COMPETITION COMMISSION

Understanding past market investigation remedies

Store Cards

1 March 2011

Abstract

The Competition Commission (CC) is committed to a rolling programme of research into past remedies with the aim of ensuring that learning points are captured and fed into the development of remedies policy and practice. This report sets out an evaluation of the remedies on the store cards market investigation. It is the first time we have examined the effectiveness of the CC's remedies put in place as a result of a market investigation under the Enterprise Act 2002 (the Act).

The paper finds that it is difficult to isolate with precision the impact of the CC's remedy package on the store cards market. This is because we experienced difficulties in gathering suitable data due to our lack of information-gathering powers for these evaluations. In addition, although the remedy package was carefully pitched and focused on specific issues, there were evidently other economic and socio-political factors that played a significant role in the behaviour of store cardholders and store card providers since the reference to the CC in March 2004. These other factors appear, in general, to have contributed to positive changes in the store cards market.

Our analysis sets out that store card usage, average store card interest charges and outstanding store card balances have all fallen since the reference to the CC in 2004. However, the most significant falls occurred between 2004 and 2006 during the CC's investigation.

With regard to the CC's APR warning remedy, we observe that the proportion of store cards with APRs below the warning threshold of 25 per cent increased from 30 per cent in 2005 to 57 per cent in 2008.

The paper concludes that the timing of the changes and the actions of retailers and store card providers during the CC's investigation is consistent with the view that the reference and the publicity during the CC's investigation led to customer demand changing and store card providers making a competitive response and anticipating the CC's remedies. The implementation of the remedy package appears to have sustained and enhanced this effect.

Acknowledgements

The CC would like to thank all those who participated in this study. In particular, the CC would like to thank Dr Caroline Elliott of Lancaster University Management School and Yingqi Wei of the University of York, the Finance Leasing Association, the representatives of various companies who agreed to be interviewed and the Office of Fair Trading (OFT) market remedies team.

Contents

Page

1. Introduction

1. In March 2004, the OFT referred the store cards market to the CC for investigation and report under section 131 of the Act (the reference).[1] The CC's final report entitled *Store cards market investigation* (the CC's final report) was published in March 2006.[2] The CC's remedy package to address the competition problems identified was implemented through an enforcement order made in July 2006 (see paragraphs 21 to 30).

2. In this paper we assess the impact of the CC's interventions in the store cards market. This is the first market investigation we have examined as part of our programme of case studies into the effectiveness of the CC's remedies: hitherto we have looked only at remedies on merger inquiries.[3]

3. This paper is structured as follows:

   (a) background, including the reference, the store cards market and the CC's findings, including why the CC adopted the remedy package that it did;

   (b) our approach to assessing the effectiveness of the CC's remedies;

   (c) changes in the store card market since the reference;

   (d) assessment of the effectiveness of the CC's remedies; and

   (e) conclusion on the effectiveness of the CC's remedies.

2. Background

The reference

4. There had been disquiet over store cards, and in particular their high interest charges,[4] for some time prior to the reference in March 2004:

---

[1]Specifically, the reference related to the supply of store card credit services to retailers and services, including insurance services, related thereto; and consumer credit through store cards and insurance purchased in association with the provision and use of those store cards.
[2]www.competition-commission.org.uk/rep_pub/reports/2006/509storecards.htm.
[3]A review of past merger remedies can be found at: www.competition-commission.org.uk/our_role/analysis/understanding_past_merger_remedies.pdf.
[4]Usually expressed as an annual percentage rate (APR). The APR is a measure of the cost of credit, expressed as a yearly rate. The method for calculating APRs is set out in the Consumer Credit (Total Charge for Credit) Regulations 2010.

(a) In July 2003, the Treasury Select Committee (TSC) had begun an inquiry into the transparency of charges on credit cards, including store cards. In its report published in December 2003, the TSC said that its work had confirmed its concerns about how the industry communicated interest rates and charges to customers. The TSC said that it had found wide support for introducing a standard, tabular form in which to present the key elements of a credit card offer and regretted that little action to implement this suggestion had been taken.[5]

(b) In September 2003, following a commitment to the TSC, the OFT announced that it would undertake an 'informal fact-finding review' of the store cards market.[6] The results of this review led to the store cards market being referred to the CC.

The store cards market

5. Store cards are used by retailers primarily as a means of generating customer loyalty and repeat purchases. They developed as a means by which a retailer's regular customers could be recognized in its stores and gain access to both an additional means of payment and a source of credit. Incentives to take out a store card are typically discounts on purchases made at the time or shortly after the store card agreement is signed. Some retailers provide additional benefits to encourage loyalty such as discount vouchers proportional to the expenditure made on the card or through invitations to special events, such as fashion shows.

6. Cardholders vary in their use of store cards; for example, some take out a store card for a single purchase, receiving an initial discount, paying off the balance before the end of the interest-free period and never using the card again (so called 'hit and run'). Others use it more than once; on each occasion, they might either pay off the balance (so called 'transactors') or take credit by paying the minimum contractual amount or an amount between that and the full balance, thereby incurring interest charges (so called 'revolvers'). The CC found that 43 per cent of cardholders, who used their card in a particular month, paid their balance in full and did not incur interest charges; the remaining 57 per cent incurred interest charges.[7]

7. A few retailers finance and operate their store cards in-house. However, most retailers contract with store card credit providers (store card providers), generally financial institutions, which finance and administer the store card on their behalf. The CC found that acceptance rates[8] for store cards were usually over 65 per cent, often significantly more, and were higher than acceptance rates for credit cards.[9] A high acceptance rate is important to retailers to help maximize penetration of their customer base. Store card providers, on the other hand, are incentivized to supply store cards only to customers who satisfy their credit assessment criteria. Store card providers said that the high acceptance rate for store cards required by retailers could only be sustained profitably by relatively high APRs.

8. Store card providers have two main revenue streams:

(a) interest charges received from those card users who do not pay off their balances in full each month; and

---

[5]House of Commons Treasury Select Committee report *Transparency of Credit Card Charges,* published 17 December 2003: www.publications.parliament.uk/pa/cm200304/cmselect/cmtreasy/125/12502.htm.
[6]OFT press release 120/03, 17 September 2003: www.oft.gov.uk/news-and-updates/press/2003/pn_120-03.
[7]CC's final report, paragraph 3.27.
[8]The proportion of applications accepted by the provider.
[9]CC's final report, paragraph 3.5.

(b) the sale of insurance services. Insurance services include policies that would pay out in the event that cardholders could not keep up their payments, perhaps because they have become unemployed. This is known as payment protection insurance (PPI). Other insurance policies can be purchased, for example to cover the risk that the goods bought using the store card are subsequently reduced in price or lost, stolen or damaged. These insurance services are often bundled together and either sold through a single premium on taking out the card or through a system of regular payments. The CC found that new regulations had resulted in most store card providers deciding not to offer store-card-related insurance in-store.[10]

The CC's findings

9. The CC examined both the supply of store card credit services to retailers and insurance services (the upstream market) and the supply of consumer credit through store cards and associated insurance (the downstream market).

Upstream market

10. The CC found that the upstream market was competitive. In particular, the CC found that there were no discernible barriers to entry into the market by financial institutions with an established reputation and the requisite in-house or outsourced capacity, as evidenced by HSBC gaining the contract for store card services for the John Lewis Partnership (in 2003) and Marks and Spencer (in 2004), and Barclaycard securing the House of Fraser contract for store card services (from 2007).[11]

Downstream market

11. In the downstream market, the CC found that, as at the end of 2005, most store cards had APRs that were clustered around 30 per cent, significantly higher than credit cards,[12] and that most store card APRs had remained unchanged since the mid-1990s, despite falls in funding costs. There were few store cards with APRs below 20 per cent.[13]

12. The CC found that store card providers' incentives were unambiguously for higher APRs and that the only constraint on APRs had arisen from retailers' concerns not to have what would be regarded as an excessive APR, relative to other store cards. However, it said that these concerns had not, until very recently, led to pressure to reduce APRs. It found that the only pressure on APR levels came from a few retailers with significantly lower store card APRs but that this pressure was insufficient to bring about a general reduction in APRs for the great majority of store cards.[14]

13. The CC found that consumers were insensitive to APRs, late payment fees and insurance costs and that store card providers did not include sufficient information on

---

[10] CC's final report, paragraph 4.14. Rules introduced by the Financial Services Authority (FSA) under the Financial Services and Markets Act 2000 in January 2005 (the Insurance Conduct of Business (ICOB) rules) applied to all companies selling non-investment insurance. These rules required insurance intermediaries to be authorized by the FSA and made it harder for retailers/store card providers to offer these insurance services in-store.
[11] CC's final report, paragraphs 7.64 & 7.7–7.13.
[12] Credit card interest charges averaged 15 to 16 per cent APR in this period (UK Cards Association, Quarterly Statistical Reports).
[13] CC's final report, paragraph 15.
[14] CC's final report, paragraph 15.

