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Report contacts

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1. Executive Summary

1.1 Background

In October 2009, the Government launched a consultation on potential changes to the law covering credit and store cards. The objective of the consultation is to ensure that consumers get a fair deal and have access to the information they need to make well-informed decisions about their personal finances.

1.2 Methodology

The Department for Business, Innovation and Skills (BIS) commissioned the current research to fill evidence gaps in the Government’s consultation on the Credit and Store Card market. The research reported in this document consists of:

- a quantitative survey of 1908 active card users (defined as those who have either a credit or store card and have used one or other in the last month) conducted on the TNS omnibus survey.
- qualitative deliberative research using 8 reconvened groups with respondents who used a variety of different payment approaches (these included “pay back in full”; “occasional borrowers”, and “regular borrowers”).

1.3 Attitudes to spending and repayments

Card users’ attitudes to spending and re-payment were influenced not only by rational cost-benefit considerations but also by a range of other environmental, social and personal factors. In developing approaches to tackling high levels of unsustainable debts, the evidence suggests that government will need to consider a wide range of measures that tackle some of the deeply held beliefs that consumers have about credit.

In general respondents understood that they had a commercial relationship with credit and store card providers. They recognised that it was necessary for providers

1 http://www.bis.gov.uk/creditconsultation
to profit from the provision of credit and this was considered appropriate. However they expected this relationship to be fair. They also felt that card providers had a duty to behave responsibly, particularly in relation to more financially vulnerable groups.

There was a widely held perception across all the discussion groups that credit and store cards could be very confusing and respondents felt that it was difficult to understand how credit and store cards operated. The complexity of understanding the financial aspects of credit led many respondents to use a cut-down and simplified set of golden rules to guide their purchase and repayment behaviour.

1.4 Views on the options for reform
The qualitative research highlighted that consumers do consider there is a need for reform of current practices in all of the four areas covered in the consultation. There was strong consensus across the different payment type groups on their preferences for the discussed options – much of it triggered by a concern for vulnerable groups. However there was also strong resistance to the introduction of a charge by card providers to cover the costs of changes made as a result of the reforms. Further, there was a fair degree of scepticism about the ability to impose a charge, with many consumers believing that competition in the market would make a charge unlikely.

1.5 Allocation of payments
From the qualitative research, it was clear that whilst respondents were aware that the costs of different types of transactions on a credit card could vary, there was less awareness of how repayments were allocated to different types of debt. Respondents that were aware of the issue had either discovered this having checked their bill or via a third party including other card users, news stories or financial advice websites. Consequently, there was a perception that information about the allocation of payments from credit providers lacked transparency.

When presented with the options for reform, respondents almost universally considered that allocating repayments to the most expensive debt first was the preferred option. They felt this option was intuitive and if adopted would require very little communication because it was in line with consumers’ expectations of fairness.
1.6 Minimum payments

Overall, 8% of respondents were found to make the minimum payment every month on at least one of their credit or store cards.

In the qualitative research, respondents’ views on reform options were shaped by whether they thought that information on the long term effects of making minimum payments would be sufficient to effect behavioural change or whether it might be necessary to force change by changing repayment options. The preferred option across the groups was to use a different warning on statements that indicated the cost and length of time to pay off the debt if minimum payments were chosen. However respondents also recognised that for some borrowers increasing the minimum payment may be the only effective way to bring about change.

1.7 Unsolicited credit limit increases

While only a fifth (20%) of all the survey respondents had experienced an unsolicited credit limit increase in the last 12 months, overall awareness of the fact that lenders can raise or lower the limit of cards without asking customers was fairly good. However, those in financial difficulty indicated lower levels of awareness of this practice (52% said they were unaware compared to 30% of all respondents).

In discussing the options for reform, there was strong support across all the qualitative groups for banning credit limit increases unless consumers ask for it. Respondents felt that this option would lead to a greater sense of control in managing card users’ credit as well as enhancing their personal responsibility for debts they have accrued.

1.8 Re-pricing of existing debt

Almost one in five of the survey respondents (18%) said that the interest rate on any of their credit cards had changed in the last year.

Those that participated in the qualitative research were aware that interest rates could change, but were not aware of risk based interest increases.

When considering the options for reform there was widespread support for prohibiting re-pricing of existing debt. Respondents felt that it was not right that credit card providers could change terms for existing debt, which the customer had agreed to
when they had signed up for a credit card. This option was deemed to be fairest for all customers, not just those who were in a higher risk category, but would leave an option for providers to put different interest rates on new debt.

1.9 Transparency and communication
In the qualitative research respondents expressed concern regarding some of the communications their card provider sent to them. They discussed a variety of ways to improve the information provided to them which included: reducing the overall amount of information they were sent, highlighting important information, making information easier to understand, targeting specific information that reflected the way the card was being used, and the use of alternative formats, particularly online to communicate important messages.

Participants expected card providers to do more to ensure that their customers had understood the messages and the potential impact on their accounts – and to some extent to be able to demonstrate this.
2. Background and objectives

2.1 Background

In October 2009, the Government launched a consultation on potential changes to the law covering credit and store cards. The objective of this was to ensure that consumers get a fair deal and had access to the information they need to make well-informed decisions about their personal finances.

Government is particularly concerned that many consumers are facing financial pressures due to the economic downturn and have to deal with unsustainable debts built up on their credit and store cards.

In the Consumer White Paper, “A Better Deal for Consumers: Delivering Real Help Now and Change for the Future”, four specific aspects of credit and store cards have been indentified where a review of existing market practices is necessary. The four specific aspects are:

- **Allocation of payments** – general industry practice is for payments against credit and store card debt to be allocated to the cheapest debt first. Current evidence indicates that many consumers do not understand that this is common practice.

- **Minimum** – minimum payments are currently set at levels that must cover that month’s interest, but does not necessarily significantly reduce the capital borrowed. Therefore, there is a concern that some consumers might repay their debts over decades, incurring significant interest.

- **Unsolicited credit limit increases** – credit and store card lenders can increase consumers’ credit limits without their active consent. Concerns have been raised regarding a potential lack of consumer information and control over the timing and scale of limit increases, which could be exacerbated by low financial capability and potential difficulties in rejecting an increase.

- **Re-pricing of existing debt** – a practice amongst credit and store card lenders of increasing interest rates on existing debt (“re-pricing”) without fully explaining why they are doing so.

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2 http://www.bis.gov.uk/creditconsultation

The consultation, which provided an opportunity for both consumers and credit and store card providers to share their views, closed on 19 January 2010 and this research is timed to coincide with the publication of the Government response.

The Department for Business, Innovation and Skills (BIS) commissioned the current research to fill evidence gaps in the Government’s consultation on the Credit and Store Card market. This research is intended to support decision-making in relation to the above policy areas.

### 2.2 Study objectives

This objective of this research was to provide evidence to inform the review’s conclusions, focusing on:

- Consumers’ current experience of using credit and store cards, their understanding of their key features and their attitudes towards these
- How consumers think they will be affected by and respond to various options for reform proposed in the consultation and an assessment of whether they might support such reforms in principle
- Consumer preferences around potential trade-offs arising from proposed reforms (for example, how they value certain promotional offers, such as 0% balance transfers or introductory interest rates, against an allocation of payments they allows the most expensive debt to be paid off first)

### 2.3 Structure of the report

The structure of the report was agreed in advance with BIS and presents the findings from both the quantitative and qualitative research in each section.

**Section 1:** Executive Summary – a summary of the key findings from the research

**Section 2:** Background and Objectives – information about the background to the consultation and the current research, as well as details about the research objectives

**Section 3:** Credit and store card use – findings from the quantitative research on credit and store card use.
Section 4: Financial difficulties – findings from the quantitative research on financial difficulties.

Section 5: Card features, switching and sources of information -findings from the quantitative research on the card features consumers value most, their perception and reasons for switching provider and the sources of information used when applying for a card are presented; findings from qualitative research on respondents’ views about sources of information used when applying for a card.

Section 6: Factors which influence attitudes to credit and store cards - findings from the qualitative research on consumers’ attitudes to credit and store cards is presented and the factors which influenced decisions about card use.

Section 7: Allocation of payments – findings from the quantitative research on incidence, and frequency of withdrawing cash from a credit card, and the amount withdrawn; findings from the qualitative research on consumers’ attitude to allocation of payment and their response to the options for reform.

Section 8: Minimum payments - findings from the quantitative survey on the number of respondents who make the minimum payment on their active credit and store cards as well as the frequency and length of time they have been making minimum payments; findings from the qualitative research on consumers’ attitude to re-pricing of existing debt and their response to the options for reform.

Section 9: Unsolicited credit limit increases - findings from the quantitative research on awareness of unsolicited credit limit increases; findings from the qualitative research on consumers’ attitude to unsolicited credit limit increases and their response to the options for reform.

Section 10: Re-pricing of existing - findings from the quantitative survey on the incidence of re-pricing of existing debt; findings from the qualitative research on consumers’ attitude to re-pricing of existing debt and their response to the options for reform.

Section 11: Cost trade-off - findings from an exercise in the discussion groups in which the preferred reform options were traded-off against possible costs is described.

Section 12: Transparency - the findings from the quantitative survey on the contacts with card providers, the incidence and nature of complaints and the experience of respondents when contacting providers with regard to switching credit cards; findings from the qualitative research looking at views about information from credit and store card providers, and how this could be improved.
Section 13: Alternatives sources of credit – findings from the quantitative research on preferred payment methods for a major purchase; findings from the qualitative research on attitudes to alternative sources of credit.

Section 14: Conclusions and recommendations – sets out the conclusions and recommendations of the TNS–BMRB team.

Section 15: Appendices
3. Credit and store card use

In this section the findings from the quantitative research on credit and store card use are presented.

3.1 Key findings

- Just over two-fifths (43%) of those interviewed said they own at least one credit card and 11% said they own at least one store card; 46% said they own at least one store or credit card.

- A third (33%) of the total interviewed was active card users, i.e. they had made a payment or purchase on at least one credit or store card in the previous month.

- Of active card users:
  - 76% pay off their cards in full every month
  - 20% reported an unsolicited credit limit increase on their main card
  - 18% said that the interest rate on at least one of their cards had changed in the last 12 months
  - 8% make the minimum payment every month on at least one of their cards
  - 5% used a credit card to withdraw cash at least once every couple of months
  - 3% were in financial difficulties (defined as have missed three or more payments in a row on any credit / store card or were three or more consecutive payments behind on another bill)

- Active credit card users that did not pay off at least one of their cards in full every month were asked about the amount they had outstanding on their cards. The mean amount outstanding was £1,390 and the mean amount paid at their last statement was 24%. For store card users, the mean amount outstanding was £426 and the mean amount paid at their last statement was 39%.
• Active card users were asked what they would consider to be a reasonable length of time to repay an outstanding balance on a credit or store card, 75% of those who pay back in full indicated up to 6 months, compared to only a third (35%) of those who do not pay back in full.

