

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“Credit card issuers who are considering scaling back their customer rewards in order to offset a reduction in interchange fee income should heed the warning of Mintel’s research.”

– Sarah Hitchcock, Senior Analyst – Financial Services

This report looks at the following areas:

- Learn the lessons of the past
- Meeting the needs of the mobile consumer, with a personalised service
- Beware of cutting back on rewards

The credit card market in the UK is mature, large, strictly regulated and highly competitive. An estimated 31 million consumers hold at least one of these cards, using them as a source of payment, a convenient form of short-term borrowing or both.

Reflecting improvements in the wider economy, the market is once again performing strongly. In 2014, the volume of credit card payments transacted through UK merchants increased by 10%, while gross credit card lending grew by 6% and net lending by 13%. Along with increased customer usage and lower impairment levels, credit card issuers are continuing to benefit from healthy interest margins. Yet although interest generates the most revenue for card issuers, another important source of income is under threat.

BUY THIS
REPORT NOW

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

Executive Summary

The market

Rise in credit card borrowing...

Figure 1: Forecast of gross credit card lending, at current prices – Fan chart, 2010-20

...and spending

Balance transfer market hots up

Low base rate and fall in bad debts improve profitability

Reduced income from interchange fees could increase cost of borrowing

Key players

Barclays and LBG have the largest credit card customer bases

Figure 2: Estimated group (volume) share of UK credit and charge card market, May 2015

The consumer

63% of adult internet users own a credit card

Figure 3: Ownership of credit and other payment cards, by type and number owned, May 2015

76% of credit and charge card holders manage their account online

Figure 4: Channels used for account management, May 2015

27% have a credit or charge card because of the cashback or rewards offered...

Figure 5: Reasons for having a credit or charge card, May 2015

...and 75% of these would use their card less or not at all if the perks were withdrawn

Figure 6: Likely response if card issuer withdrew cashback or other rewards, May 2015

47% still had a balance owing after making last monthly payment

Figure 7: Amount still owing on credit card after last monthly payment, May 2015

18% with credit card debts predict it will take over two years to clear their balance, while 3% can't envisage paying it off

Figure 8: Length of time expected to take to clear credit card balance, May 2015

Within the past year, 13% of cardholders either reached or extended their credit limit

Figure 9: Credit and charge card applications, extensions, transfers and missed payments within the past 12 months, May 2015

Issues and Insights

Learn the lessons of the past

The facts

The implications

Meeting the needs of the mobile consumer, with a personalised service

The facts

The implications

Beware of cutting back on rewards

The facts

The implications

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

The Market – What You Need to Know

- Greater appetite for credit card borrowing and balance transfers
- Stable credit card penetration
- Debit cards dominate non-cash payments
- Increase in online and mobile payments
- Strong growth prospects
- A stronger economy drives growth in market
- Cap on interchange fees prompts some card issuers to scale back the rewards they offer to customers
- Most credit cards are now applied for and managed online

Market Size and Forecast – Credit Card Lending

- Net credit card lending rises further
Figure 10: Gross and net credit card lending (non-seasonally adjusted), 2010-15
- Strong growth forecast
Figure 11: Forecast of gross credit card lending (non-seasonally adjusted) – Fan chart, 2010-20

Size of the Payment Card Market

- Credit and debit cards in issue
Figure 12: Number of debit, credit and charge cards in issue, 2001-14
- Size of the cardholder customer base
- Shift from cash to cards continues
Figure 13: Share of consumer payment volumes, 2014

Card Spending Patterns

- Growth in credit card spending
Figure 14: Volume and value of credit and debit card purchase transactions, 2010-14
- Medium-term outlook for UK card purchases
- A slow drift away from cards as a source of credit
- Overseas transactions
- Shift online gathers pace
- Surge in contactless payments
- Cash advances on credit cards grew 6% in 2014
- Balance transfer activity strengthens as card issuers increase terms

Market Drivers

- Improved economic backdrop drives credit card spending and borrowing
- Credit cards accounted for 73% of gross unsecured lending in 2014
Figure 15: Gross consumer credit lending, by sector (non-seasonally adjusted), 2000-14
- Consumer credit net lending has risen over the past two years
Figure 16: Net consumer credit lending (non-seasonally adjusted), 2000-14
- People are generally feeling better off
Figure 17: Personal financial situation, May 2012-May 2015

BUY THIS
REPORT NOW

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100
EMAIL: reports@mintel.com

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Total credit card debt outstanding increased 7% in 2014

Figure 18: Amount of credit card and other unsecured lending outstanding (non-seasonally adjusted), 2000-14 (at year end)

Credit card write-offs continue to fall

Figure 19: Annual write-offs of lending to individuals, by sector, 2005-14

Card issuers enjoy a period of improved interest margins

Figure 20: Official bank base rate, three-month LIBOR and effective overdraft, personal loan and credit card interest rates (monthly average), January 2008-May 2015

Impact of EU ruling on interchange fees

FCA investigates credit card complexity, fairness and transparency

New payments regulator

Growing cost of card fraud, driven by fraudsters targeting customers and rising incidents of cybercrime

Figure 21: Annual plastic fraud losses on UK-issued cards, 2008-14

Channels to Market

Current account providers have a significant cross-sell advantage

49% of cardholders applied for their credit card online

Figure 22: Channels used for card application, May 2015

76% manage their card account via online or mobile banking

Figure 23: Channels used for account management, May 2015

Key Players – What You Need to Know

A crowded marketplace

Barclaycard remains on top

Tesco Bank bolsters its position with current account entry

Capital One adopts a risky strategy

More products launched to cater for the non-prime segment

Credit card issuers spend £95 million annually on above-the-line advertising

Market Share

Barclaycard tops credit card rankings by a clear margin...