APRs and interest charges on their store card statements. It found that this lack of information contributed to or reinforced consumers' lack of sensitivity to APRs.[15]

The adverse effect on competition and detrimental effects

14. The CC concluded that there were features in the downstream market that, when taken in combination, prevented, restricted or distorted competition and that there was an adverse effect on competition (AEC) within the meaning of the Act. The features identified and the detrimental effects on customers arising from the AEC are set out in full in Appendix A. The CC estimated that over the period between 1999 and 2005 the customer detriment had been at least £55 million a year and possibly significantly more.[16]

The need for remedial action

15. The CC considered whether remedial action was required given the following developments in the market during the inquiry: *(a)* reductions in store card usage; *(b)* reductions in APRs; and *(c)* anticipated changes to regulation of store cards.

Reductions in store card usage

16. The CC acknowledged that the decline in the number of store card accounts would continue in 2005 and 2006, with the number of store cards being partially eroded by store-branded credit cards and credit cards. The total number of active store card accounts was estimated to decrease from 13.9 million at the end of 2004 to 10.7 million at the end of 2006. However, the CC was satisfied that store cards would continue to be used by retailers as a marketing tool and that remedies were required.[17]

Reductions in APRs

17. During the inquiry, the CC found that there had been reductions in some store card APRs, for example:

    (a) in mid-2004, Ikano had lowered the APR on the Ikea store card to 12.9 per cent from 29 per cent;

    (b) in mid-2005, GECF reduced the APR on Monsoon's store card from 29.9 to 18.9 per cent and on River Island's store card from 29.9 to 17.9 per cent; and

    (c) in mid-2005, the APR on HSBC's card for Harvey Nichols fell from 28.5 to 21.9 per cent. [18]

18. The CC said that these changes had been prompted by both the increase in the level of attrition and bad debt rates for store cards since the end of 2002 and the adverse publicity for store card providers arising from the TSC's report. The CC concluded that these changes were not yet sufficiently widespread nor that there was certainty

---

[15] CC's final report, paragraph 9.8.
[16] CC's final report, paragraph 9.14. This figure was calculated by estimating excess profits and comparing average APRs with cost-reflective APRs.
[17] CC's final report, paragraphs 3.19–3.25 & 9.16.
[18] CC's final report, paragraph 8.37.

that the changes would be permanent so as to remove the need for remedial action.[19]

Anticipated changes to regulation of store cards

19. As store cards were regulated as consumer credit products under the Consumer Credit Act 1974 (CCA), the CC examined the likely impact of various amendments to the CCA that were in the process of implementation and further measures that were to be enacted through the Consumer Credit Bill. These new regulations included:

    (a) regulations applying to marketing materials for credit products, including store cards, which came into force from 31 October 2004.[20] These regulations introduced a new, simplified approach to the advertising of consumer credit that focused on the provision of key information to consumers about the costs of credit;[21]

    (b) regulations which came into force from 31 May 2005 which would govern the provision of pre-contract information and the form and content of consumer credit agreements;[22] and

    (c) the Consumer Credit Bill, which among other things permitted the Secretary of State to require the inclusion of warnings in customer about the consequences to the debtor of making only the minimum repayment (the so-called 'wealth warning').

Conclusion on the need for remedies

20. The CC concluded that these developments were unlikely in themselves to bring about change in the competitive environment over the next 12 to 24 months sufficient to remove the features that had combined to give rise to the AEC. [23]

The CC's remedy package

21. In light of the developments above, the CC's remedy package was relatively modest. To address the features identified as giving rise to the AEC, the remedy package focused on informational remedies and contained four elements:

    (a) All store card account statements were required to display certain information prominently.

    (b) Cards with an APR of 25 per cent or more were required to display a warning in statements.

    (c) Direct debit payment facilities were required to be made available as an option and this option was to be made clear in monthly statements.

---

[19]CC's final report, paragraphs 8.37–8.45.
[20]The Consumer Credit (Advertisements) Regulations 2004.
[21]The regulations introduced a new single set of assumptions for the calculation of the APR. They also revised the concept of the 'typical APR' by requiring the APR quoted in any advertisement to be the highest that is expected to be offered to at least 66 per cent of borrowers who are given credit as a result of the advertisement. The regulations further specified the circumstances in which a typical APR would have to be shown and the degree of prominence that it should be given.
[22]The Consumer Credit (Disclosure of Information) Regulations 2004 and the Consumer Credit (Agreements) (Amendment) Regulations 2004.
[23]CC's final report, paragraph 9.17.

(d) Insurance services were required to be unbundled from one another.

22. We set out further detail below on each element of the remedy package.

(a) Full information on statements

23. Certain key items of information were to be prominently displayed on the front page of store card statements.[24] This remedy was aimed at enabling store card customers to make informed decisions regarding use of store card credit and the extent of their card-related insurance cover. At the time of the inquiry, most store card statements did not provide information on prospective interest charges or interest rates.

(b) APR warning on certain store card statements

24. An APR warning was to be prominently displayed on the front page of each monthly statement for store cards with an APR of 25 per cent or more.[25]

25. The remedy sought to ensure that all store card customers would be consistently well placed to take informed decisions regarding use of store card credit and to address the feature that most retailers offering store cards did not exert competitive pressure on APRs.

26. The CC's final report set out that the warning notice was not intended to be a rate cap: the wording for the warning was moderate and did not impose a specific prohibition; it was intended to provide a signal to store cardholders regarding the availability of cheaper forms of credit and to encourage retailers to exert pressure on store card providers to reduce APRs to more competitive levels. The CC explicitly noted that it believed that some store cards would respond to the stimulus but that some APRs were likely to remain above the threshold level.[26]

27. The CC chose 25 per cent as the threshold based on two findings:

(a) Approximately 85 per cent of credit card customers paid an APR of 20 per cent or less on their credit cards, almost 90 per cent paid an APR of 22 per cent or less and almost 95 per cent paid an APR of 26 per cent or less. The CC found that it was likely that a warning threshold set at an APR of 20 per cent or above would create a reliable signal to most store card customers that at least one other form of credit (namely, credit cards) would be less costly.

(b) If the threshold APR were set at 20 per cent, the gap between such a threshold and most store card APRs was likely to be so large that it would fail to provide the incentive for most retailers and store card providers to reduce APRs. A 25 per cent threshold was therefore seen as giving store card providers and retailers sufficient commercial flexibility to make reductions in APRs.

---

[24]The key items of information to be displayed on statements were: the current APR applicable to purchases; an estimate of interest payable next month in the event that the cardholder only made the minimum payment; a 'wealth warning' outlining the consequences of only making minimum payments; the basis of insurance charges shown alongside each insurance charge appearing in the transaction box; and a reference to the reverse side of the statement for details of how to pay and contact details to amend or check insurance cover.

[25]The required warning was: 'The rate of interest charged on your account may be higher than on other sources of credit available to you. It may be costly for you to leave balances owing on your account after the interest-free period.'

[26]CC's final report, paragraphs 10.27 & 10.28. In an earlier published document, the CC said that a cap would be considered if it was felt that the remedy package would not act sufficiently quickly or effectively on its own in addressing the AEC and resulting detrimental effects. (See Notice of Possible Remedies.)

(c) Prominent display of facility to pay outstanding balances by direct debit

28. Store card providers were to be required to make available an option for all store cardholders to pay the balance on their store cards by direct debit and the availability of this option was to be displayed in account statements. This measure aimed to reduce the proportion of cardholders' revolving credit inadvertently, through inertia, or as a result of a lack of awareness of APRs and payment terms.

