

Credit Cards - UK - August 2017

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“Credit cards have become increasingly accessible and affordable through a glut of good deals, whether people are looking to be actively rewarded for spending or are simply in the market for a plastic safety net. Rapid growth over the past five years has attracted attention from the regulators, and any intervention is likely to mean future growth is subject to limitations.”

– **Patrick Ross, Senior Financial Services Analyst**

This report looks at the following areas:

- Lengthy 0% balance transfers could be set for the chop
- Money transfer facilities could lead the fightback against loans

Credit card lending grew in 2016, with similar levels of growth expected in 2017. Low rates and competition on deals, particularly with regards to balance transfers, have made credit card borrowing increasingly attractive. However, as households face a growing income squeeze over the cost of living and confidence is undermined by ongoing uncertainty surrounding Brexit, the rate of growth in gross lending is expected to slow, albeit marginally, in the coming years.

The pace of growth has caught the eye of the Bank of England, which has already acted to prevent a build-up of bad debt. The PRA (Prudential Regulation Authority) has highlighted the glut of lengthy 0% introductory offers as having the potential to interfere with providers' forecasting of repayments, causing them to be overconfident in their assessment of borrowers' creditworthiness. The threat of regulatory action is now very real, and depending on the intervention chosen, could weigh on growth over the next few years.

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DID YOU KNOW?

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

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The Market – What You Need to Know

- Growth in gross lending is expected to slow into 2020
- Number of credit cards in issue stalls
- Higher-frequency, lower-value transactions reshape credit card use
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More than two thirds of adults have at least one credit card

More than a third have no outstanding credit card debt

Cashback and rewards shape credit card behaviours

Four in five credit card holders use them as a safety net

Rewards and low costs are the most important features

Cashback on spending keeps people feeling rewarded

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