This report looks at the following areas:

- Market performance, the impact of the cost-of-living crisis and a five-year market forecast.
- Credit card providers’ market share.
- Ownership of credit cards across demographics and income groups.
- Monthly payment activity.
- Customer satisfaction levels with credit cards and their features.
- Purchasing habits on credit cards.
- Consumer attitudes towards credit cards.

30% of credit card holders took out their card to improve their credit rating. This reaches 66% of 18-24 year olds and 60% of 25-34 year olds. There are already some credit cards to help boost credit ratings, such as Barclaycard Forward, but more can be done in this area. Credit card providers should offer additional advice to younger consumers on building their credit history and provide the resources to develop their financial education. This will not only increase customer loyalty, but also help support regular repayments and avoid accounts falling into arrears.

Inflation and the cost-of-living crisis are having a major impact on the credit cards market and wider credit industry. While many households can make cutbacks in the short term, financial resilience will be tested. This will leave some seeking additional lines of credit, or looking to interest-free promotions and balance transfers. Gross credit card lending is set to rise 18.8% in 2022 and continue to grow strongly in 2023 as households navigate the difficult economic environment.

The biggest threat to the market will be the potential for consumers defaulting on repayments. Even those passing credit checks previously may find the cost-of-living crisis especially challenging. 53% of credit card holders aged 18–34 are planning to use a balance transfer in the next year to avoid incurring interest. Unprecedented levels of inflation could see some households struggle

“After a decline during the pandemic, credit card lending has rebounded strongly as customers feel the impact of the cost-of-living crisis. Growth will continue as consumers seek new lines of credit and access to attractive interest-free balance transfers.”
– Adrian Reynolds, Senior Analyst – Financial Services

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to make ends meet. There is also the challenge from the buy now, pay later (BNPL) sector. Interest-free instalments will look increasingly attractive as interest rates rise. However, the lack of regulation will see most consumers opt for the familiarity of credit cards, even if they prove costlier.

There are strong opportunities for supermarket-branded credit cards as consumers look to make savings on the weekly shop. With soaring food and drink prices, households will find added value in points and cashback deals. Tesco Bank has already gained a strong market share and supermarket banks are well placed to further incentivise regular spending on their credit cards. 12% of credit card holders have a Tesco Bank credit card, putting it only behind Barclaycard for market share. Offering enhanced rewards for credit card holders will increase loyalty to the brand as consumers look to maximise the power of their purchasing.
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