



What Credit Card Can You Get With Bad Credit?

Description

Who knew so much would depend on a three-digit number, right?

Like it or not, your credit score has a significant impact on your finances. With a high score, you can enjoy [hefty rewards cards](#), lower interest rates, and nice sign-up offers, not to mention perks and insurances that come built-in to credit cards.

But what if you have bad credit? What if you made some mistakes in the past, but you'd like to fix them with a credit card? What can you do then?

Fortunately, Canadians with bad credit scores have options. It might not be easy, sure, but with a little grit (and time) you can secure a credit card and rebuild your credit score. If you have bad credit, here's what you can expect.

What credit card can you get with bad credit?

When you have bad credit, your options are fairly limited, sure, but most credit card companies will offer credit cards designed to help you rebuild your credit score. You'll see these cards in two different categories: secured credit cards and, well, *unsecured* cards.

Secured credit cards

For the most part, a secured credit card works like any old credit card. You swipe to make purchases, then pay the card's balance before the billing cycle ends. The big difference between the two is this: with a secured credit card, you have to put down an initial deposit first. The deposit is usually equal to your card's credit limits (sometimes it's double), and your lender will hold it in a separate account.

In the same way that a house is attached to a mortgage, the security deposit is your card's collateral. If you miss a payment or [default on your card](#), your credit card company will use the deposit to settle the bill. Often, if you pay your bills on time, if you don't miss payments and you prove to lenders you're borrowing responsibly, you may get your security deposit back, or you could get an offer for a more

lucrative card.

Because you put down a security deposit, your credit card company is more likely to excuse your bad credit history. But you're not guaranteed a secured credit card. You still have to apply, and depending on the credit card company, your application could get rejected. Given the quantity of [good secured credit cards in Canada](#), however, you should have no problem finding one that's right for you.

Unsecured credit cards

Sometimes credit card companies will offer an unsecured credit card for bad credit. These cards are nearly identical to a normal credit card. You don't have to put down an initial deposit, and you can use your card for any purchases. Of course, because you have bad credit, you won't have all the luxuries of a normal credit card. Your card will typically have lower credit limits, and often you'll pay an annual fee to use it.

Occasionally, a credit card company will offer both secured and unsecured credit cards for bad credit. The idea is that you can apply for an unsecured credit card first. If your application is denied, the credit card company will offer the secured card as a failsafe alternative. In this way, you don't have to worry about a denied application hurting your credit score.

What about prepaid cards?

You might hear certain companies pump up a prepaid card as a great alternative to credit cards for those who have bad credit. While, yes, prepaid cards are plastic, and, yes, they can help you make purchases, they are *not* credit cards, and they won't help you build a credit score. If your goal is to rebuild your credit score, a [secured credit card](#) is a much smarter option.

What do credit card companies consider bad credit?

In general, credit card companies consider any score below 560 as bad credit. A score between 560 and 659 is deemed fair by most companies, which could help you get an unsecured card. With a score of about 660, you shouldn't have a problem getting an unsecured card, though to get the most lucrative of rewards cards, you'll most likely need a very good score (725 to 759) or an excellent score (760 or above).

What should you look for in a credit card for bad credit?

Just because you have bad credit doesn't mean you should apply for the first secured card you see. You can still be strategic about your credit card, even if your options are limited. As you're shopping for [the right card for you](#), here are a few things to compare.

1. Credit limit

The credit limit is the maximum you can charge to your credit card. With bad credit, you won't be able to take out a card with a high credit limit. But if the credit limit is too low, you may risk having a higher

credit utilization score, that is, how much credit you're using versus how much you have available.

To maintain a low [credit utilization ratio](#), you should charge less than 30% of your available credit. So, if a secured credit card has a credit limit of \$1,000, you would have no more than \$300 on the card at any given time (but pay this \$300 off before your billing cycle ends). If you have to charge more than this, that's fine, but pay it off as soon as you can.

2. APR

Your [annual percentage rate \(APR\)](#) is essentially your credit card's interest rate (though [APR and interest rate do differ](#)). As long as you don't carry a balance on your card each month, you don't have to worry about your card's APR. But if you *do* carry a balance, you'll pay interest.

For that reason, it's a good idea to check a card's APR before applying. You definitely don't want to get flooded with high-interest charges if you can't pay your full balance.

3. Fees

Occasionally, you'll find a credit card for bad credit with no annual or maintenance fees. More than likely, however, you'd have to pay some kind of fee, at least while your credit score is low.

But it doesn't hurt to shop around. Not all cards charge the same fees, and if you're okay getting a basic credit card with low credit limits, you may pay a low fee or no fee at all.

How to rebuild your credit score

Once you've chosen your secured or unsecured credit card, it's time to finally rebuild that [credit score](#). It won't happen overnight, sure, but as long as you practice a few good habits, you'll improve your score dramatically. To be sure, there are ways to [build your credit without a credit card](#), but doing so with a card is often more straightforward.

Here are five practices you can start implementing today.

1. Don't max out your credit limits

Yes, you have a credit limit on your card. But that doesn't mean you should use it *all*. In fact, if you're constantly maxing out your credit card, it will have a negative impact on your credit score.

Again, we'd recommend using no more than 30% of your credit limit (50% is the absolute maximum), as the higher your credit limit, the higher your credit utilization score (a whopping 30% of your credit score).

2. Don't miss a payment

Even if you can't pay the entire balance, at the very least, pay the [minimum payment](#). When you fail to pay the minimum, your credit card company could report it as a missed payment to crediting bureaus.

While, yes, your credit card company will use your security deposit to cover missed payments (if you have a secured card), you can still damage your credit score by missing or delaying payments.

3. Pay your balance in full every month

While credit card companies will hit you with late penalties only if you fail to pay the minimum, it's always a smart idea to pay the entire balance before the billing period ends. For one, you won't have to pay APR charges on an unpaid balance. And second, by paying your balance in full, you avoid the risk of charging too much to your card.

When you're trying to improve your credit score, you definitely *don't* want to carry a charge you can't afford.

4. Use your credit card frequently

Don't be afraid of it! If you have a credit card for bad credit, by all means, use it. The only way to rebuild your credit score is to use a card and pay off your balance. Don't overextend your credit, sure, but don't put your credit card in a drawer either.

5. Pay down debt

Finally, a surefire way to improve your credit score is to pay down all debt, including loans, credit cards, and credit lines. The less debt you carry across the board, the lower your credit utilization ratio.

Get a credit card with bad credit

We've all made mistakes in the past. But they shouldn't haunt you forever. If you have bad credit, you can start rebuilding it by getting [a great secured credit card](#) and using it responsibly.

Charge only what you can afford to the card, pay your balance in full every month, and you'll start to drastically improve your credit score. Who knows: you could impress lenders so much, you'll graduate to a [lucrative rewards card](#) — one that's reserved for people with good credit!

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