(d) Separate offer of payment, purchase and price protection insurance

29. Where store card providers offered insurance packages containing payment, price and purchase protection they were to offer as separate items: *(a)* payment protection cover alone; and *(b)* a package of price and purchase protection. Where store card providers offered a package of payment and price protection or payment and purchase protection, they were to offer payment protection alone as a separate item. The purpose of this remedy was to provide greater choice for customers in selecting insurance products to match their needs and to enable each element of the insurance package to be compared with competitors' offerings.

Implementation of remedies

30. The remedy package was implemented by way of an enforcement order made by the CC on 27 July 2006. The date of commencement of the Store Cards Market Investigation Order was 1 May 2007.

3. Our approach to assessing the effectiveness of the CC's remedies

Our research methodology

31. Our research methodology is based on the successful approach we have used in evaluating past merger remedies. We undertook initial background research by reviewing the CC's final report and the inquiry files. We then interviewed those involved in the design and implementation of the remedies. The questions for each interviewee were tailored to reflect their role in relation to the remedy. Broadly, interviewees were asked questions about the choice of the remedy, what had happened since the remedies had been put in place, whether the remedy had been working as expected, and if not, why not.

32. In addition, we sought to undertake some quantitative analysis, examining changes in APRs, store card usage and outstanding balances. The CC does not hold any information-gathering powers when evaluating the effectiveness of past remedies. In these evaluations we have to rely on the willingness of parties to provide data to enable an assessment to take place. Unfortunately, we were unable to obtain data from parties which related APRs to store card usage or outstanding balances—such data would have enabled us to examine whether, for example, usage of store cards with APRs above 25 per cent differed from that of store cards with an APR of less than 25 per cent. In the absence of data from the store card providers, we relied on publicly available data sources. This limited our analysis to a significant extent.

Our approach to assessing effectiveness

33. The CC's remedy package was aimed at addressing the AEC and detrimental effects described in Appendix A. For the CC's remedy package to have been effective, we would have expected it to mitigate the AEC and the detrimental effects.

34. Appendix A shows that the CC listed a wide range of features and detrimental effects, many of which are not possible to test without a detailed market study using information-gathering powers. We have therefore focused on those market outcomes that can be observed from publicly available data and assessed whether these demonstrate that the detrimental effects have reduced.

35. Of the CC's four remedies, we can attempt to evaluate the impact of *(a)* fuller information on statements, *(b)* the APR warning and *(c)* the direct debit provisions. We cannot evaluate the effect of remedy *(d)* regarding insurance unbundling because information on the take-up of insurance products is not observable from publicly available data. However, the OFT told us that no significant concerns had been raised in monitoring this aspect of the remedy package. We therefore have no reason to believe that it has not been effective in addressing the AEC and related detrimental effects.

36. To assess the effectiveness of remedies *(a)* to *(c)*, we formed five hypotheses which we test in this paper:

(a) Store card usage should have fallen as customers switch to cheaper forms of credit in response to fuller information on statements and the APR warning.

(b) Average store card APRs should have fallen in response to fuller information on statements and the APR warning.

(c) The number of store cards with APRs of 25 per cent or more should have decreased (but not necessarily to zero) in response to the APR warning.

(d) Outstanding credit balances on store cards should have fallen in response to information on statements and the direct debit provisions.

(e) Outstanding credit balances on store cards with an APR of 25 per cent or more should have fallen relative to store card credit balances overall in response to the APR warning, fuller information on statements and the direct debit provisions.

37. Whilst the behaviour hypothesized would be consistent with the remedy package being effective, we recognize that such changes may be caused by many other factors and, depending on the quality and representativeness of the data available, it can be difficult to identify the extent to which changes in outcomes are attributable to the remedy package. For example, since the remedy package was implemented there have been other significant changes in financial regulation, a recession, historically low interest rates and changes in the availability of other sources of credit. We also recognize that some of the effects are interdependent—for example, falls in APRs for store cards may mean little switching to other forms of credit. We have therefore had to be cautious in our interpretation of the evidence.

4. Changes in the store card market since the reference

38. In this section, we consider developments in the store card market since the reference by examining the five hypotheses in paragraph 36. We examine changes that have occurred since the reference was made to take into account the possibility that changes were already taking place during the CC's investigation, as the CC's final report suggested (see paragraphs 15 to 20).

Changes in store card usage

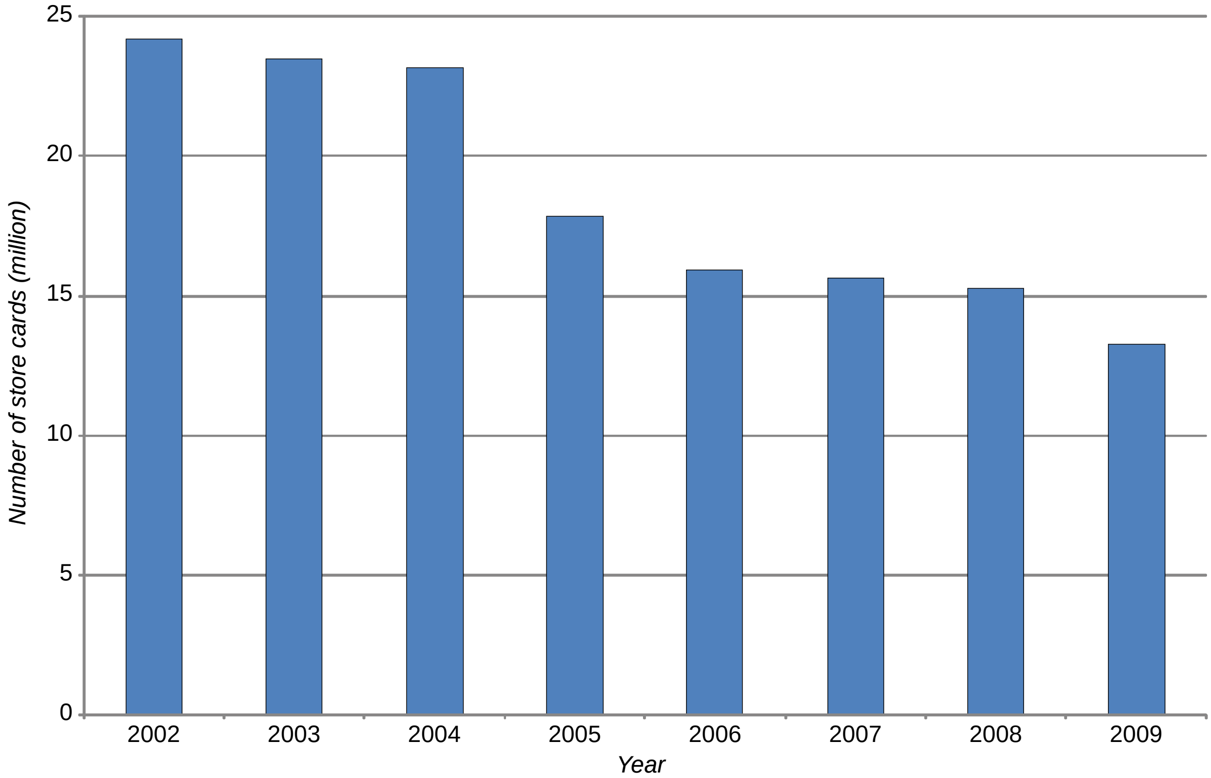
39. To understand the extent to which the CC's remedies may have affected customers' usage of store cards (hypothesis *(a)*), we examined the number of store cards in issue and the volume of store card transactions.

Number of store cards in issue

40. Figure 1 shows that the number of store cards in issue fell year on year between 2002 and 2008, showing the biggest fall, of 23 per cent, between 2004 and 2005. This is the period during which the CC was conducting its investigation. Although there was a significant decline in store cards in issue in 2009, the rate of decline slowed in 2006, 2007 and 2008, the period in which the CC's enforcement order was made (July 2006) and the remedy package was implemented (May 2007).

FIGURE 1

Number of store cards in issue



Source: UK Plastic Cards 2010, UK Cards Association.