Figure 24: Largest credit and charge card providers in the UK, by share of customers, May 2015

...but on a group basis, it shares the top spot with LBG

Figure 25: Estimated group (volume) share of UK credit and charge card market, May 2015

Two card schemes dominate

Competitive Strategies

Barclaycard: still the number one credit card brand and leading contactless technology innovator...

...by launching new wearable devices...

...streamlining the customer experience...

...and via strategic acquisition

LBG sees 15% increase in balance transfer volumes during 2014

Retailers make further inroads

Capital One at risk of losing market share?

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Nationwide launches "Fairness Campaign"

Credit builders muscle in

American Express: strong on loyalty

Brand Communication and Promotion

Credit card adspend stabilises

Figure 26: Recorded above-the-line, direct mail and online display total advertising expenditure on credit, charge, store and affinity cards, 2011-15

Rise of social media

Direct mail remains the offline channel of choice for card issuers

Figure 27: Recorded above-the-line advertising expenditure on credit and charge cards, by media type, 2013-15

Barclaycard continues to invest the most in above-the-line advertising

Figure 28: Top 17 above-the line, direct mail and online display advertisers of credit and charge cards, 2013-15

Data coverage and methodology

Brand Research

What you need to know

Brand map

Figure 29: Attitudes towards and usage of selected brands, May 2015

Key brand metrics

Figure 30: Key metrics for selected finance brands, May 2015

Brand attitudes: Sainsbury's Bank is good at rewarding loyalty

Figure 31: Attitudes, by brand, May 2015

Brand personality: MBNA, Capital One, HSBC, Lloyds Bank and NatWest have some work to do to shake off negative brand connotations

Figure 32: Brand personality – Macro image, May 2015

American Express is closely aligned with prestige

Figure 33: Brand personality – Micro image, May 2015

Brand analysis

American Express and Barclaycard

MBNA and Capital One

Virgin Money, First Direct and Sainsbury's Bank

Santander, NatWest and Lloyds Bank

HSBC

The Consumer – What You Need to Know

Decline in proportion of people owning two or more credit cards

The over-65s are most likely to have a credit card, but least likely to owe money

Around half of all cardholders have an outstanding balance...

...and just half of these expect to pay off their debt within a year

14% have a credit card in order to make use of a 0% balance transfer deal

Card issuers will lose customers if they stop offering cashback and other rewards

Missed payments affect a small proportion of cardholders

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Payment Card Ownership

Debit cards are the most popular payment cards

Figure 34: Ownership of credit and other payment cards, May 2015

Most people own more than one type of payment card

Figure 35: Payment card ownership – Cross-analysis, May 2015

39% of credit card holders own two or more credit cards

Figure 36: Number of credit cards owned by credit card-holding customer base, May 2015

Multiple credit card ownership has declined over the past four years

Figure 37: Trend in credit card ownership, 2012-15

There's also been a slight reduction in people owning two or more store cards

Figure 38: Trend in store card ownership, 2012-15

Charge card ownership has remained broadly stable over the past three years

Figure 39: Trend in charge card ownership, 2012-15

Reasons for Credit Card Ownership

27% have a credit card because it offers cashback or other rewards...

Figure 40: Reasons for having a credit or charge card, May 2015

...and 40% of these would stop using their card if the rewards were removed

Figure 41: Likely response if card issuer withdrew cashback or other rewards, May 2015

Level of Credit Card Debt

47% of cardholders paid off their balance in full when making their last monthly payment

Figure 42: Amount still owing on credit card after last monthly payment, by number of credit cards owned, May 2015

Age often dictates behaviour

A third of credit card borrowers think it will take them over a year to pay off their debt

Figure 43: Length of time expected to take to clear credit card balance, May 2015

7% with three or more cards expect to never clear their credit card debt

Figure 44: Length of time expected to take to clear credit card balance, by number of credit cards owned, May 2015

40% of cardholders who owe at least £5,000 expect to take more than three years to repay their debt, if at all

Figure 45: Length of time expected to take to clear credit card balance, by amount of credit card debt outstanding, May 2015

Recent Credit-related Activity

Within the past year, 12% of cardholders transferred their balance to a new card...

...and 13% reached or extended their credit limit

Figure 46: Credit and charge card applications, extensions, transfers and missed payments within the past 12 months, May 2015

Payment defaults affect one in six cardholders owing £2,000+

Figure 47: Credit and charge card applications, extensions, transfers and missed payments within the past 12 months, by level of credit card debt, May 2015

Appendix – Definitions and Abbreviations

Product definitions

Abbreviations

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

Credit Cards - UK - August 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Appendix – Market Size and Forecast

Forecast of gross credit card lending

Figure 48: Forecast of gross credit card lending (non-seasonally adjusted), at constant and current prices, 2015-20

Best- and worst-case scenarios

Figure 49: Forecast of gross credit card lending – best- and worst-case scenarios, at current prices, 2015-20

Forecast methodology

Fan chart explanation

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com