

Credit Cards: Inc Impact of COVID-19 - UK - September 2020

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This report looks at the following areas:

- How the economic fallout of COVID-19 will affect consumer attitudes towards credit cards and the opportunities and threats this presents.
- How credit card companies are seeking to innovate to reach new customers and see off the threat from other types of credit.
- Demographic analysis of credit card ownership and use.
- An assessment of the important features of a credit card, including how this varies by demographic group.
- The sources of information that consumers trust most to advise them on the most suitable credit card for their needs.

The proportion of 18–24 year olds with a credit card has fallen from 55% in 2017 to 43% in 2020. As young people increasingly turn their backs on credit cards it is important to rethink how they fit into the modern shopping experience. 49% of 18–34 year old credit card holders don't consider a physical card an essential feature of a credit card. This highlights how technology is increasingly blurring the divide between credit cards and other forms of credit.

To appeal to young people credit cards need to be more digitally based and provide apps that enhance the entire shopping experience. They should also seek to encourage word-of-mouth recommendations by creating digital communities of like-minded consumers or offering referral bonuses.

COVID-19 led to a sharp fall in outstanding consumer credit during the height of lockdown. As the economy started to reopen, consumers remained concerned about returning to debt and cautious about spending, especially for big-ticket items, leading to a slow recovery in credit card lending.

Longer term, many consumers remain deeply conscious of the economic challenges that remain ahead, while many who had been happy to build up credit card debt prior to the pandemic are now reassessing how sustainable that debt really is.



“COVID-19 has shaken the credit card sector as new lending collapsed and air miles lost their appeal as overseas travel was cut off. As the economy tentatively reopens, nervousness about borrowing means lending is recovering more slowly than spending.”

– Thomas Slide, Senior Financial Services Analyst

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