41. The CC's final report was published in March 2006 such that the last year for which actual data was available at the time was 2004. To provide up-to-date data, the CC asked all store card providers for their projections for 2005 and 2006.[27] These projections did not make any assumptions about remedies. The CC's final report

[27] CC's final report, paragraphs 3.19 & 3.20.

showed a projected decline in active store card accounts of 23 per cent between 2004 and 2006.[28]

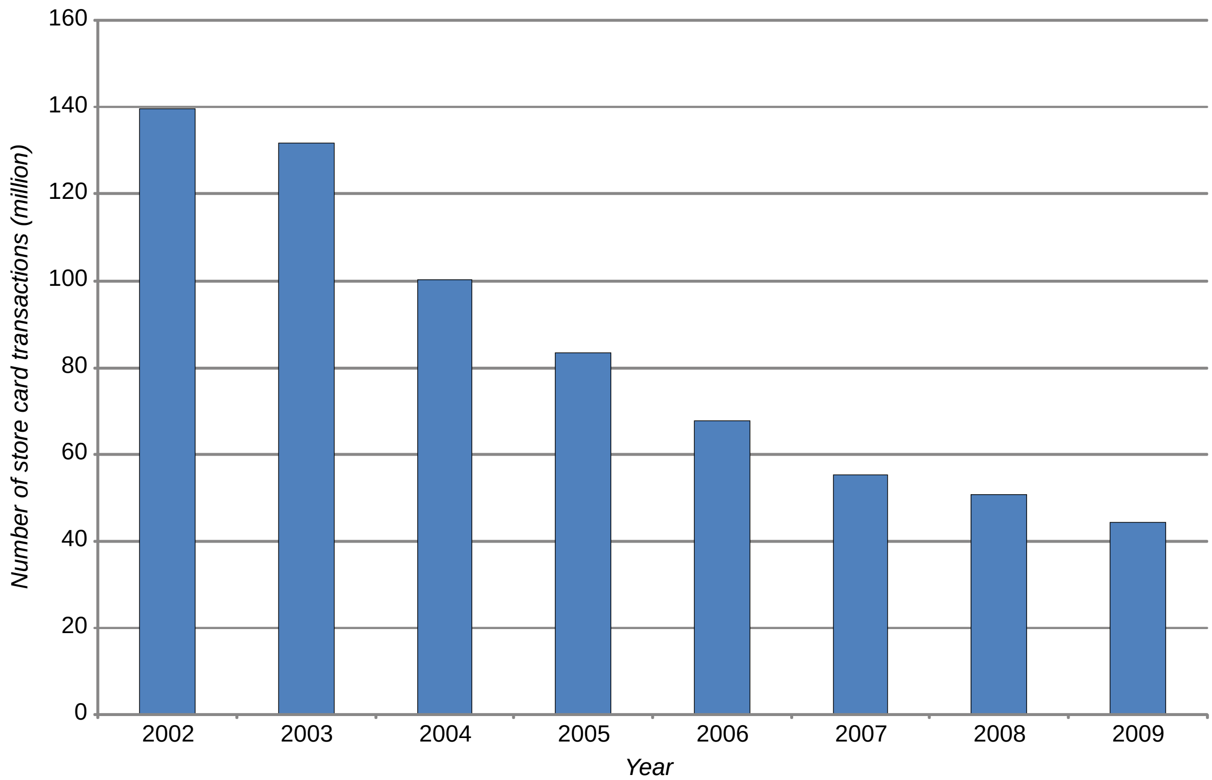
42. We considered whether reductions in actual store card usage in 2005 and 2006 have been greater than those projected in the CC's final report, as this would be consistent with customers responding to the CC's investigation. We found that the decline in Figure 1 between 2004 and 2006 was 31 per cent, greater than that projected in the CC's final report. However, this percentage decline is based on number of store cards in issue rather than active accounts so may not be directly comparable.

Volume of store card transactions

43. Figure 2 shows that the annual number of store card transactions declined continually between 2002 and 2008, most markedly in 2004 (by 24 per cent) and in 2005 and in 2006 (around 18 per cent in each year), again during the CC's investigation.

FIGURE 2

Number of store card transactions



Source: UK Plastic Cards 2010, UK Cards Association.

Changes in APRs

44. To assess changes in store card APRs since the reference (hypotheses *(b)* and *(c)*), we conducted both quantitative and qualitative analysis of the effects of the CC's remedies.

[28]The total number of active store card accounts was projected to decrease to 11.4 million by the end of 2005 (from 13.9 million in 2004) and to 10.7 million by the end of 2006. Active accounts are those where the card has been used to pay for a retail transaction in the last 12 months.

Quantitative analysis

45. Before conducting our own quantitative analysis, we considered whether other relevant studies of changes in APR in the store card market had been conducted. Dr Caroline Elliott and Yingqi Wei conducted a study of *The impact of regulatory intervention in the UK store card industry* in February 2010.[29] This econometric study, based on a panel of monthly data on UK store card interest rates from October 1993 to February 2008,[30] found that the OFT and CC investigations appeared to lead to a reduction in store card interest rates of approximately 4 per cent. It also found that store card interest rates are partly determined by macroeconomic factors, such as the Bank of England base rate.

46. The study by Elliott and Wei was wider in scope than ours, encompassing regulatory interventions by both the CC and the OFT. However, the authors kindly let us have access to their dataset which we have used in our assessment of changes in APRs in this section.

47. We used the monthly data on APRs for a selection of store cards. Our sample ran from January 2005 to March 2008 and included a total of 42 store cards, although we did not have data for every store card in every month.[31] We used this data to look at (i) average changes in store card APRs since the reference and (ii) differential changes in APRs for those store cards carrying an APR warning.

(i) Average changes in store card APRs since the reference

48. We examined trends in average APRs to test the hypothesis that the CC's remedies had an impact on the behaviour of some store card providers and led to a reduction in average APRs (hypothesis *(b)*). Table 1 shows that average APRs fell continually, albeit only at a gradual rate, from 24.7 per cent in 2005 to 23.9 per cent in 2008 (a 3.5 per cent reduction).

TABLE 1 **Average store card APRs from 2005 to 2008**

Year	*Average APR*
2005	24.70
2006	24.48
2007	24.12
2008	23.88

Source: Moneyfacts, CC calculation.

49. We recognized that average APRs could have fallen during this period for reasons unrelated to the CC's interventions: for example, as a result of a reduction in consumer demand or a reduction in the cost of borrowing. These other factors could be expected to affect both the store cards subject to the APR warning and those that were not. We therefore examined differential changes in APRs for those store cards carrying an APR warning.

[29]The Impact of Regulatory Intervention in the UK Store Card Industry, Elliott and Wei, International Journal of the Economics of Business, Volume 17, Issue 1, February 2010 , pages 87–98. An earlier version of this paper is available at: www.lums.lancs.ac.uk/publications/viewpdf/005954/.
[30]Data is taken from *Moneyfacts* magazine and includes store cards from Creation, Debenhams, Fortnum and Mason, House of Fraser, Ikea, Jaeger, John Lewis, Laura Ashley, Marks and Spencer, Monsoon and Selfridges.
[31]We are not aware of a more comprehensive, public source of data on store card APRs but recognize that this does not necessarily mean that our sample is representative and therefore we interpret our findings with a certain amount of caution.

(ii) Differential changes in APRs for those store cards carrying an APR warning

50. If the reduction in APRs was driven solely by common exogenous factors, change in APRs for those store cards not subject to the warning notice would be the same as the changes in those that were. If, on the other hand, at least some of the reduction in APRs was genuinely due to the introduction of the APR warning, we would expect to see a greater change in APRs for those that were subject to the remedy than for those that were not (hypothesis *(c)*).[32]

51. We used the data to define the group of store card providers that were likely to have reacted to news of the APR warning threshold, which was first made known in the CC's provisional decision on remedies in December 2005.[33] This group comprised any store card charging an APR of 25 per cent or more in November 2005. We called this the 'remedy group'. We then identified a control group, composed of all store cards in our sample charging an APR of less than 25 per cent in November 2005. We set out our analysis in full in Appendix B.

