of your available credit, you probably don't have much need for it.

An abrupt cut in your credit limit may cause future issues. For example, suppose you need to conduct a large emergency transaction. In that case, the transaction will fail to process, due to an [insufficient credit limit](#). You'll have to scramble to get a hold of your card issuer to resolve the issue. Unfortunately, government legislation doesn't require your card provider to inform you of an impending reduction in your credit limit.

A weightier consequence of a credit limit reduction is its effect on your credit utilization ratio. This financial metric measures your outstanding debt relative to [your available credit limit](#). It's a critical factor that determines a substantial portion of your credit score.

A cut in your credit limit will increase your credit utilization ratio, adversely impacting your credit score. Lenders prefer to see low credit utilization ratios, indicating the borrower carries little debt and is less likely to [default](#).

You may be charged inactivity fees

Depending on which card you own, you may discover an inactivity fee when browsing your monthly statement. Card issuers may tack on this fee after an extended period of inactivity, usually a year or more.

The good news is that inactivity fees are becoming increasingly rare. Typically, they accompany no-fee credit cards and shouldn't set you back more than \$10 per year. However, it's still ideal to avoid them, especially if you own several underutilized cards. If you spot an inactivity fee on your statement, try contacting your card provider to see if you can get it waived.

Your credit card may get cancelled

If a long time has elapsed since your last credit card purchase, your card provider may cancel it altogether. Unused credit cards fail to earn any money, and for that reason, your card provider may elect to close down your account. And they have no legal obligation to issue you a formal notice of this action.

A shuttered credit card may not bode well for your credit score. Your credit utilization ratio will immediately take a hit since you'll lose access to all the credit previously available to you. In addition, your credit history, another vital factor that makes up your credit score, will stop ageing. Credit bureaus assess your credit history based on two factors:

- The age of your oldest credit account, and
- the average age of your existing credit accounts

Experience matters when it comes to establishing or maintaining a [solid credit score](#). Because of this, it's never wise to [close a credit account](#) you own, even one with a scant transaction history. A cancelled credit card will drag down the average age of your credit history, hurting your credit score in the process.

How to deal with unused credit cards

So how do you avoid the negative repercussions of an unused credit card? The answer is to keep your credit card alive by making sporadic purchases. Ideally, you should conduct a transaction every few months and never go more than a year with no activity. A nifty trick is to set up recurring billing for one item, such as a Netflix account. This arrangement will ensure you always maintain a healthy level of activity on your card.

Some offers on The Motley Fool are from our partners — it's part of how we make money and keep this site going. But does that impact our reviews? Nope. Our commitment is to you. If a product isn't any good, our review will reflect that, or we won't list it at all. Also, while we aim to feature the best products available, we do not review every product on the market.

PP NOTIFY USER

1. tmfkopp

Date

2025/09/05

Date Created

2021/06/23

Author

mgregorski

default watermark

default watermark