3.2 Payment behaviours
Throughout this report when analysing the results from the quantitative survey differences between certain payment behaviours are examined. The six key segments are defined as follows:

<table>
<thead>
<tr>
<th>Key segment</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay back in full</td>
<td>Respondents that pay off all of their cards in full every month</td>
</tr>
<tr>
<td>Unsolicited credit limit increase</td>
<td>Respondents that have experienced an unsolicited credit limit increase on their main card in the last 12 months</td>
</tr>
<tr>
<td>Existing debt re-priced</td>
<td>Respondents that say that the interest rate on any of their cards has changed in the last 12 months</td>
</tr>
<tr>
<td>Minimum payer</td>
<td>Respondents that make the minimum payment every month on at least one of their cards</td>
</tr>
<tr>
<td>Regular cash withdrawer</td>
<td>Respondents that use a credit card to withdraw cash at least once every couple of months</td>
</tr>
<tr>
<td>Financial difficulty</td>
<td>Respondents that have missed three or more payments in a row on any credit/store card or that are three or more consecutive payments behind on another bill</td>
</tr>
</tbody>
</table>

The prevalence of these different behaviours in the overall sample is shown in the following chart.
Figure 2

Prevalence of key segments

<table>
<thead>
<tr>
<th>Behaviour</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay back in full</td>
<td>76%</td>
</tr>
<tr>
<td>Unsolicited credit limit increase</td>
<td>20%</td>
</tr>
<tr>
<td>Existing debt re-priced</td>
<td>18%</td>
</tr>
<tr>
<td>Minimum payer</td>
<td>8%</td>
</tr>
<tr>
<td>Regular cash withdrawer</td>
<td>5%</td>
</tr>
<tr>
<td>Financial difficulty</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Questions throughout questionnaire
Base: All respondents (1908)

The majority of these key behaviours are not mutually exclusive: for example in the following table 5% of those respondents that pay back in full also regularly withdraw cash.

Figure 3 - All respondents (1908)

<table>
<thead>
<tr>
<th>Behaviour</th>
<th>Pay back in full</th>
<th>Minimum payer</th>
<th>Regular cash withdrawer</th>
<th>Unsolicited limit increase</th>
<th>Existing debt re-priced</th>
<th>Financial difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay back in full</td>
<td>(1429)</td>
<td>(165)</td>
<td>(98)</td>
<td>(364)</td>
<td>(338)</td>
<td>(57)</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Minimum payer</td>
<td>-</td>
<td>-</td>
<td>72</td>
<td>70</td>
<td>70</td>
<td>60</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Regular cash withdrawer</td>
<td>5</td>
<td>8</td>
<td>-</td>
<td>3</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Unsolicited credit limit increase</td>
<td>19</td>
<td>22</td>
<td>14</td>
<td>-</td>
<td>27</td>
<td>19</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Existing debt re-priced</td>
<td>17</td>
<td>20</td>
<td>24</td>
<td>24</td>
<td>-</td>
<td>29</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Financial difficulty</td>
<td>2</td>
<td>7</td>
<td>10</td>
<td>2</td>
<td>4</td>
<td>-</td>
</tr>
</tbody>
</table>

3.3 Profile of users

Just over two-fifths (43%) of those interviewed said they own at least one credit card and 11% said they own at least one store card; 46% said they own at least one store or credit card. Those that owned at least one card were then asked when the last
time they made a payment or a purchase on one of their cards was; three-quarters (73%) had used at least one card in the last month. This meant that around 33% of adults interviewed qualified to take part in the survey as a regular credit or store card user.

The following table illustrates how the profile of those that had used at least one store card in the last 6 months compares to those that had used at least one credit card and the general population.

<table>
<thead>
<tr>
<th>Figure 4</th>
<th>General pop 18+ (BARB 2 years ending December 2008)</th>
<th>Regular card user who has used at least one store card in the last 6 months</th>
<th>Regular card user who has used at least one credit card in the last 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(45,993)</td>
<td>(423)</td>
<td>(1741)</td>
</tr>
<tr>
<td>Gender</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Male</td>
<td>48</td>
<td>29</td>
<td>52</td>
</tr>
<tr>
<td>Female</td>
<td>52</td>
<td>71</td>
<td>48</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>11</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>25-34</td>
<td>17</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>35-44</td>
<td>19</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>45-54</td>
<td>17</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>55-64</td>
<td>15</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>65+</td>
<td>20</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Working status</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full time</td>
<td>48</td>
<td>36</td>
<td>51</td>
</tr>
<tr>
<td>Part time</td>
<td>10</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Not working/ retired/ working less than 8 hours/per week</td>
<td>42</td>
<td>45</td>
<td>37</td>
</tr>
</tbody>
</table>

Regular card users that had used a store card in the last 6 months were more likely than credit card users and the general population to be women. Those aged 18-24 make up 11% of the general population; however this group is under-represented in both store card and credit card users where they make up only 4%. Store card users were also less likely than others to be working full time.

Household income was also found to vary between store card users and credit card users. However, there were no comparable general population figures. When looking at these results it needs to be taken into account that there was a fairly high refusal rate to this question.
3.4 Number of cards owned

Those that said they made a payment or purchase on at least one credit or store card in the previous month qualified to take part in the survey. The table below shows how many cards these people owned and whether these were credit or store cards. Around three quarters owned just one or two cards (the cells shaded in grey). It was also evident that regular card users were much more likely to own credit cards rather than store cards.

<table>
<thead>
<tr>
<th>Weekly household income</th>
<th>Regular card user who has used at least one store card in the last 6 months</th>
<th>Regular card user who has used at least one credit card in the last 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(423)</td>
<td>(1741)</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Under £300</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>£300 - £499.99</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>£500 - £699.99</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>£700 - £999.99</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>£1000+</td>
<td>9</td>
<td>12</td>
</tr>
</tbody>
</table>

3.5 Repayment in full

3.5.1 Proportion that pay off all their cards in full

All respondents were asked whether they paid off the outstanding balance on all of their credit or store cards in full every month. Three quarters of respondents said that they pay off their cards in full every month, this did not tend to vary significantly by the different behaviours; however those that were experiencing financial difficulties were less likely to pay all of their cards off (60%).
Those that had used three or more credit cards in the last six months were also less likely to pay off all of their cards (only 60% said they did). Those with multiple active store cards were not found to differ significantly from the overall sample.

3.5.2 Payment method used by those that pay off all cards in full

All those that said they pay all of their cards off in full every month were asked which payment method they tended to use to pay off their cards.

Most respondents said they usually pay from their bank account; 30% use direct debit, 26% the internet and 6% the telephone to transfer money from their bank account. A quarter of respondents said that they pay in the bank (12% in cash and 10% by cheque). Very few respondents said that they use another credit card to make the payment, although those in financial difficulty were more likely to do this than others (11% on the internet and 6% by telephone). However, lenders do not tend to accept payment by credit card which suggests that respondents may have been thinking about a debit card when answering this question, or they may have made a balance transfer to another credit card.
3.5.3 Respondents that do not pay off all their cards in full

Respondents that did not pay off all of their cards in full every month may have paid off some of their cards in full, if they owned multiple cards. For instance, a third (29%) of those with two active credit cards said they pay off one of their cards in full every month and a quarter (26%) of those with three or more active credit cards only had one card which they said they did not pay off in full every month.

Looking at active store card owners, there is a similar pattern, with some respondents owning two or more cards and paying some of them off in full. However, due to the small base sizes involved, it is not possible to look at this in detail.
3.6 Main credit card not paid off in full

Respondents that owned at least one active credit card, and said they did not pay off at least one of these cards in full every month, were asked to think about their main credit card affected whilst answering the questions covered in this section.

3.6.1 Amount outstanding

Firstly, respondents were asked what the outstanding balance on this card was. This was first asked as a fully open question, those that said they did not know the exact value were then presented with some bands to choose from. Despite taking this approach a fifth still claimed they did not know. There are two possible explanations for this. Firstly, it is possible that some people do not look at their bills properly and as such genuinely did not know how much they owed, alternatively some respondents may have found this question a little too intrusive and were therefore unwilling to give this information.

The amount that respondents had outstanding on their cards varied somewhat with almost a third owing between £250 and £999 and a similar proportion owing between £1,000 and £4,999 on this card. The mean amount outstanding (excluding answers of don’t know) is £1,390.

**Figure 10**

<table>
<thead>
<tr>
<th>Amount outstanding</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10,000 or more</td>
<td>1%</td>
</tr>
<tr>
<td>£5,000 to £9,999</td>
<td>4%</td>
</tr>
<tr>
<td>£4,000 to £4,999</td>
<td>3%</td>
</tr>
<tr>
<td>£3,000 to £3,999</td>
<td>3%</td>
</tr>
<tr>
<td>£2,000 to £2,999</td>
<td>8%</td>
</tr>
<tr>
<td>£1,000 to £1,999</td>
<td>16%</td>
</tr>
<tr>
<td>£750 to £999</td>
<td>6%</td>
</tr>
<tr>
<td>£500 to £749</td>
<td>12%</td>
</tr>
<tr>
<td>£250 to £499</td>
<td>12%</td>
</tr>
<tr>
<td>Less than £250</td>
<td>14%</td>
</tr>
<tr>
<td>DK</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: B2a Can you tell me, how much was the outstanding balance on your main active credit card on your last statement?

B2b Looking at this screen, can you give me an estimate of the amount outstanding on your main active credit card on your last statement?

Base: All respondents that do not pay back the outstanding balance in full each month on at least one active credit card (425)
3.6.2 Last payment

Respondents were then asked how much debt on this card they had repaid on their last statement. The same approach was used as when asking respondents for the amount outstanding. Again, the proportion answering don’t know was higher than expected.

The vast majority of respondents tended to have paid under £500 on their last statement, and a third paid off between £25 and £99.

![Figure 11](image)

It is more useful, however, to look at the amount repaid in conjunction with the amount outstanding on the card\(^4\). Half of respondents reported paying 20% or under of their outstanding balance, the mean amount repaid was 24%.

The following chart shows the percentage of their total bill that respondents paid last month.

---

\(^4\) Details on the exact methodology used to calculate this can be found in the appendix.
3.6.3 Plan to pay off debt

Respondents were then asked how they were planning to repay their current balance on this card. Two-thirds said that they were planning on paying off as much as they could each month.

Figure 13

Plan to pay off debt – main active credit card

- By paying off as much as I can each month: 64%
- I have no outstanding debt on my card(s): 9%
- Not sure - I can only afford to make the minimum payments: 6%
- I’m expecting a temporary increase in my future income: 5%
- I plan to make a balance transfer to take advantage of low introductory interest rates: 5%
- I’m expecting a permanent increase in my future income: 2%
- DK: 9%
Around one-in-ten respondents indicated that they had no outstanding debt on this card. This result was unexpected as respondents were asked about their main credit card that they do not pay off in full every month, and as such we would expect no-one to have given this answer. However, this may be because respondents did not usually pay their card off in full every month but they happened to do so recently.