52. Table 2 shows the average, minimum and maximum APRs for store cards in the control and remedy groups both immediately before and after the CC's provisional decision on remedies.[34]

TABLE 2 **Average, minimum and maximum APRs before and after the CC's provisional decision on remedies in December 2005**

	Control group	*Remedy group*
APR before December 2005		
Average	17.2	27.6
Minimum	12.9	25.9
Maximum	21.9	29.9
APR after December 2005		
Average	18.1	26.5
Minimum	12.9	18.9
Maximum	21.9	29.9
Difference		
Average	0.9	–1.1
Minimum	0	–7.0
Maximum	0	0

Source: Moneyfacts data, CC analysis.

53. Table 2 illustrates that between November 2005 and January 2006 average APRs in the control group (those without an APR warning) *increased* by approximately one percentage point (from 17.2 to 18.1 per cent) and average APRs in the remedy group (those with an APR warning) *fell* by approximately one percentage point (from 27.6 to 26.5 per cent).

[32]This technique is standard in the policy evaluation literature and is known as the difference-in-differences approach. It can be a powerful tool for isolating the impact of a policy change if certain assumptions hold. These assumptions are that the control and treated groups face common trends and that the composition of the two groups remains the same before and after the policy is implemented. We consider that these assumptions are likely to hold.
[33]www.competition-commission.org.uk/inquiries/completed/2006/storecard/pdf/statement_of_provisional_decisions_on_remedies.pdf. An APR warning had been publicly considered by the CC but this was the first time that the 25 per cent proposal was published.
[34]The results are based on a sample of all store cards for which we had data on APRs in either or both of November 2005 and January 2006. This provided a sample of 28 store cards in total, 18 of which were subject to the APR warning remedy and 10 of which were not. As set out in Appendix B, we use a short period of three months to mitigate the likelihood of the results being affected by changes in data group composition.

54. Subtracting the change in average APRs in the control group from the change in average APRs in the remedy group gives a reduction in APRs of approximately two percentage points relative to what they would otherwise have been. However, given the limited dataset, these results are not statistically significant.

55. As described in Appendix B, we identified a number of reasons why these results are likely to underestimate the impact of the APR warning remedy. For example, Table 2 shows that the minimum APR fell by 7 per cent whereas the maximum APR was unchanged. This highlights that using simple averages may disguise large reductions in APRs by a few store cards and some store cards with high initial APRs keeping their rates unchanged

56. As the sample size was relatively small, we were also able to examine changes in APR by individual retailers between 2005 and 2008 (see Appendix B). We found that of the 42 store cards in the sample, nearly 30 per cent of store card providers reduced APRs between 2005 and 2008, all to rates below the 25 per cent threshold.[35] Fewer than 15 per cent of store card providers increased APRs over this period, although more than 40 per cent kept APRs constant throughout. We also found that, for those 31 store cards that started with an APR of greater than 25 per cent, the pattern was very similar—32 per cent of store card providers reduced APRs (all to rates below 25 per cent), 16 per cent increased APRs and 39 per cent left rates unchanged.[36]

57. We also looked at how the numbers of store cards charging less than 25 per cent APR changed between 2005 and 2008 (see Appendix B). We found a marked increase in the percentage of card issuers charging below the APR warning threshold, from 30 per cent in 2005 to 57 per cent in 2008.

Qualitative analysis

58. In addition to our analysis of the APR data, we conducted a small number of interviews with retailers/store card providers in order to try and gain some insights into the process through which APR changes are decided upon. In particular, we wanted to understand the importance of the APR warning in terms of reputational/brand risk and how this was factored into decision making.

59. These interviews suggested that decisions were made on a case by case basis, taking into account the commercial effects of an APR change from the perspectives of the stakeholders involved. The priority of the store card provider, whether an external finance house or internal financial services function, appeared to be, exclusively, the profitability of the store card business. The sales and marketing function of the retailer, on the other hand, may have been concerned to balance the adverse brand/reputational effect of applying the retail brand to a service apparently offering poor value for money with the potentially positive effect on sales of the higher card acceptance rate associated with higher APRs. These factors were then weighed up against one another. As one interviewee put it about one particular decision: 'They (the retailer) looked at the 25 per cent rate but decided that 27.9 per cent was the right figure on the basis of the mathematics.'

60. The interviews seem to indicate that the basic 'mathematics' of the decisions faced by retailers/store card providers may have been little changed following the CC's

---

[35] 24 per cent of the store card providers reduced rates from above the 25 per cent threshold to below the 25 per cent threshold.
[36] All store cards with rates above 25 per cent in 2008 already had rates above 25 per cent at the start of the period for which data is available.

remedies but that some retailers may have been more sensitive to reputational/brand risk of the APR warning than others, particularly if their brand values emphasized value for money.

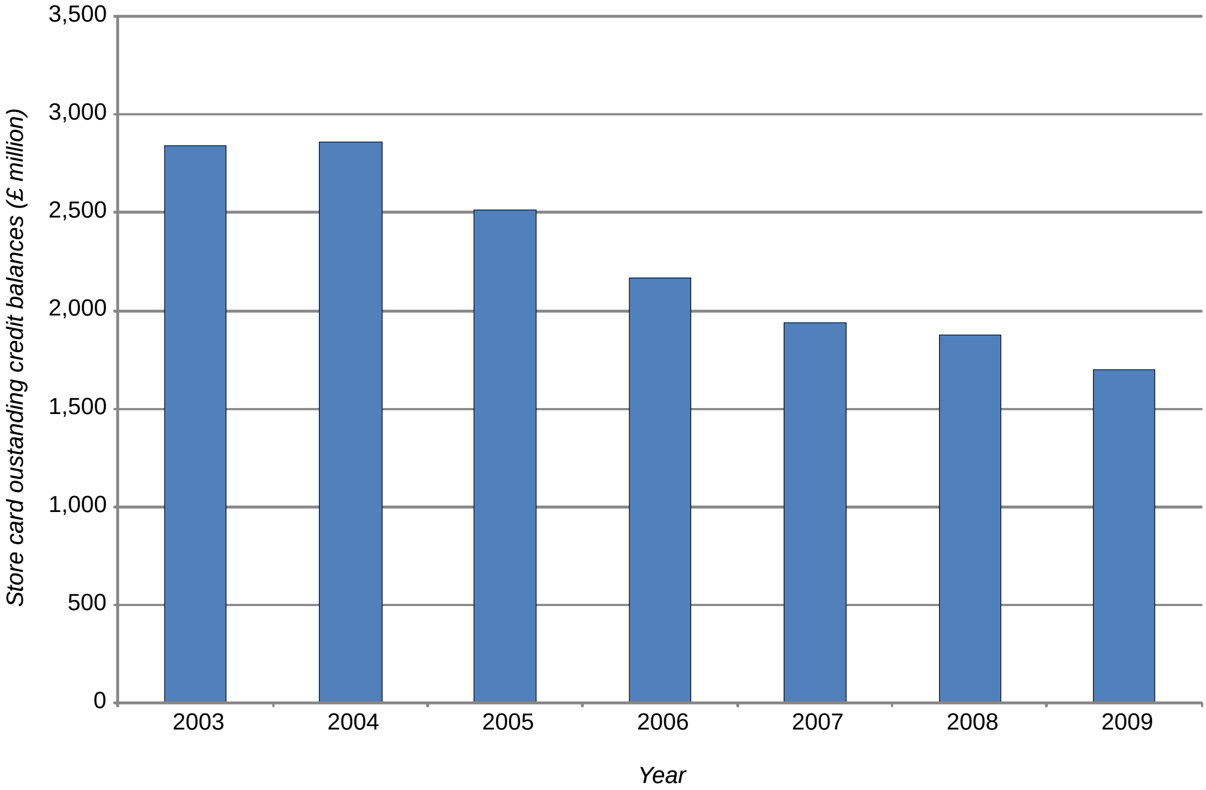
Changes in outstanding credit balances

61. To assess the hypothesis that changes in outstanding credit balances have been affected by the CC's remedies, we looked first at outstanding credit balances across all store cards (hypothesis *(d)*).

