

Credit and Debit Cards - UK - July 2010

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What is this report about?

This report looks at all aspects of the credit and debit cards market, starting off with the factors that directly affect the market, as well as more general trends like interest rates, consumer spending and PDI. The report considers competing products and alternative payment methods, before looking at the actual and forecast growth in each of the core markets. Payment systems providers are examined, before an analysis of the leading card issuers in each sector, including their market shares. The report concludes with a detailed consumer-based analysis of product ownership, borrowing, and attitudes towards credit card features and different payment methods in general.

What have we found out?

- Credit card interest rates have increased over the last two years, despite the base rate having remained at 0.5% for well over a year now – alongside tighter lending criteria, this reflects card providers' fears over rising defaults.
- In May 2010, the government announced a set of new rules for the credit card industry, which is likely to impact profitability and increase costs for providers. At the same time, the OFT announced that it would be going ahead with its point-of-sale ban on PPI, which is likely to significantly reduce policy sales.
- The debit card market is growing fast – the total value of UK purchases made on debit cards has increased by 76% since 2004, compared to just 2% growth for credit card purchases, according to data from the UK Cards Association.
- Mintel expects that this trend will continue and that spending on credit cards will continue to be subdued over the next five years, with the market expected to grow by just 10% between 2010 and 2015, compared to 36% growth in the total value of UK purchases on debit cards.
- When it comes to credit card features, Mintel's consumer research shows that ABC1s are more likely to be concerned about customer service, with ABs also being drawn to credit cards that offer cash back/reward schemes.
- Our research also shows that around two fifths of consumers pay by card whenever it's practical (56% of people earning £50,000+), with one in ten people using different cards for different purposes, and 28% of adults still using cheques occasionally.

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