3.6.4 Payment method used

Finally, respondents were asked which payment method they tended to use to make the payments on this card. Three-fifths said they generally pay from their bank account (either using the internet, direct debit or telephone). Paying in cash in a bank was the next most popular answer. Very few said that they tended to use another credit card to make the payment.

In the following chart, the payment method has been compared to the payment methods used by those that pay all cards in full. Overall the pattern is fairly similar, the main difference found is that those that pay all their cards in full every month were more likely to use direct debit from a bank account (30% compared with 21%). However, if we look at those that make a minimum payment every month, 30% pay using direct debit from their bank account. Those that do not pay back in full were more likely to pay by internet from their bank account.
3.7 Main store card not paid off in full

Respondents that own at least one active store card and said they do not pay off at least one of these cards in full every month, were asked to think about their main store card affected when answering the questions covered in this section.

3.7.1 Amount outstanding

These respondents were first asked how much debt they had outstanding on this card on the last statement they received. As described in the main credit card section (Section 3.6) respondents were first asked for the exact value and if they were unable to give this they were presented with some bands to choose from.

Almost half of respondents (44%) said that the amount outstanding on their last bill was under £250, whereas, fewer than one-in-ten said they owed over £750.

When comparing these results to those for the main credit card not paid off in full, it can be seen that respondents tend to have far less debt on store cards than credit cards. The mean amount outstanding on the store card is £426; this is less than a third of the mean amount people have outstanding on their credit card (£1,390). Respondents were also more likely to say that they did not know how much debt they had on their store card compared to their credit card (30% and 21%). As it is unlikely
that respondents with outstanding debt on store cards would refuse to answer, this result suggests that respondents feel that store card bills are less important than credit card bills and therefore pay them less attention.

Figure 15

| Amount outstanding on main store card (not paid back in full every month) |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | £10,000 or more             | £5,000 to £9,999             | £4,000 to £4,999             | £3,000 to £3,999             | £2,000 to £2,999             | £1,000 to £1,999             | £750 to £999                 |
|                             | 1%                          | 1%                          | 4%                          | 1%                          | 1%                          | 8%                          | 1%                          |
|                             | £500 to £749                | £250 to £499                | Less than £250               |                             |                             | 30%                         |                             |
|                             | 12%                         |                             |                             |                             |                             |                             |                             |
|                             |                             |                             |                             |                             |                             |                             |                             |
| Source: B2a Can you tell me, how much was the outstanding balance on your main active store card on your last statement? B2b Looking at this screen, can you give me an estimate of the amount outstanding on your main active store card on your last statement? Base: All respondents that do not pay back the outstanding balance in full each month on at least one active store card (112)

3.7.2 Last payment

Respondents were then asked how much of the debt on this card they had repaid on their last statement.

Around a third of respondents (27%) were unable or decided not to give an answer, over half of people said that in the previous month they had repaid under £75.

As the level of debt on store cards was substantially lower than on credit cards, it is unsurprising that the debt repaid on the last statement is also much lower.
The following chart shows the percentage of their outstanding bill that respondents repaid last month. A third of respondents reported paying back 20% or less of their total outstanding balance, the mean amount repaid was 39%.

As the outstanding balance on main store cards tended to be lower than on main credit cards, it is unsurprising that store card users that do not pay off their cards in full tended to pay off a higher proportion of their balance than credit card users.
### Percentage of outstanding debt repaid on last statement - main store card

![Graph showing percentage of outstanding debt repaid on last statement]

- **70.01-100%**: 12%
- **50.01-70%**: 7%
- **40.01-50%**: 5%
- **30.01-40%**: 5%
- **20.01-30%**: 5%
- **15.01-20%**: 10%
- **10.01-15%**: 4%
- **5.01-10%**: 9%
- **5% or under**: 8%
- **0% or under**: 4%
- **Unfeasible**: 4%
- **DK**: 5%

Mean* = 38%

20% or under = 31%

*Excluding DK and unfeasible answers

---

### 3.7.3 Plan to pay off debt

Most planned to pay off their outstanding debt on their store card by paying off as much as they could each month, around a sixth said that they did not know how they’re going to pay it off.

![Graph showing plan to pay off debt]

- **By paying off as much as I can each month**: 64%
- **I have no outstanding debt on my card(s)**: 12%
- **Not sure - I can only afford to make the minimum payments**: 3%
- **I plan to make a balance transfer to take advantage of low introductory interest rates**: 3%
- **I’m expecting a temporary increase in my future income**: 1%
- **I’m expecting a permanent increase in my future income**: 16%
- **DK**: 16%

Source: B4 How do you currently plan to repay your current balance on your main active store card? Base: All respondents that do not pay back the outstanding balance in full each month on at least one active store card (112)
3.7.4 Payment method used

Store card users that did not pay off their balance in full differ from those that pay back all their cards in full in terms of the payment methods they said they used. They were less likely to pay using direct debit from a bank account and were instead more likely to pay from their bank account using the telephone; they also had the option to pay in store.

Figure 19

Payment method – main store card

<table>
<thead>
<tr>
<th>Method</th>
<th>Pay all cards back in full</th>
<th>Main store card not paid back in full</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet from bank account</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Direct debit from bank account</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Pay in bank in cash</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Telephone from bank account</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Post a cheque</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>In store*</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Pay in bank by cheque</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Internet using another credit card</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Telephone using another credit card</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>*code raised from &quot;other&quot; answers given</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: B5. How do you tend to make your payment on your main active store card? 
B6. How do you tend to make your payment on this card/ these cards? 
Base: B5. All respondents that do not pay back the outstanding balance in full each month on at least one active store card (112) 
B6. All respondents that pay back the outstanding balance on all of their cards in full each month (1429)

3.8 Second main credit card not paid off in full

Respondents that said they did not pay off the full balance on two or more credit cards were asked to think about their second main credit card (not paid off in full) when answering the questions covered in this section.

3.8.1 Amount outstanding

Respondents were asked what the outstanding balance was on this card on the last statement they received. Around half said that it was under £750: 24% said less than £250, 16% said £250 to £499 and 13% said it was between £500 and £749. A fifth said that the amount outstanding was between £1,000 and £1,999.
When comparing these results to respondents’ main credit card that they do not pay off in full, it was apparent that people tended to have a much lower balance on their second card than on their main card.

### 3.8.2 Payment method used

Respondents were also asked which method they tended to use to pay off their debt on this card. The methods stated were fairly similar to those given for other cards, with internet from a bank account and direct debit from a bank account the two preferred options.
3.9 Other cards owned

Respondents that said they did not pay off in full three or more credit cards or two or more store cards were also asked questions about these cards, a summary of these findings can be found below, however care must be taken when looking at these as they are only based on 31 respondents.

Most people said that they owed under £1,000 on their remaining card(s) (34% under £250 and 21% between £250 and £999) and around a quarter said that they did not know their outstanding balance (23%). These results were fairly similar to those for other cards not paid back in full and were not generally found to be significantly different (due to the small base size). However, the results did indicate that the balance on the remaining card(s) tended to be lower than on main and second main credit cards and higher than on the main store card.

A quarter of respondents (24%) said that they repaid less than £25 on their remaining card(s) on their last statement, around a fifth (21%) repaid between £25 and £99, a third (36%) repaid between £100 and £999 and a fifth (19%) answered don’t know. Compared to other cards which were not paid back in full, there were again no significant differences; although the results suggest that less tends to be paid back on remaining card(s) than on main and second main credit cards.
As for all other cards, the vast majority (81%) of respondents said that they planned to repay their current balance on their remaining card(s) by repaying as much as possible each month. The payment methods used were also found to be similar as on other cards, most said they generally pay from their bank account; 25% using the internet, 19% direct debit and 6% by telephone. The other most common methods used were posting a cheque (17%), paying in bank by cheque (10%) and paying in bank by cash (10%).

3.10 Reasonable period to pay off debt
All respondents that took part in the survey were asked what they would consider a reasonable length of time to repay an outstanding balance on a credit or store card. The answers given by respondents varied considerably according to their re-payment behaviour. Three-quarters of those that told us they paid all of their cards off in full every month were of the opinion that up to six months was a reasonable period. It is important to bear in mind that this was the minimum option presented to respondents, so it is likely that many of these respondents actually believed that a shorter period than six months was reasonable. In contrast, if we look at all of the respondents that did not pay off their cards in full every month we can see that only a third (35%) of them agreed that up to six months was reasonable. Instead they were more likely to say that between six months and one year (27% compared with 11% that pay back in full) and between one year and two years were reasonable (16% compared with 4%).
Respondents that did not pay back in full and those that make a minimum payment on at least one of their cards every month tended to be of a similar opinion. For some of those that make minimum payments every month the answers given showed a lack of awareness as to how long they would be paying off their debt. This is illustrated by the fact that the mean outstanding balance for those who make the minimum payment every month on their main credit card not paid off in full is £1,349. Assuming they did not add to the balance and continued making the minimum payment until the whole balance was cleared this would take 16 years and seven months to pay off\(^5\).

\(^5\) Assuming 20% APR and 3% minimum payment, calculated using: http://www.whatsthecot.com/creditCard.aspx
4. Financial difficulties

In this section the findings from the quantitative research on financial difficulties are presented.

4.1 Key findings

- One-in-twenty respondents said that they had missed a payment on their credit or store cards in the last six months; regular cash withdrawers are more likely to have missed a payment in the last six months than others (10%).

- Only 2% of respondents said that their card repayments was a heavy financial burden, and 14% considered it somewhat of a burden. The vast majority (82%) thought that it was not a problem.

- Those defined as being in financial difficulty were more likely to say that their repayments were somewhat of a burden or a heavy financial burden (59%), and a third (37%) of those making the minimum payment on one card at least every month were next most likely to find that their debt was a burden.

- Overall 5% stated that they had been unable to make a minimum payment in the last 5 years. The figures were higher for the following groups: minimum payers (10%), regular cash withdrawers (11%) and those in financial difficulty (16%).

4.2 Objective measure of financial difficulty

4.2.1 Missed payments on credit or store cards

Respondents were asked if they had missed any payments on any of their store or credit cards in the last six months.

One-in-twenty respondents said that they had missed a payment in the last six months; regular cash withdrawers were more likely to have missed a payment in the last six months than others (10%).
Of those that had missed at least one payment in the last six months, one-tenth (9%) had missed three payments in a row. This means that overall, just under 0.5% of respondents to this survey have missed three payments in a row on at least one credit or store card.

Figure 23

Missed payments

<table>
<thead>
<tr>
<th>Missed any payments in the last 6 months?</th>
<th>5%</th>
<th>94%</th>
<th>1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don't know</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Missed three payments in a row?</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Don't know</td>
<td></td>
</tr>
</tbody>
</table>

Source: D1a. Have you missed any payments on any of your store/credit cards in the last 6 months?
D1b. Have you missed three or more payments in a row on any of your store/credit cards?
Base: D1a. All respondents (1908)
D1b. All respondents that have missed a payment in the last 6 months (100)
4.2.2 Arrears on other credit commitments and bills

Respondents were also asked if they were three or more consecutive payments behind with other bills. They were presented with a range of options encompassing utilities bills, tax payments and other credit commitments such as loans and mortgages.