62. Figure 3 shows that outstanding credit balances on store cards fell by just under one-third from £2.8 billion in 2003 to £1.7 billion in 2009. The largest year-on-year falls were in 2005 (–12 per cent) and 2006 (–14 per cent), again during the CC's investigation. This contrasts with the figures projected for 2005 and 2006 in the CC's final report, which shows a fall of 9 per cent and 6 per cent in 2005 and 2006 respectively.[37]

FIGURE 3

Store card outstanding credit balances



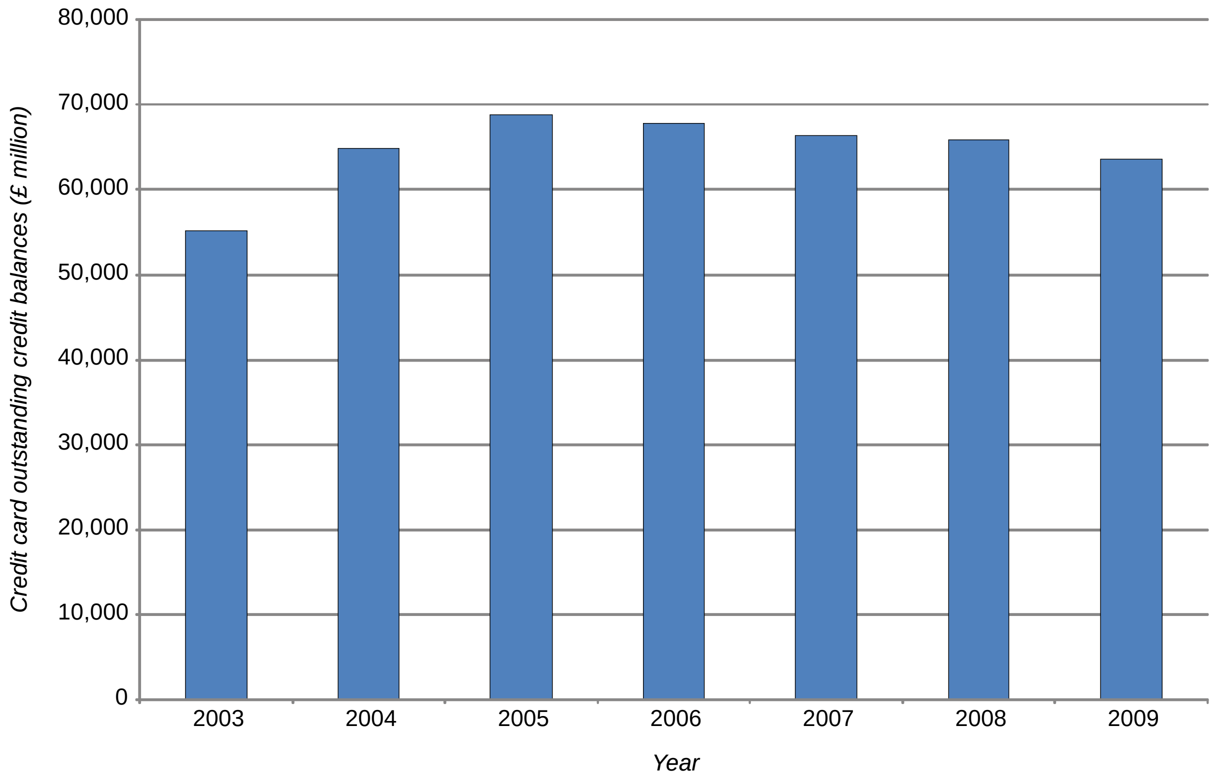
Source: UK Plastic Cards 2010, UK Cards Association.

63. We also looked at usage patterns for credit cards over the same period, as a comparator. Figure 4 shows that credit card outstanding credit balances were growing strongly until 2005 after which they experienced only a gradual decline. Store card outstanding credit balances by contrast fell quite markedly after 2004.

[37]We were unable to compare our figures with the absolute projected figures in Table 3.7 of the CC's final report as the basis for the figures has subsequently been revised.

FIGURE 4

Credit card outstanding credit balances



Source: UK Cards Association, Statistical Releases 14 April 2010 and 6 July 2010.

64. We tried to collect information on changes in outstanding credit balances for store cards with APRs of 25 per cent or more in order to compare these with the trends for all store card outstanding credit balances. If outstanding credit balances on store cards with an APR of 25 per cent or more had fallen faster than outstanding credit balances on store cards in general, this could indicate that the APR warning had affected consumer behaviour in the way intended (hypothesis *(e)*). We were, unfortunately, unable to obtain this information from the industry and so were unable to test this hypothesis.

Summary of changes in the store cards market since the reference

65. In testing the hypotheses in paragraph 36, we found that:

(a) Since the reference, the number of store cards in issue and the volume of store card transactions have declined overall. However, the most significant falls occurred between 2004 and 2006 during the CC's investigation and the reductions in store card usage since 2006 have been only gradual. (See paragraphs 40 to 43.)

(b) In the period between 2005 and 2008, average store card APRs fell, albeit only gradually. (See paragraph 48.)

(c) Since the reference, based on our data sample, the proportion of store cards with APRs of less than the warning threshold of 25 per cent increased from 30 per cent in 2005 to 57 per cent in 2008. For those store cards that started with an APR of greater than 25 per cent, 32 per cent of store card providers reduced

APRs (all to rates below 25 per cent). Our econometric analysis found that the CC's provisional decision on remedies in December 2005 had a small but statistically insignificant effect in reducing the APRs on those store cards with APRs of 25 per cent or more relative to those store cards with APRs of less than 25 per cent. (See paragraphs 50 to 57.)

(d) Outstanding credit balances have fallen since the reference. Again most of this decline occurred in 2005 and 2006, during the CC's investigation. (See paragraphs 62 to 63.)

5. Assessment of the effectiveness of the CC's remedies

66. We now consider the extent to which the changes in store card usage, APRs and outstanding credit balances can be attributed to the CC's remedies or whether there are other plausible explanations for them.

67. The reductions we have seen in store card usage, APRs and outstanding credit balances between 2004 and 2006 cannot be directly attributed to the implementation of the CC's remedies as these only came into force in May 2007. Since 2006, the pace of the reduction in these outcomes appears to have slowed. This suggests that the implementation of the CC's remedies has sustained and enhanced the changes that were in motion during the investigation but has not had a major additional impact on the market.

68. We considered two alternative explanations for the timing of the reductions in store card usage, APRs and outstanding credit balances:

(a) the reference and the publicity during the CC's investigation led to customer demand changing and/or to store card providers making a competitive response, or anticipating the CC's remedies; and/or

(b) other factors altogether were responsible for these changes, for example wider economic factors or the growth of store-branded credit cards.

69. We now examine these two possible explanations and then set out possible further regulations in relation to store cards currently being considered by Government.

Responding to publicity during the CC's investigation and anticipation of the CC's remedies

70. In considering the developments in the market discussed in paragraphs 15 to 20, the CC's final report noted that:

> many of the changes have taken place either shortly before our inquiry (some possibly reflecting adverse publicity following the TSC report) or during the course of our inquiry, and that report and our inquiry are likely to have been factors in bringing certain matters into sharper focus for both the retailers and the providers.[38]

71. The results of our analysis support the view that the adverse publicity against store card APRs (beginning with the TSC inquiry in 2003 and early 2004, followed by the reference to the CC and then ongoing publicity during the CC's investigation) and

[38] CC's final report, paragraph 9.17.

anticipation of the CC's remedies led to changes being made in the store cards market:

(a) The main reductions in store card usage, APRs and outstanding credit balances occurred between 2004 and 2006, following the reference.

(b) Our econometric analysis found a small but statistically insignificant effect around the time of the CC's provisional decision on remedies in December 2005.

(c) The CC's experience on other market investigations is that is not unusual for parties to modify their behaviour during the course of the investigation when there is increased scrutiny of their actions from the CC and also from the media.

(d) Some retailers, for example Mothercare, cut their APRs from over 25 per cent in 2005, before the warning threshold was announced but after it had become clear that there was likely to be a warning and that it would be of this order.[39]

(e) Other retailers appear to have specifically anticipated the CC's remedies:

(i) At a hearing in late November 2005, a department store operator, for example, said that its statements already included a 'wealth warning' and that it had disclosed the APR prominently in statements since October 2005. It said that '… a lot of what is in the remedy in terms of statements effectively we have moved to or are moving to'.

(ii) A supermarket chain also said that it was in the process of introducing variable rates for store cards depending on the credit rating of applicants, which would avoid the use of a single and high APR to accommodate all applicants.

Other factors

Wider economic factors

72. Elliott and Wei found that store card interest rates are partly determined by macroeconomic factors, such as the Bank of England base rate. It is possible that the changes that took place since the reference have been caused by wider macroeconomic factors. Certainly, the economic environment since 2007 has been unusual with historically low interest rates, a financial crisis and significant changes in financial regulations. These will undoubtedly have had some effect on store card providers' and customers' behaviour.

Store-branded credit cards

73. The growth pattern of store-branded credit cards fits with the observed decline of store card usage. Store-branded credit cards had been growing very rapidly as a business even during the CC's investigation. In 2003, balances at the year end stood at £983 million but by 2004 they had risen to £1,693 million.[40] As we showed in Figure 3, store card balances stayed stable in 2003 and 2004 but then began falling.

74. Store cards can only be used in one retailer's stores whereas store-branded credit cards can be used more generally, resulting in the prospect of higher credit balances on which interest can be charged and higher merchant fees for the provider.

[39] For example, from the Notice of possible remedies in September 2005.
[40] CC's final report, Table 3.1.

Retailers/providers thus had the ability to set lower interest charges, so avoiding the reputational risk associated with typical store card APRs, whilst still making money. Marks and Spencer and Debenhams were two retailers which actively migrated customers across from their store cards to store-branded credit cards.[41]

Possible further regulations

75. As we have discussed in paragraphs 21 to 29, the CC decided not to control outcomes but to stimulate competition by increasing transparency of information. It explicitly recognized that as a result of its remedy package not all APRs would fall to 25 per cent or less and, as we have found, not all did.

76. Although we have seen that there were significant changes in store card usage, APRs and outstanding credit balances during and following the CC's investigation, there remains some dissatisfaction with certain aspects of the consumer credit market, in particular the fact that some store cards, as we have seen above, continue to charge APRs of up to 29.9 per cent despite falling base interest rates.

77. In October 2010, the Government set out a call for evidence in respect of consumer credit and personal insolvency. This call for evidence includes several issues in the store cards market:

   (a) the possibility of introducing a seven-day cooling-off period for store cards after a consumer applies for a card, which must expire before a consumer can use the card; and

   (b) the possibility of subjecting store card APRs to a cap.

78. At the time of writing this paper, the outcome of this consultation is unknown.

6. Conclusions on the effectiveness of the CC's remedies

79. Our assessment of the effectiveness of the remedies adopted for store cards has highlighted the difficulties in evaluating the effectiveness of remedies in market investigations:

   (a) Parties will examine their strategies in a market in the light of the ongoing effect of a CC investigation. For example, parties may act differently during a CC investigation so as to mitigate the likelihood of stronger remedies. As a result, the effectiveness of the CC's remedies should not just be measured by what happens immediately after the remedy package comes into force; there is a need to examine the changes in a market from at least the point of the reference to the CC and also to consider factors affecting behaviour in the run-up to the reference.

   (b) Market investigations involve specific remedies addressed at specific problems. It can be difficult to disentangle the effects of these remedies on market outcomes from other exogenous factors.

   (c) In the absence of information-gathering powers, we are unable to require data to assess the effectiveness of certain aspects of our remedies. We would have been able to achieve more robust results in this evaluation had the necessary data been made available.

[41] See Credit and Debit Cards, *Finance Intelligence*, August 2008, p22.

80. Our analysis of changes in the store card market since the reference leads us to conclude that:

(a) As noted above, it is difficult to isolate with precision the impact of the CC's remedy package on the store cards market because, although it was carefully pitched and focused on specific issues, there were evidently other economic and socio-political factors that played a significant role in the behaviour of store cardholders and store card providers since the reference. These other factors appear, in general, to have contributed to positive changes in the store cards market.

(b) Store card usage, average store card APRs and outstanding store card balances have all fallen since the reference. These declines were most significant during the course of the CC's investigation and have continued at a slower rate in 2006 and 2007, when the CC's remedy package was finalized and implemented.

(c) With regard to the CC's APR warning remedy, we observe that the proportion of store cards with APRs below the warning threshold of 25 per cent increased from 30 per cent in 2005 to 57 per cent in 2008. Our econometric analysis found that the CC's provisional decision on remedies in December 2005 had a small but statistically insignificant effect in reducing the APRs on those store cards with APRs of 25 per cent or more relative to those store cards with APRs of less than 25 per cent.

(d) The timing of the changes and the actions of retailers and store card providers during the CC's investigation is consistent with the view that the reference and the publicity during the CC's investigation led to customer demand changing and store card providers making a competitive response and anticipating the CC's remedies. The implementation of the remedy package appears to have sustained and enhanced this effect.

Features and detrimental effects identified in the CC's final report

1. In this appendix we set out the features and detrimental effects identified in the CC's final report.

2. The CC concluded that there were features in the downstream market that, when taken in combination, prevented, restricted or distorted competition and that there was an AEC within the meaning of the Act. The features identified were:

   (a) [store card] providers and retailers structure the store card offer in such a way that many store cardholders take out such cards to obtain the retail benefits they offer rather than the credit available on them;

   (b) most retailers offering store cards do not exert pressure on store card APRs;

   (c) most retailers' customers do not exert competitive pressure on store card APRs (either at the take-up stage or when they take credit) because their sensitivity to them is low;

   (d) most retailers offering store cards do not exert competitive pressure on the level of, or the provider's policy in relation to the levying of, late payment fees;

   (e) most retailers' customers do not exert competitive pressure on the level of late payment fees levied on store cards because their sensitivity to them is low;

   (f) many [store card] providers combine different insurance products into packages (that is, payment protection insurance with one, or both, of purchase protection insurance and price protection insurance) which they sell in association with store cards;

   (g) most retailers offering store cards do not exert competitive pressure on [store card] providers to lower their insurance premiums to cardholders, or to offer the components of their insurance package separately;

   (h) most retailers' customers do not exert competitive pressure on premiums for insurance purchased in association with the provision and use of store cards because their sensitivity to the price of such insurance cover is low and they have a poor understanding of the terms of the cover they are purchasing; and

   (i) [store card] providers do not include sufficient information on their store card statements, leading to a lack of transparency in the provision of store card credit and card-related insurance.

3. The CC identified the detrimental effects on customers arising from the AEC as:

   (a) most store cardholders who take credit pay higher prices for that credit than would be expected in a competitive market;

(b) most store cardholders have less choice in relation to the individual elements of insurance cover sold in association with the provision and use of store cards than would be expected in a competitive market;

(c) some customers who revolve their store card balance will continue to pay for elements of the insurance package (purchase and/or price protection) that they no longer require or which no longer provide them with cover; and

(d) lack of transparency in the provision of store card credit and insurance leads to cardholders taking credit or insurance on terms which are not clear to them.

Econometric analysis of differential changes in store card APRs

1. In this appendix we set out further detail of our econometric analysis of the differential changes in store card APRs since the reference.

2. We used monthly data on APRs for a selection of store cards. Our sample ran from January 2005 to March 2008 and included a total of 42 store cards, although we did not have data for every store card in every month.[1]

Our approach

3. If the reduction in APRs was driven solely by common exogenous factors, the change in APRs for those store cards not subject to the warning notice would be the same as the changes in those that were. If, on the other hand, at least some of the reduction in APRs was genuinely due to the introduction of the APR warning, we would expect to see a greater change in APRs for those that were subject to the remedy than for those that were not.

4. This technique is standard in the policy evaluation literature and is known as the difference-in-differences approach. It can be a powerful tool for isolating the impact of a policy change if certain assumptions hold. These assumptions are *(a)* that the control and treated groups face common trends and *(b)* that the composition of the two groups remains the same before and after the policy is implemented.