Only 2% of respondents were three or more consecutive payments behind on at least one of these bills. The bill people were most likely to be behind with was their gas bill (selected by one percent), all other bills were selected by fewer than one percent and no-one said that they were three or more payments behind with child maintenance.

4.2.3 Calculation of objective measure of financial difficulty

A respondent can be defined as being in financial difficulty (or structural arrears) if they had missed three payments in a row on their credit or store card or if they were three or more consecutive payments behind with other bills. Using this definition, 3% of respondents can be termed as being in financial difficulty.

Of those that were classified as in financial difficulty, two thirds were only behind on one payment and very few were behind on more than three payments, this is illustrated in the table below (although care has to be taken because of the small base size).

<table>
<thead>
<tr>
<th>Number of different bills (including credit or store cards) that respondents are more than 3 consecutive payments behind on</th>
<th>Respondents in financial difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>65</td>
</tr>
<tr>
<td>Two</td>
<td>16</td>
</tr>
<tr>
<td>Three</td>
<td>16</td>
</tr>
<tr>
<td>Four</td>
<td>0</td>
</tr>
<tr>
<td>Five</td>
<td>3</td>
</tr>
<tr>
<td>Six or more</td>
<td>0</td>
</tr>
</tbody>
</table>

Respondents in financial difficulty were also found to be much more likely to choose to keep up with credit or store card repayments than other bills. This is illustrated in the following table.
4.3 Subjective measure of financial difficulty

Respondents were also asked whether they thought that keeping up the payments on their credit or store cards were a financial burden to them.

Only 2% of respondents said that their card repayments was a heavy financial burden, the vast majority (82%) thought that it was not a problem. Those defined as being in financial difficulty were more likely to say that their repayments were somewhat of a burden or a heavy financial burden (59%). Those making the minimum payment on one card at least every month were next most likely to find that their debt was a burden (37%). In contrast those that tended to pay back all their cards in full every month were least likely to find keeping up with card repayments a financial burden (11%).

Two-fifths of those in financial difficulty said that their card repayments were not a problem at all, this may be because they were prioritising paying off their cards first as these were the most expensive debt they have.
4.4 Other measures of financial difficulty

4.4.1 Not making the minimum payment on a credit or store card

All respondents were asked whether they had been unable to make at least the minimum payment on their main card at any point in the last five years. Overall, one-in-twenty (5%) respondents reported that they had been unable to do this.

Those that had been unable to make the minimum payment in the last five years were asked how long ago this happened; a quarter said it had happened in the last year. The results are shown in the following chart.
Respondents that pay back all their debt in full were least likely to have been unable to make a minimum payment in the last five years (only 4%). Those that were more likely to have been unable to make a minimum payment were found to be minimum payers (10%), regular cash withdrawers (11%) and those in financial difficulty (16%).
5. Card features, switching and sources of information

In this section the findings from the quantitative research on the card features consumers valued most, their perception and reasons for switching provider and the sources of information used when applying for a card are presented. The qualitative research also examined respondents’ views about sources of information used when applying for a card and this is also presented in this section.

5.1 Key findings

- All respondents that own a credit card were asked to select from a list the features which they find most valuable. The most popular feature was the protection which credit cards offer against fraud or goods not arriving (selected by 34%), the next most popular answer was having a low interest rate on purchases made with the card (25%). Grouping together the different rewards offered, around a third (31%) of respondents felt cashback, travel insurance or airmiles were most valuable.

- For store card users two-fifths (38%) said that reward schemes were valuable, followed by interest rates on purchases (16%), signing up offers (16%) and retailer special events (15%).

- Amongst credit card users just over one-in-twenty (7%) has switched provider in the last year, and the vast majority of those that switched found the process easy (92% answered extremely, very or fairly easy).

- A third (31%) of those who had switched provider said that it was to take advantage of an introductory offer, a quarter (24%) said it was to obtain a better interest rate on balance transfers and one-fifth (19%) said it was to get a better interest rate on purchases.

- The most popular sources of information when considering applying for a credit card were: someone at the bank or building society (22%), followed by the internet (18%), adverts (13%) and financial features in magazines or on television (5%).
• For store cards half of respondents (49%) made the decision whilst talking to a member of staff, either choosing on the spur of the moment at the till or as a result of information given by shop staff.

• The qualitative research confirmed the main two sources of information that consumers identified in the survey findings. Respondents who ‘shopped around’ chose a credit card based on a comparison of cost and benefits and frequently used price comparison websites. Respondents who chose a credit card based on brand usually preferred to receive information in the bank or building society as they thought it was easier to understand how the card operated when it was explained to them face-to-face.

5.2 Most valuable features of cards

5.2.1 Credit cards

All respondents that owned a credit card (regardless of whether or not they had made a payment or a purchase on it in the last 6 months) were asked to select from a list the three features which they find most valuable.

The most popular feature was the protection which credit cards offer against fraud or goods not arriving (selected by 34%), the next most popular answer was having a low interest rate on purchases made with the card (25%). Other than this, opinion between respondents was fairly divided with a lot of features being selected by between around one-fifth and one-tenth of people. If we group together the different rewards, however, we can see that around a third (31%) of respondents felt cashback, travel insurance or airmiles were most valuable.
Looking at the results by payment behaviours it can be seen that different groups value different aspects of credit cards. Minimum payers were more likely to have selected features associated with low interest rates or interest free periods. In contrast, those that pay back in full were more likely to have chosen rewards such as cashback, donations to charity, free travel insurance and air miles. Regular cash withdrawers and those in financial difficulty were most likely to select a low interest rate on cash withdrawals. Full results are in the following table.
5.2.2 Store cards

Similarly, all those that said they own a store card were asked to select from a list the two features they find most valuable.

Two-fifths of store card users said that reward schemes are valuable; this was the feature most likely to be selected as valuable. The second highest answer was “none of these” (21%), this could be because people applied for cards in store, on the spur of the moment, but upon reflection feel that they do not actually offer that much. Around one-sixth of respondents said that one of the two most valuable features were interest rates on purchases (16%), signing up offers (16%) and retailer special events (15%).

\[\text{In each row of this table, pink values are significantly higher than blue values.}\]
As with credit cards there were differences in opinion between the different behaviours. Those that repay all their cards in full were more likely to have selected reward schemes as one of their most valuable features (42%) compared with minimum payers (16%). Conversely, minimum payers were more likely to have selected the ability to spread large payments over time (20% compared with 10%).

### 5.3 Changing credit card provider

All of the respondents that had a credit card were asked whether they had changed credit card provider in the last 12 months, those that had were then asked how easy they had found the switching process.

Just over one-in-twenty (7%) has switched provider in the last year, those that pay back all of their cards in full were significantly less likely to have switched than those that do not pay all of their cards in full (6% and 10% respectively).

The vast majority of those that switched found the process easy (92% answered extremely, very or fairly easy).
Respondents that had switched provider were asked what the reasons were for this, the results are shown below.

**Figure 32**

**Reasons for changing credit card provider**

- To take advantage of an introductory offer: 31%
- Better interest rate on balance transfers: 24%
- Better interest rate on purchases: 19%
- Better associated benefits: 11%
- Better interest rate on cash withdrawals: 7%
- Better customer service: 6%
- Higher credit limit: 2%
- Another reason: 13%

A third (31%) said that it was to take advantage of an introductory offer, a quarter (24%) said it was to obtain a better interest rate on balance transfers and one-fifth
(19%) said it was to get a better interest rate on purchases. Only 2% said it was to obtain a higher credit limit; this may be because you do not know exactly what your limit will be until your application is successful.

5.4 Sources of information used when choosing a card

5.4.1 Credit card

All respondents that own at least one credit card were presented with a list of different sources of information and asked to select those which they used when deciding which credit card to apply for.

The most popular source of information selected by just over one-fifth (22%) was talking to someone in their bank or building society. All of the other options were selected by far fewer respondents. However, by grouping the codes into groups we can get a good idea of the sourced used. Just under one-fifth (18%) said they used the internet, 13% used adverts and 5% used financial features in magazines or on television.

Figure 33

<table>
<thead>
<tr>
<th>Sources of information used to choose which credit card to apply for</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talking to someone at my bank or building society</td>
<td>22%</td>
</tr>
<tr>
<td>Mail out/leaflet from my bank or building society</td>
<td>6%</td>
</tr>
<tr>
<td>Money Saving Expert</td>
<td>6%</td>
</tr>
<tr>
<td>Money Supermarket</td>
<td>6%</td>
</tr>
<tr>
<td>Internet forums</td>
<td>6%</td>
</tr>
<tr>
<td>Adverts for credit cards</td>
<td>4%</td>
</tr>
<tr>
<td>Mail out from a credit card provider</td>
<td>4%</td>
</tr>
<tr>
<td>Which? Magazine</td>
<td>3%</td>
</tr>
<tr>
<td>Financial pages in newspapers or magazines</td>
<td>3%</td>
</tr>
<tr>
<td>uSwitch.com</td>
<td>2%</td>
</tr>
<tr>
<td>Friends/family/word of mouth</td>
<td>2%</td>
</tr>
<tr>
<td>Financial features on TV</td>
<td>1%</td>
</tr>
<tr>
<td>Other price comparison site</td>
<td>1%</td>
</tr>
</tbody>
</table>

Respondents in financial difficulty were more likely than other groups to have said that they used mail outs from credit card providers (16%). When looking at all adverts together, 23% of those in financial difficulty said they used at least one advert.
as a source of information, this compares to 12% of those that pay back in full. However, this difference is not quite significant. Those that pay off all their cards in full every month were less likely to have used an internet source when compared to all other behaviours (other than regular cash withdrawers).

5.4.2 Store card
Similarly, all respondents that own store cards were asked which sources they had used to select which store card to apply for.

Half of respondents (50%) had made the decision whilst talking to a member of staff, either choosing on the spur of the moment at the till or as a result of information given by shop staff. A quarter (22%) said that adverts were one of the sources of information which they used, and only 2% reported using features on TV or in magazines.

Figure 34

<table>
<thead>
<tr>
<th>Sources of information used to choose which store card to apply for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chose on spur of the moment at till 25%</td>
</tr>
<tr>
<td>Information given by shop staff 13%</td>
</tr>
<tr>
<td>Leaflets inside shops 6%</td>
</tr>
<tr>
<td>Adverts for store cards 4%</td>
</tr>
<tr>
<td>Money Saving Expert 4%</td>
</tr>
<tr>
<td>Internet forums 3%</td>
</tr>
<tr>
<td>Posters inside shops 2%</td>
</tr>
<tr>
<td>Money Supermarket 1%</td>
</tr>
<tr>
<td>Which? Magazine 1%</td>
</tr>
<tr>
<td>Financial pages in newspapers or magazines 1%</td>
</tr>
<tr>
<td>Financial features on TV 1%</td>
</tr>
<tr>
<td>Friend também* 1%</td>
</tr>
<tr>
<td>uSwitch.com</td>
</tr>
<tr>
<td>Posters inside shops 2%</td>
</tr>
<tr>
<td>Other price comparison sites 2%</td>
</tr>
<tr>
<td>Other 10%</td>
</tr>
<tr>
<td>DK 8%</td>
</tr>
<tr>
<td>*New code raised after fieldwork</td>
</tr>
</tbody>
</table>

Source: Oi Which of the following sources of information did you use when deciding which store card to apply for? Base: All respondents that have a store card (607)

5.5 Information used at application
In the following paragraphs we report the findings from the qualitative research on information sources used at application. Respondents were asked about the information they considered when applying for a credit card or store card. The sources of information which respondents considered when applying for a credit card
were similar to the survey results. These were predominately money advice websites and bank and building society advisors. Respondents thought that both sources were easy to understand and trustworthy.

Respondents who 'shopped around' chose a credit card based on a comparison of cost and benefits. These respondents used price comparison website, including 'money supermarket' to identify the best deal. The information presented on these sites was considered easy to interpret because information thought to be important, such as the APR, duration of interest free periods and the benefits offered, was displayed clearly. Presenting information in tables, rather than as long passages of text, was thought to be easier to interpret more quickly.

Websites which offered advice, such as 'money expert', were also discussed as a way to identify the best deals on credit and store cards. Respondents valued these sites because they gave clear instructions on how to use a card to gain the most benefit at the least cost and the language used was easy to understand.

“He [Martin Lewis] puts it in normal English, not like listening to a lawyer”
(Female, Edinburgh, Regular Borrower - Cash)

Importantly online resources, including price-comparison sites and sites offering financial advice, were also thought to be impartial. Therefore, respondents who used these sites felt they could make an informed choice which was most beneficial to them.

Respondents who chose a credit card based on brand thought that a trusted brand would offer a better service and more protection. They usually preferred to receive information in the bank or building society as they thought it was easier to understand how the card operated when it was explained to them face-to-face. There was also a perception that well known banks and building societies provided better customer service than other credit card providers. Therefore, these respondents considered it would be easier to speak to an advisor. These respondents thought that it was easier to understand information about their credit card when it was communicated by an advisor as this allowed them to ask questions and request more information on the points that were most relevant to them. Additionally, respondents’ attitudes to advisors indicated that they thought they had developed a personal relationship with the advisor which reassured them that the information they received was trustworthy.
"I actually think I go to Alliance and Leicester quite a lot because I know everyone there now, and I think that is really, really important where you look at someone and it's a familiar face you know who ain't going to try and con you" (Male, Occasional Borrower, Leicester)

There was a perception that consumers were better informed when applying for a credit card rather than a store card. There were several factors which caused respondents to believe this. There was a perception that it was easier to access impartial information about credit cards than for store cards. In contrast, when applying for a store card, the shop assistant was the primary source of information. Many respondents felt that members of staff were fairly ill-informed on the subject. Respondents also thought that the decision to apply for a credit card may be more considered whilst store card applications were rushed, impulsive and were 'sold' at the point of purchase.
6. Factors which influence attitudes to credit and store cards

In this section the findings from the qualitative research which explored the attitudes of consumers to credit and store cards is presented. The sample structure of the discussion groups is discussed in full in the appendices, but in brief consisted of those who pay back in full, occasional borrowers (who usually pay back in full but occasionally do not), and regular borrowers (who tend to allow the balance to carry over and rarely or never clear their balance). Within the regular borrowers separate discussion groups were conducted with those who generally pay off only the minimum payment; those who regularly use the card to withdraw cash, and those who had a store card and were under 25 years old.

There was a considerable degree of similarity amongst respondents from the different groups – where differences were evident these are highlighted.

6.1 Key findings

- The qualitative research identified that respondents’ attitudes to credit and store cards was complex and multi-dimensional. Respondents’ attitudes and behaviour towards spending was influenced not only by rational cost-benefit considerations but also by a range of other factors which broadly fall into three areas: environmental factors, social factors and personal factors.

- When applying for a credit or store card, respondents consider the importance of the various options and identify the likely benefits and costs of using different products. In line with the quantitative research reward schemes, discounts and services and low or free interest were amongst the main considerations.

- Many respondents discussed their strategies for maximising the benefits of using cards: including accumulating points or airmiles, switching cards and using interest free periods to reduce costs, and for taking advantage of short term offers when they do not have available cash.
Those who usually repay their debt in full discussed the importance of monitoring their credit card expenditure and budgeting to ensure that they could pay it off at the end of each month. Conversely, for many of the respondents who allowed their debt to revolve they generally talked about budgeting to repay some of the debt (at least the minimum payment) and frequently indicated that they only thought about this after the purchase was made or when the statement arrived.

Respondents who perceived themselves as able to manage their accounts successfully saw their card use as a way to 'get something for nothing', while by contrast those who allowed their debt to revolve thought that using a credit card to gain rewards and avoid interest required the card user to be 'incredibly disciplined'.

Respondents identified a number of environmental factors which led them to consider that in today's world it was essential to hold a credit card. These included coping with emergencies, providing protection and security, the universal acceptance of credit cards, and to build a credit rating.

In general respondents understood that they had a commercial relationship with credit and store card providers. They recognised that it was necessary for providers to profit from the provision of credit and this was considered appropriate. However they expected this relationship to be fair. They also felt that card providers had a duty to behave responsibly, particularly in relation to more financially vulnerable groups.

However, respondents’ attitudes to credit card providers indicated that there was an underlying mistrust of ‘banks’ in general and this affected how respondents perceived their relationship with credit providers.

Social norms around card use were used to legitimise respondents’ decisions about: making minimum payments; choosing not to read their terms and conditions and; using their credit or store card for long-term borrowing.

Respondents recognised that by providing immediate access to credit, credit and store cards allowed some consumers to make lifestyle choices which
Factors which influence attitudes to credit and store cards would otherwise be beyond their means. Respondents thought that as credit was easily accessible and could feel ‘unreal’, it was often very difficult to resist the temptation of spending on a credit or debit card, particularly for consumers who were perceived to be vulnerable.

- Individuals conceptualised credit in different ways. Three main perspectives emerged which are described as ‘Not real money’, ‘Fear of debt’ and ‘Playing the system’.

- There was a widely held perception across all the discussion groups that credit and store cards could be very confusing and respondents felt that it was difficult to understand how credit and store cards operated. Some respondents thought that terms and conditions and other documentation were deliberately opaque and designed to disguise potential costs.

- The complexity of understanding the financial aspects of credit led many respondents to use a cut-down and simplified set of golden rules to guide their purchase and repayment behaviour.

6.1.1 Understanding of the costs and benefits

When applying for a credit or store card, respondents initially discussed the importance of considering the various options and identifying the likely benefits and costs of using different products. In general, their responses suggested that they were looking to identify the greatest benefit for them at the lowest cost.

In line with the quantitative research (Section 5.2), when choosing a credit card, various card features were considered: rewards schemes, including cash-back, Airmiles and reward points; discounts and services, including free insurance, breakdown cover and discounts on purchases; and low/free interest, both the duration of interest free periods and low APR rates after the free period had expired.

Credit card use

Many respondents also discussed strategies which they employed when using their credit card to gain the greatest benefit whilst incurring the least cost. For example, respondents who usually paid their balance off in full discussed deliberately using
their credit card, rather than cash, in order to accumulate points or rewards. Respondents would ensure that they paid off their card every month to avoid paying interest.

“It does cashback, it's a cashback card so if I do make purchases I put it through the cashback card and then just clear my balance at the end of that”
(Female, Edinburgh, Pay back in full)

The interest free periods offered on store cards and credit cards were perceived to be help respondents to manage their finances. Credit cards could act as a buffer between pay days or allow respondents to take advantage of short term offers when they do not have cash available.

“If there’s a special offer on for that month only, and you need that thing, you can buy it, maybe if you don't have the cash, you could put it on your card.”
(Female, Edinburgh, Pay back in full)

Respondents discussed using interest free periods on purchases and balance transfers to spread the cost of large purchases or an existing debt over a long period, without paying interest.

“we did use the […] zero percent for six months and there was maybe a balance because we’d bought a kitchen or whatever, put several thousand pounds on it, so we did juggle things a wee bit, or from one deal onto the next”
(Male, London, Occasional borrower)

Respondents who perceived themselves as able to manage their accounts successfully saw their card use as a way to ‘get something for nothing’. However respondents also recognised that credit and store cards were only beneficial where the card user was able to manage their debt effectively and plan how to repay purchases.

“It depends on the individual, completely. If you’ve got someone who’s disciplined and can manage their finances and use their credit card and they know they can pay it back, great no problem. As soon as you get it out in the
real world...you've got teenagers and people who can’t afford to pay” (Female, London, Occasional borrower)

Importantly, those who usually repaid their debt in full discussed the importance of monitoring their credit card expenditure and budgeting to ensure that they could pay it off at the end of each month.

“It’s all contained in a loose budget in my head of what I could comfortably spend and pay off in the next 30 days” (Male, Leicester, Occasional borrower)

Conversely for many of the respondents who allowed their debt to revolve they generally talked about budgeting to repay some of the debt (at least the minimum payment) and frequently indicated that they only thought about this after the purchase was made or when the statement arrived. These respondents discussed overspending on their card because they had not considered other expenses.

“You think about it at the time, right I get paid on so-and-so and I've got this, and then when you actually sit down and work out what you've got outgoing you think oh crap I've got to make the minimum payment now [...] you've all good intentions but [...] your proper bills like your gas and your electric and everything, that comes first, and if you can get away with paying the minimum payment instead of a big chunk then you do it” (Female, Leicester, Regular borrower)

Respondents who allowed their debt to revolve thought that using a credit card to gain rewards and avoid interest required the card user to be ‘incredibly disciplined’. There was a perception that card users who were less disciplined would be encouraged to use their card more, to gain benefits, but may not be able to pay off the money they had spent.

“I had the money anyway but I choose to use the card to get the points, but then you have to be strong and take that money out to pay that off when it comes in” (Male, London, Regular borrower – minimum payment)

Store card use
Respondents’ attitudes to borrowing on their store card differed from their views about credit card use, as store cards were considered to be more expensive and
offered fewer benefits. Consequently respondents generally only used their store card when they could benefit from the transaction. Respondents discussed applying for a store card to use the interest free period to spread the cost of a large purchase and then closing the card. Respondents also discussed only using a store card to receive discounts on large purchases or only on days when the store offered extra discounts for card users. Respondents’ views about store card use indicated that they were more motivated to repay debt on their store card than their credit card because there was a perception that borrowing on a store card was more expensive.

“I think … everybody knows a store card is more expensive than a credit card, always. That’s the only thing I bet everyone does know”
(Female, London, Regular Borrower – Minimum payment)

However store cards were thought to be very tempting as consumers were sold credit at the point of purchase, they were offered a discount on purchases and the opportunity to spread the cost of the item.