5. The first of these assumptions seems likely to hold, particularly over a short time period, as all store card providers can reasonably be assumed to face similar costs. The second is potentially more problematic. This is because *Moneyfacts* reports data on a selection of store cards every month, and the store cards included in the sample can vary from month to month. As a result, we had a full set of data for the period January 2005 to March 2008 only for a limited sample of store cards: 17 in total, compared with 42 altogether. This is not a problem if the change in store cards reported in *Moneyfacts* from one month to the next is purely random. However, there is a potential problem if *Moneyfacts* stopped reporting data on APRs for some of the store cards because they were discontinued. This is because such cards may have been discontinued for a reason linked to the APR they charged: for example, too high an APR could have discouraged consumer demand or too low an APR could have caused problems for profitability of the card.

6. To address this problem, we used a narrow time period, namely the month immediately preceding and the month immediately following the publication of the CC's provisional decision on remedies in December 2005, which was the first time that the proposed 25 per cent threshold was published.[2] As this sample period covers only three months, the results are less likely to be affected by changes in group composition than comparisons using a longer time period. We recognize that using a narrow window for analysis introduces problems of its own, which we consider below.

7. We used the data to define the group of store card providers that were likely to have reacted to news of the APR warning threshold. This group comprised any store card

[1]We are not aware of a more comprehensive, public source of data on store card APRs but recognize that this does not necessarily mean that our sample is representative and therefore we interpret our findings with a certain amount of caution.
[2]An APR warning had been publicly considered by the CC but this was the first time that the 25 per cent proposal was published.

charging an APR of 25 per cent or more in November 2005. We called this the ‘remedy group’. We then identified a control group, composed of all store cards in our sample charging an APR of less than 25 per cent in November 2005.

Results

8. Table 1 below shows the average, minimum and maximum APRs for store cards in the control and remedy groups both immediately before and after the CC’s provisional decision on remedies. The results are based on a sample of all store cards for which we had data on APRs in either or both of November 2005 and January 2006. This provided a sample of 28 store cards in total, 18 of which were subject to the APR warning remedy and 10 of which were not.

TABLE 1 **Average, minimum and maximum APRs before and after the CC’s provisional decision on remedies in December 2005**

	Control group	*Remedy group*
APR before December 2005		
Average	17.2	27.6
Minimum	12.9	25.9
Maximum	21.9	29.9
APR after December 2005		
Average	18.1	26.5
Minimum	12.9	18.9
Maximum	21.9	29.9
Difference		
Average	0.9	–1.1
Minimum	0	–7.0
Maximum	0	0

Source: Moneyfacts data, CC analysis.

9. Table 1 shows that average APRs in the control group (those without an APR warning) *increased* by approximately one percentage point and average APRs in the remedy group (those with an APR warning) *fell* by approximately one percentage point during the period between November 2005 and January 2006. Subtracting the change in average APRs faced by the control group from the change in average APRs in the remedy group gives a reduction in APRs of approximately two percentage points relative to what they would otherwise have been. However, given the limited dataset, these results are not statistically significant. Table 1 also shows that the minimum APR fell by seven percentage points whereas the maximum APR was unchanged. This highlights that using simple averages may disguise large reductions in APRs by a few store cards and some store cards with high initial APRs keeping their rates unchanged. This divergence in performance by the remedy group is likely to be driving the lack of statistical significance in the estimated effect. The comparison may also suffer from effects of ‘reversion to the mean’.

10. There are some potential problems with this analysis that we consider likely to underestimate the impact of the APR warning remedy:

(a) A number of store cards had high APRs prior to November 2005 and reduced them before publication of the CC’s provisional decision on remedies. For example, Mothercare charged 26 per cent APR until October 2005, when it reduced its APR to 19.9 per cent. Under our definition, Mothercare is not included in the ‘remedy group’ despite its behaviour potentially being affected by the CC’s investigation.

(b) Data is not available on all store cards throughout the sample period. This means that we cannot classify store cards entering the *Moneyfacts* dataset after the publication of the CC's provisional decision on remedies as belonging to either the 'treatment' or 'control' groups, despite the fact that the APR they chose to set may have been affected by the CC's investigation.

(c) Some store card providers may have reacted after the publication of the CC's provisional decision on remedies, perhaps because competition from issuers who cut rates early put pressure on those who did not initially do so. Our analysis captures only the response of those who cut rates in the month immediately following the publication of the CC's provisional decision on remedies; it does not allow for a more gradual response.

11. As the sample size was relatively small, we were also able to examine changes in APR by individual retailers between 2005 and 2008. The results for average APRs by store card and year are given in Table 2 below. It shows that:

(a) Of the 42 store cards in the sample, nearly 30 per cent of store card providers reduced APRs over this period, all to rates below the 25 per cent threshold (24 per cent of the store card providers reduced rates from above the 25 per cent threshold to below the 25 per cent threshold). Fewer than 15 per cent of store card providers increased APRs over this period, although more than 40 per cent kept APRs constant throughout.

(b) For those 31 store cards that started with an APR of greater than 25 per cent, 32 per cent of store card providers reduced APRs (all to rates below 25 per cent), 16 per cent increased APRs and 39 per cent left rates unchanged.

(c) All store cards with rates above 25 per cent in 2008 already had rates above 25 per cent at the start of the period for which data is available.

TABLE 2 **Average APRs by store card and year**

Store card name	*2005*	*2006*	*2007*	*2008*	*Change?*
Ikea Home	12.90	12.90	12.90	12.90	No change
John Lewis	13.55	-	-	-	N/A
Waitrose	13.55	-	-	-	N/A
Fortnum & Mason	15.30	15.30	15.30	15.30	No change
River Island	17.90	17.90	17.90	17.90	No change
Liberty	18.90	18.90	18.90	-	No change
Marks & Spencer	18.90	18.90	21.32	23.90	Increase
Harvey Nichols	24.97	21.90	21.90	21.90	Decrease
Mothercare	24.98	19.90	19.90	19.90	Decrease
Argos	25.90	25.90	26.57	27.90	Increase
Bhs	26.00	26.08	26.00	26.00	No change
Habitat	26.00	26.00	26.00	-	No change
Jaeger	26.00	26.00	25.54	24.90	Decrease
Monsoon	26.48	18.90	18.90	18.90	Decrease
Austin Reed	26.80	-	-	-	N/A
B&Q	26.80	26.80	25.11	23.90	Decrease
Debenhams	27.24	18.90	18.90	18.90	Decrease
Oasis	27.37	27.40	26.26	24.90	Decrease
Fraser card	27.50	27.50	27.50		No change
Dorothy Perkins	27.51	28.00	29.27	29.90	Increase
Selfridges	27.60	27.64	27.70	27.70	Increase
Creation account	27.80	27.80	27.80	27.80	No change
Asda	27.89	19.70	19.70	-	Decrease
Burton	28.00	28.00	29.27	29.90	Increase
Laura Ashley	28.00	28.00	22.60	19.90	Decrease
Russell & Bromley	28.00	28.00	25.27	23.90	Decrease
Country Casuals	28.70	-	-	-	N/A
Harrods	28.90	28.90	28.90	-	No change
Comet your Way	29.90	-	-	-	N/A
Toys R us	29.90	29.90	29.90	-	No change
Bentalls	-	27.20	27.20	27.20	No change
Edge Card	-	-	29.90	29.90	No change
Evans	-	28.00	18.74	17.90	Decrease
Homebase	-	-	27.90	27.90	No change
House of Fraser	-	-	19.90	19.90	No change
Mango	-	-	27.90	-	N/A
Miss Selfridge	-	28.00	28.00	28.00	No change
New Look	-	-	27.10	28.90	Increase
Principles	-	24.60	24.60	24.60	No change
QVC	-	28.10	28.10	28.10	No change
Topshop/Topman	-	28.00	23.59	19.90	Decrease
Warehouse	-	27.90	27.90	27.90	No change

Source: Moneyfacts data, CC analysis.

12. We also looked at how the numbers of store cards charging less than 25 per cent APR changed between 2005 and 2008. These results are presented in Table 3 below. This shows a marked increase in the percentage of card issuers charging below the APR warning threshold, from 30 per cent in 2005 to 57 per cent in 2008.

TABLE 3 **Percentage of store cards charging less than 25 per cent APR**

	2005	*2006*	*2007*	*2008*
Number of cards with less than 25% APR	9	11	15	17
Total cards in sample	30	32	37	30
Proportion of cards with less than 25% APR (%)	30	34	41	57

Source: Moneyfacts data, CC calculation.