“It's like being in a sweet shop they say, you can have all this, you're not really listening to what they're saying […] telling you to think like, oh well you'll get a credit limit of £500 and that's all you think of. I wanted that, I couldn't have it before, I'll have it now” (Male London, Regular Borrower,)

6.2 Respondents’ diaries
Between Wave 1 and Wave 2 of the qualitative research respondents were asked to keep a diary of their purchases. Respondents recognised that some card use could be influenced by considerations other than the cost and benefits of using the card. Respondents thought that there may be certain types of purchases when they may be less likely to have a clear repayment strategy or consider the likely costs or benefits of making that purchase (for example, unexpected purchases, impulse buys, presents and ‘feel-good’ purchases). When respondents considered these purchases, environmental, social and personal factors were discussed as drivers of purchase.
6.3 Environmental factors

There were a number of broad “environmental” factors that respondents identified which led them to consider that in today’s world it was essential to hold a credit card.

**Emergencies:** There was a perception that it was necessary to have a credit card to pay for large, unexpected costs, for example household maintenance or for car repairs. Some respondents perceived their credit card as a ‘back-up’ if they were made redundant.

**Security:** Respondents thought that credit cards provided protection and security. Consequently respondents were unwilling to use any other form of payment for some purchases, particularly when making online purchases or paying for holidays.

> “Things like holidays and electrical items, if you’re buying from eBay or Amazon, it gives you some sort of protection for that as well. It’s peace of mind, so it’s a free insurance policy” (Male, Edinburgh, Pay back in full)

**Universal acceptance:** It was considered necessary to have a credit card as it would be universally accepted for most transactions. Respondents considered it was necessary to have a card if you were travelling abroad as they felt that debit cards would not always be accepted. Respondents also thought that some online transactions would require the use of a credit card.

**Credit rating:** Respondents discussed servicing a credit card in order to build a credit rating. There was a perception that you would be unable to apply for a mortgage or personal loan until you had acquired a credit rating by using a credit card.

**Relationship with card providers**

If used responsibly, access to credit using credit and store cards was considered to be a valuable service because borrowing was convenient, flexible and inexpensive. Respondents understood that they had a commercial relationship with credit and store card providers. They recognised that it was necessary for providers to profit from the provision of credit and this was considered appropriate.
However, respondents’ attitudes to credit card providers indicated that there was an underlying mistrust of ‘banks’ more generally and this affected how respondents perceived their relationship with credit providers. For example, respondents discussed certain lending practices which they considered to be irresponsible. An example of this involved offering high credit limits to card users who were perceived to be “vulnerable”. Vulnerable groups included inexperienced or young card users who were less aware of the long-term impact of borrowing and card users on low incomes.

Although it was considered necessary for card providers to profit from card services, respondents were concerned that some providers intentionally targeted vulnerable consumers which respondents described as ‘profiteering’.

6.4 Social factors

Social norms also influenced the way consumers viewed their card. Respondents were influenced by behaviours which they observed in their social group. These social norms were used to legitimise respondents’ decisions about card use, which respondents recognised to be disadvantageous, including: making minimum payments; choosing not to read their terms and conditions and; using their credit or store card for long-term borrowing.

By providing immediate access to credit, credit and store cards also allowed consumers to make lifestyle choices which would otherwise be beyond their means. Respondents discussed purchases which they considered to be luxuries such as designer clothes, expensive watches and electrical goods. Some also referred to the pester power of their children to influence their purchasing. Respondents’ attitudes to these items suggested that they were aspirational, and reflected a lifestyle which the respondent could otherwise not afford, without saving for a long period.

“I bought my son a Playstation 3 and he is on it everyday, playing on it, whereas I wouldn’t have been able to afford it for cash for months, but watching him playing it every day makes it worth it, I am glad there are things out there like credit cards and store cards, because I wouldn’t have been able to get that for him. I know I am still in debt now but he is enjoying it.”

(Female, London, Regular borrower – Minimum payment)
6.5 Personal factors
Respondents’ card use was also affected by their sense of self-efficacy and their attitude to debt and borrowing on credit and debit cards.

Conceptualisation of credit
Respondents’ attitudes to borrowing on their credit and store cards suggested that there were differences in the way they conceptualised credit. Three different conceptualisations of credit are discussed:

‘Not real money’: Using a credit card to make purchases was described as feeling ‘unreal’. In contrast respondents said that they were more aware of their spending when they used cash. Some respondents, particularly regular borrowers, did not perceive credit as their own money and instead credit could feel like ‘free money’.

“It’s invisible money...you’re not seeing money disappear, it’s just a piece of plastic [...] if you want something, if you see something and think I want that it’s just a case of handing over your plastic” (Male, London, Occasional borrower)

Respondents who conceptualised credit in this way were less able to appreciate the long-term consequences of debt. Therefore, when making purchase and repayment decisions, the short term consequences of their choices were prioritised over the future benefits of reducing their debt.

“you don’t think about the implication of it on your credit card, you think yes I have got something nice and new, I have got what I really wanted” (Female, Leicester, Occasional borrower)

‘Fear of debt’: Conversely, respondents who usually paid their balance off in full every month frequently expressed concerns at borrowing money that they did not feel able to repay. This fear of debt was most frequently expressed by respondents who had experienced financial difficulties in the past and were now very cautious about borrowing.

“To me it is like borrowing something that I don’t have and the way I grew up was I would only pay for something if I have the money so I actually saved up for two years to buy a car” (Female, Leicester, Occasional Borrower)
‘Playing the system’: Respondents who perceived themselves as managing their debt effectively saw servicing a credit card or store card debt as a way to ‘play the system’. These respondents made regular purchases on their card and ensured that they paid off their card in full to avoid interest charges. Respondents used their card in order to benefit from reward schemes and discounts. Rather than using the card to manage their finances these respondents managed their card in order to gain free services and rewards.

Fear of percentages
There was a widely held perception across all the groups, that credit and store cards could be very confusing. Respondents felt that it was difficult to understand how credit and store cards operated, how much it cost to operate a card with a revolving debt and consequently how card users can minimise their own costs. When trying to interpret statements and terms and conditions, respondents complained that working out the cost of their credit card required advanced numeracy skills.

In addition, respondents thought that the information they received from their credit or store card provider was complex and difficult to understand. Some respondents thought that terms and conditions and other documentation were deliberately opaque and designed to disguise potential costs. (See Section 12 - Transparency)

Golden rules
The complexity of understanding the financial aspects of credit led many respondents to use a cut-down and simplified set of golden rules to guide their purchase and repayment behaviour. These golden rules included: ‘never take out cash’ and ‘always try to pay more than the minimum payment’, which were thought to be well-known amongst all card users. These golden rules also extended to monitoring the “important bits” of information including payment date, balance and APR. Although when questioned few respondents were confident that they knew their current APR.

Fairness
Closely linked to the environmental factor concerning the relationship with card providers, respondents’ assumed that providers should behave in a way that they considered to be fair. Respondents across all groups expressed strong negative views when they considered that providers were acting in ways that were unfair.
Love of spending

There was considerable evidence from the diaries that many ‘impulse’ purchases were driven by emotional responses. Respondents discussed making a purchase ‘just because they wanted it’, as ‘a treat’, or as an ‘emotional crutch’. Certain purchases were pleasurable and therefore a love of spending could prompt card users to make purchases ‘without thinking’.

“I would buy luxuries like a painting or something which I would normally never pay for using cash, but I’m very happy…if you’re in that mood and I see something I really like, I think: will I or will I not - and I do. And it does, it brings pleasure, I love it. I am not caring how much or if it takes me six months to pay it off or something”
(Female, Edinburgh, Regular borrower - cash)

Credit and store cards made it easy for respondents to act on these impulses immediately without consideration of affordability. Respondents from across all the groups discussed how this had resulted in a culture of instant gratification, where consumers were able to make purchases without considering the implications of the debt.

"You don't think about the implication of it on your credit card, you think yes I have got something nice and new, I have got what I really wanted"
(Female, Leicester, Occasional borrower)

"I think the culture now is you see it, you want it, you go and buy it."
(Female, Edinburgh, Pay back in full)

Personal versus social responsibility

Respondents were very aware that purchases could be influenced by a range of factors. Feelings, relating to spending on a credit or store card, could drive consumers to make impulsive purchases without considering a repayment strategy or even the debt that they had accumulated. As a consequence respondents thought that managing a credit card requires a certain level of self-control.

Respondents thought that as credit was easily accessible and could feel ‘unreal’, it was very difficult to resist the temptation of spending on a credit or debit card, particularly for consumers who respondents perceived to be vulnerable.
Features, which were considered beneficial to consumers who were able to manage their debt effectively, were thought to cause more vulnerable consumers to amass higher levels of debt. Balance transfers, for example, allowed consumers to spread the cost of a large debt and pay off large expenses over an extended period. However respondents considered that balance transfer facilities were also associated with financial difficulties. Respondents discussed using balance transfers when they could only afford to make small repayments.

“I could only pay a limited amount off each month which meant, like you were saying, once you have been on it a certain number of months then it goes back to the APR, so you switch to a zero percent so that you can continue paying off your monthly repayments, what you can afford” (Female, Cardiff, Pay back in full)

Balance transfers also provided access to more credit for consumers who considered themselves to be less self-controlled. Respondents thought that consumers who were experiencing financial difficulties may use balance transfer facilities to defer repaying a debt. Therefore balance transfers may result in respondents holding debt for longer and, if it was not repaid within the interest free period, the debt would begin to accumulate interest.

"I got dragged in on the 0% so you're not really looking at what the APR is [...] you think you're going to clear it before the end of the year, or the 18 months, however long you have, but in practice that doesn't always happen." (Male, London, Regular borrowers)

As respondents recognised that it could be difficult for more vulnerable card users to use their card responsibly, some lending practices, such as unsolicited credit limit increases and allowing card users to pay a very small minimum payment, were considered by some to be irresponsible as they allowed vulnerable consumers to build unsustainable levels of debt. Consequently respondents from all the groups thought that credit card providers should adopt socially responsible lending practices to protect consumers who were less able to borrow responsibly.
7. Allocation of payments

This section begins by presenting the findings from the quantitative survey on the incidence, and frequency of withdrawing cash from a credit card, and the amount withdrawn. The remainder of the section discusses the qualitative research looking at views about the allocation of payments and the options for reform.

7.1 Key findings

- From the survey data, around a third (27%) of all respondents that had used a credit card in the last six months had ever withdrawn cash using a credit card. Those in financial difficulties (57%), those that make minimum payments (42%) and that have had debt re-priced in the last twelve months (36%) were more likely to have withdrawn cash than those that pay back in full (25%).

- Amongst all respondents that have withdrawn cash around one-in-ten (8%) said they withdraw under £50 at least every couple of months, compared to 4% who said that they withdraw more than £100 every couple of months.

- Turning to the qualitative research, it was clear that whilst respondents were aware that the costs of different types of transactions on a credit card could vary, there was less awareness of how repayments were allocated to different types of debt.

- Respondents that were aware of the issue had either discovered this having checked their bill or their understanding came from a third party including other card users, news stories or financial advice websites. Consequently, there was a perception that information about the allocation of payments from credit providers lacked transparency.

- As allocation of payments was considered to be difficult to understand, respondents thought that it was not adequate to include this information in the terms and conditions, which consumers were liable to ignore.
• When allocation of payments was explained to respondents it was considered very confusing and difficult to understand and it was thought to be counter-intuitive, particularly in relation to using balance transfers to manage debt. Some described the practice as “sneaky” and “deceitful”.

• When presented with the options for reform, respondents almost universally considered that allocating repayments to the most expensive debt first was the preferred option. They felt this option was intuitive and if adopted would require very little communication because it was in line with consumers’ expectations of fairness.

• Paying cash off first was seen less positively mainly as it did not address the issue of free balance transfers, proportional allocation was felt to be overly complex and confusing and would be impossible for consumers to check. Improving information transparency was felt to be a less effective option because respondents recognised that information is usually ignored by consumers.

7.2 Withdrawing cash from a credit card
All respondents that had used a credit card in the last six months were asked whether they had ever withdrawn cash using a credit card; around a third (27%) said they had. Those in financial difficulties (57%), those that make minimum payments (42%) and that have had debt re-priced in the last twelve months (36%) were more likely to have withdrawn cash than those that pay back in full (25%).
Those that had made a withdrawal from a credit card were then asked about how frequently they made these withdrawals and how much they intended to withdraw.

Half said that they withdraw cash on their cards less often than once a year. In contrast, a fifth (19%) said that they use a credit card to withdraw cash at least once every couple of months. The amount withdrawn also shows variation, with around a third (30%) generally withdrawing under £50, a quarter (26%) £51 to £100 and around a third withdrawing more than £101. A detailed breakdown of the answers given to these questions can be seen in the following chart.
The relationship between the frequency and amount withdrawn is shown in the table below. Around one-in-ten (8%) said they withdraw under £50 at least every couple of months, compared to 4% who said that they withdraw more than £100 every couple of months.

<table>
<thead>
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<th>Frequency of withdrawals</th>
<th>Amount withdrawn</th>
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<tbody>
<tr>
<td>At least once every couple of months</td>
<td>&lt;£50</td>
</tr>
<tr>
<td>8</td>
<td>6</td>
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<tr>
<td>A few times a year</td>
<td>5</td>
</tr>
<tr>
<td>Once a year</td>
<td>3</td>
</tr>
<tr>
<td>Less frequently than once a year</td>
<td>14</td>
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<td>DK</td>
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### 7.3 Awareness of allocation of payment

Whilst respondents were aware that the costs different types of transactions on a credit card could vary, there was less awareness of how repayments were allocated to different types of debt, i.e. that repayments were assigned to the debt accruing the lowest rate of interest. Where respondents were aware of the issue they had either
discovered this having checked their bill or their understanding came from a third party including other card users, news stories or financial advice websites.

Respondents were aware that most card users generally avoided using their credit card to withdraw cash. However there were differences in respondents’ understanding of why withdrawing cash on a credit card was disadvantageous. Respondents who understood that using a credit card to withdraw cash was more expensive did not always fully understand the costs involved. Respondents were aware that there were handling charges applied to cash withdrawals, that a higher APR was applied and that interest was applied from the day the cash was withdrawn. However, respondents were rarely aware of all of the cost consequences and there was some confusion over which charges were applied and why. For example some respondents thought that there was a charge applied by the bank for using their ATM but were unaware of higher interest rates. A few respondents questioned whether the handling charge was a flat fee, regardless of the amount, or whether it was a percentage of the cash withdrawn.

“I didn’t know about the extra in charges. I knew people didn’t take out cash, but I didn’t know why” (Female, Leicester, Occasional Borrower)

“I once took cash out on a credit card because I lost my Cashline and I desperately needed it, and I was very shocked at how much we were charged for it. I’ve never done it again. So I didn’t realise until I saw the bill, and I thought, oh, I’ll not do that again, because I was aware I’d been stung. I don’t give them anything, just because you always feel they’re trying to pull the wool over your eyes, but never did it again and I never will.” (Female, Edinburgh, Pay back in full)

However, respondents suggested that it was sometimes necessary to withdraw cash on a credit card despite an awareness of the additional costs involved, for example, in an emergency or when abroad. Respondents who withdrew cash more frequently were aware that cash was expensive.

“I think it’s not in people’s minds when they withdraw cash. I think if people actually sat down before they went to withdraw cash, and said, ‘well that £20, that’s going to cost me £500,’ they wouldn’t do it. But human behaviour being what it is, you don’t think of that. And quite often, I’ve been abroad and actually
I’ve gone abroad with no money, I mean I’m that stupid. And you find yourself in a situation where you have to.” (Male, Edinburgh, Regular borrower - cash)

There was very limited awareness that repayments were allocated to the least expensive debt first – only one or two participants in each group of 10 had heard of this practice. Respondents thought that most consumers were not aware of how repayments were allocated because providers did not sufficiently communicate the issue. As allocation of payments was considered to be difficult to understand, respondents thought that it was not adequate to include this information in the terms and conditions, which consumers were liable to ignore.

“I didn’t know that, but I guess that would be in the small print but I never read the small print.” (Female, Leicester, Regular Borrower)

Amongst those who were aware of allocation of payments it had usually come about as a result of querying the charges on a previous statement – and often felt annoyed that they had been ‘caught out’.

No respondents discussed having been made aware of the issue through their credit provider in advance. Although most agreed that the details were probably in the terms and conditions.

7.4 Attitudes to allocation of payments

Respondents recognised that it was necessary for credit providers to make a profit from their services and therefore respondents recognised that charging higher interest rates for some services allowed providers to offer certain deals, like interest free periods. Respondents also recognised that if credit providers were not able to charge higher interest rates from consumers it would be necessary to recover costs by raising APRs or reducing interest free periods. There was a perception that it was fair for credit providers to apply these additional charges, providing that card users are fully aware of the cost involved and were therefore able to make an informed decision.

“I think it's one of the only ways [credit providers can make a profit] […]. but if they were to tell you, I mean everybody says here they didn’t know, so if they
were to make it clearer, then [you] don't [choose to] change the way you do it, just tell people that is what you do so they know, because nobody knew.”  
(Male, London, Regular Borrower - Minimum payment)

However, when allocation of payments was explained to respondents it was considered very confusing and difficult to understand because it was thought to be counter-intuitive, particularly in relation to balance transfers. Respondents who had transferred a balance said they did so to pay off more expensive debts. Balance transfers were generally perceived as a way to avoid paying off interest on a high debt, whilst reducing other debts, or as a break from interest costs. Therefore respondents thought that making purchases on a credit card which was used for a balance transfer, undermined the purpose of the balance transfer as repayments would be allocated to the interest free debt.

“If you have balance transferred a grand, because you hope to get interest free on it, and then your fridge breaks down and you are having to pay £400 for a fridge it is starting to kick in on your balance transfer, so you are just effectively negating everything you have tried to do to get yourself out of debt, you are just creeping further into it without even realising.” (Male, Cardiff, Regular Borrower)

Of the four consultation issues which respondents were asked to consider, respondents were more likely to discuss allocation of payments between Wave 1 and Wave 2 with friends and family, regardless of whether the issue directly affected them. This was due to the perception that allocation of payments was ‘sneaky’ because it was counter-intuitive.

Almost universally, across all discussion groups, respondents thought that the current practice of allocation of payments was unfair and that credit providers were intentionally adopting practices which were considered confusing, in order to hide costs from card users. Some described this as deceitful.

“It’s just really sneaky. They obviously don’t care about you as a customer and I like to think, but I know they don’t” (Female, Cardiff Pay back in full)

“Well, it’s completely dishonest and just pulling the wool over your eyes, so if you’re a customer, they’re lying to the customer, they’re trying to hide things
from you on purpose, to make you pay more interest, which is irresponsible”
(Male, Cardiff, Pay back in full)

Respondents thought that allocation of payments should be intuitive as there was a
perception that card use was based on a widely-held assumption about how their
debt was structured. There was a strong consensus across the groups that the
allocation of payments should be reformed.

7.5 Options for reform

7.5.1 Allocate repayments to the most expensive debt first:

Across all the group discussions, this option was considered the fairest because it
was consistent with consumers’ expectations: reversing the allocation of payments
was ‘how it should be’. Respondents also thought that by allocating the repayments
to the most expensive debt first would make it unnecessary to send further
explanation

“If you had several debts you would pay off the highest interest one first, you
know, that would be the normal way of going about something, you wouldn’t
pay off the lowest interest and leave the highest going” (Male, Leicester,
Regular borrower)

“They didn’t know they were being charged this way in the first place, so just
put it back the way it should be” (Male, London, Regular Borrowers)

Respondents also considered that by reversing the allocation of payments, it would
have a positive effect on consumers’ perception of credit providers.

“As a brand, value for them, because they’re being honest, they’re being up
front, they’re doing right by you, so you’re not distrusting them and you might
get other products from them, which could benefit the business as well.” (Male,
Cardiff, Pay back in full)
7.5.2 Allow consumers to pay off cash advances first
Respondents thought that while this was beneficial and ‘better than nothing’, it was less popular than allocating repayments to the most expensive debt. There was also some concern that it may also encourage more consumers to use their cards to withdraw cash.

There was a perception that this solution closely mirrored reversing the allocation of payments. However, respondents were concerned that this solution did not address the issue of balance transfers and was therefore considered less valuable.

7.5.3 Allocate repayments proportionally to debts attracting different interest rates
While this option was considered fairer than the current practice, within the context of a commercial relationship with credit providers, respondents thought that this option was overly complex and confusing and would be impossible for consumers to check.

“If I was a credit card company and the Government were going to say to me ‘That's not fair what you are doing’ I would say ‘Well you know, this is a nice happy medium’ kind of thing. It doesn't feel as unfair as the way it is at the moment.” (Female, London, Occasional borrower)

“If they do something like that they are going to say ‘Where's all my money going? What's happening to it?’ no-one is going to understand what's happened, I think it would be a bad way” (Male, Cardiff, Regular Borrower)

7.5.4 Improve information transparency
Information was considered a less effective option because respondents recognised that information is usually ignored by consumers.

“People wouldn't read more information if they’re not reading what they’re receiving just now” (Female, Edinburgh, Pay back in full)

Respondents considered that if information were to be provided, it would need to be done in such a way as to ensure that consumers had got the message. This might involve presenting the information in a clear way, with examples which showed the impact of the policy.
7.6 Responses to consequences

Respondents were presented with potential consequences of adopting these reforms. Participants generally felt that the only unacceptable cost would be an increase in the interest rate for all. APR increases were viewed very negatively because they were considered unfair to those who managed their accounts responsibly. There was also considerable scepticism about whether card providers would actually impose this on credit card users. The other consequences presented (no balance transfer, no cash withdrawal facility or decreased credit limits) were all seen as consequences which would reduce access to credit (primarily for the more vulnerable groups) and were therefore seen as more acceptable.

There was a perception across all the groups that balance transfers were useful and valuable to consumers who were able to use their card responsibly. They therefore were concerned about the potential cost of losing this facility. Conversely, there was also a perception that balance transfers encouraged consumers to take on higher levels of debt. Respondents, who used balance transfer facilities, highly valued the facility as a way to spread costs and repay debt over a longer period. However, for consumers who considered themselves to have less self-control, there was a perception that balance transfers presented an opportunity to get into more debt.

“If you're in a situation where in order to get by you're having to move it from here to here you're only dealing with part of the problem, and actually the truth of the matter is that makes it harder for people to do that and you will probably be doing something that's beneficial for them in the longer run”
(Male, Edinburgh, Regular borrower – Cash)

The loss of cash withdrawals was viewed in a very similar way to balance transfers. Cash withdrawals were considered a necessary buffer during emergencies or when abroad. However, if the facility was not offered, there was a stronger perception that consumers would budget their expenditure to ensure they did not need emergency cash, or use alternative sources of credit.

Respondents were broadly positive about decreasing credit limits. Respondents who regularly repaid their debt in full considered that their credit limits were too high and they would be happy for their limit to be reduced. There was also a perception that
credit limits were too high across card users. However respondents who had reached limits were concerned about how reductions would be applied.
8. Minimum payments

At the start of this section the findings from the quantitative survey are presented on the number of respondents who make the minimum payment on their active credit and store cards as well as the frequency and length of time they have been making minimum payments. The remainder of the section discusses the qualitative research looking at views about the minimum payments and the options for reform.

8.1 Key findings

- Overall, 8% of respondents were found to make the minimum payment every month on at least one of their credit or store cards.

- Respondents that had at least one active credit card and whose balance was not paid in full every month were asked about how regularly they make minimum payments on their main card. Almost half of people (45%) said that they never make the minimum payment; in contrast a third said they make it every month (32%). Minimum payments seem to be an area where people either don’t do it at all or they do it every month, as very few people reported making occasional payments.

- Similarly, when respondents were asked about their main active store card almost half (43%) said that they never make the minimum payment and a third said that they make the minimum payment on this card every month (29%).

- All respondents that said they make the minimum payment every month on their main credit card were asked how long they have been making the minimum payment for. Around half (52%) said they have been making the minimum payment for under a year. One in eight (12%) of those that said they make the minimum payment have been doing so for over five years. For store cards: around half (54%) said they had been doing it for under a year and a fifth (19%) had been doing it for over five years.
In the qualitative research it was clear that everyone was aware that card users had the option to repay the full balance, the minimum payment or any amount between the two. Respondents considered the issue related only to a minority of customers and suggested that consumers who habitually made the minimum payment had either a poor understanding of the long-term consequences of making only the minimum payment or they could only afford to make minimum payments as the level of debt was too high.

Respondents’ views on the four policy options was shaped by whether they thought that information on the long term effects of making minimum payments would be sufficient to effect behavioural change or whether it might be necessary to force change by changing repayment options. The preferred option across the groups was to use a different warning on statements that indicated the cost and length of time to pay off the debt if minimum payments were chosen. However they also recognised that for some borrowers increasing the minimum payment may be the only effective way to force change.

8.2 General information

8.2.1 Minimum payment every month on any card
If a respondent said that they did not pay the outstanding balance on each of their cards off in full every month, they were asked how frequently they made the minimum payment on their card(s). Respondents were asked this a maximum of four times depending on how many cards they own and how many they said they did not pay off in full. Respondents could be asked this for:

- Their main credit card not paid off in full
- Their second main credit card not paid off in full
- Their main store card not paid off in full
- Their remaining cards not paid off in full

Overall, 8% of respondents were found to make the minimum payment every month on at least one of their cards.

The table below shows, for each of the four questions, how many respondents told us that they make the minimum payment every month. Seven percent of respondents said they make the minimum payment every month on one of their
cards, one percent said they make the minimum payment on two cards and around half a percent on three or more cards.

**Figure 38 - Number of cards minimum payment is made – All respondents**

<table>
<thead>
<tr>
<th>Number of cards on which the minimum payment is made every month</th>
<th>(1908)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>91.9</td>
</tr>
<tr>
<td>One</td>
<td>6.5</td>
</tr>
<tr>
<td>Two</td>
<td>1.1</td>
</tr>
<tr>
<td>Three</td>
<td>0.4</td>
</tr>
<tr>
<td>Four</td>
<td>0.1</td>
</tr>
</tbody>
</table>

The following table shows which cards minimum payers make the minimum payment every month. The majority of the minimum payment group is made up of people that make the minimum payment on their main credit card which is not paid off in full every month (87%). A fifth (19%) of those classified as minimum payers said they make the minimum payment every month on their main store card and 15% on their second main credit card.

**Figure 39 - All respondents that make a minimum payment on at least one card**

<table>
<thead>
<tr>
<th>Which cards minimum payers make the minimum payment are made on every month?</th>
<th>(166)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main credit card (not paid off in full)</td>
<td>87</td>
</tr>
<tr>
<td>Second main credit card (not paid off in full)</td>
<td>15</td>
</tr>
<tr>
<td>Main store credit card (not paid off in full)</td>
<td>19</td>
</tr>
<tr>
<td>Other remaining cards (not paid off in full)</td>
<td>6</td>
</tr>
</tbody>
</table>

### 8.2.2 Proportion of credit card users that make minimum payment on their cards

Fewer than one-in-ten credit card users said they make the minimum payment on their main credit card (that they do not pay off in full) every month. Additionally, 5% of those that hold at least two active credit cards said they make the minimum payment on their second main credit card not paid off in full every month.
8.2.3 Proportion of store card users that make minimum payment on their main store card

The proportion of active store card users that said they made the minimum payment on their main active card that they do not pay off in full every month was 7%; this is similar to the result for credit cards.

<table>
<thead>
<tr>
<th>Figure 40</th>
<th>% of active credit card users that make a minimum payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1741)</td>
</tr>
<tr>
<td>Main credit card</td>
<td>%</td>
</tr>
<tr>
<td>Second main credit card</td>
<td>%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Figure 41</th>
<th>% of active store card users that make a minimum payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(423)</td>
</tr>
<tr>
<td>Main store card</td>
<td>%</td>
</tr>
</tbody>
</table>

8.3 On main credit card not paid off in full

8.3.1 How frequently the minimum payment is made

Respondents that had at least one credit card (which a payment or a purchase has been made on in the last 6 months) and whose balance was not paid in full every month were asked about how regularly they make minimum payments on their main card.

Almost half of people (45%) said that they never make the minimum payment; in contrast a third said they make it every month (32%). Minimum payments seem to be an area where people either don’t do it at all or they do it every month, as very few people reported making occasional minimum payments.
8.3.2 Reason for making last minimum payment

All those that had made a minimum payment on their main credit card (which is not paid off in full) in the last year, were asked what the reason was for their last minimum payment. There were a wide range of reasons given by respondents, the three most common were increase in expenditure (19%), to pay off a more urgent debt (16%) and don’t know (17%). The proportion of don’t know is high at this question and this may reflect the fact that making the minimum payment has just become a habit for some people and as such they were unable to give a specific reason for doing this. Just over a tenth of respondents gave an “other” answer not covered by the pre-codes; there were a wide range of answers given including “too lazy”, “normal fluctuations in cash flow”, “I like to have more cash available” and “no particular reason”.

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**Figure 42**

Frequency of minimum payments on main active credit card (those that do not repay in full)

- Every month: 32%
- Once every couple of months: 3%
- Once every three months: 1%
- A few times a year: 6%
- A couple of times a year: 4%
- Once a year: 3%
- Never: 45%
- DK: 5%

Source: B3bc. How frequently do you make the minimum payment on this card? (main active credit card)
Base: All respondents that do not pay back the outstanding balance in full each month on at least one active credit card (425)
The reasons for the last minimum payment depend on how frequently respondents make the minimum payment, those that said they make the minimum less frequently than once a month were more likely to have made their last minimum payment as a result of an increase in expenditure or to pay off a more urgent debt.

<table>
<thead>
<tr>
<th>Reason for last minimum payment?</th>
<th>How frequently minimum payment is made?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Every month</td>
</tr>
<tr>
<td>Increase in expenditure</td>
<td></td>
</tr>
<tr>
<td>To pay off a more urgent debt</td>
<td>9</td>
</tr>
<tr>
<td>Taking advantage of 0% balance transfer</td>
<td>13</td>
</tr>
<tr>
<td>Couldn’t afford to</td>
<td>9</td>
</tr>
<tr>
<td>Fall in income</td>
<td>10</td>
</tr>
<tr>
<td>Set up a direct debit and forgot to change it</td>
<td>8</td>
</tr>
<tr>
<td>DK</td>
<td>23</td>
</tr>
</tbody>
</table>

In contrast, those that make the minimum payment every month were more likely to answer don’t know.
8.3.3 How long making minimum payment for
All respondents that said they make the minimum payment every month on this card were asked how long they have been making the minimum payment for. Around half said they have been making the minimum payment for over a year or they did not know how long they have been making it for. Over one-tenth of those that said they make the minimum payment have been doing so for over five years. A fifth said that they did not know how long they have been making the minimum payment for; this suggests that they had been making the payment for a long time and as such could not remember the exact answer.

Figure 45

Duration of minimum payment on main active credit card (respondents that make it every month)

- For more than five years: 12%
- Between four and five years: 2%
- Between three and four years: 3%
- Between two and a half and three years: 3%
- Between two and two and a half years: 2%
- Between one and a half and two years: 3%
- Between one and one and a half years: 5%
- Between 6 months and one year: 20%
- 6 months or less: 32%
- DK: 18%

Source: H3a. You said that you make the minimum monthly payment on your main credit card every month. How long have you been making the minimum payment for? Base: All respondents that have make the minimum payment on their main active credit card every month (141)

8.4 On main store card not paid off in full
8.4.1 How frequently the minimum payment is made
Respondents that said they have at least one store card (which a payment or a purchase has been made on in the last 6 months) were asked about making the minimum payment on their main store card (that they do not pay off in full).

A third said that they make the minimum payment on this card every month (29%). The results are fairly similar to those for the main credit card, almost half (43%) said that they never make the minimum payment. As with the main credit card, the proportion answering don’t know was found to be fairly high, again this is likely to be
because respondents had been doing it for a long time and were unable to remember exactly how long.

Figure 46

<table>
<thead>
<tr>
<th>Frequency of minimum payments on main active store card (those that do not repay in full)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every month: 29%</td>
</tr>
<tr>
<td>Once every couple of months: 1%</td>
</tr>
<tr>
<td>Once every three months: 2%</td>
</tr>
<tr>
<td>A few times a year: 6%</td>
</tr>
<tr>
<td>A couple of times a year: 3%</td>
</tr>
<tr>
<td>Once a year: 3%</td>
</tr>
<tr>
<td>Never: 43%</td>
</tr>
<tr>
<td>DK: 13%</td>
</tr>
</tbody>
</table>

8.4.2 Reason for making last minimum payment

All respondents that had made a minimum payment on their store card in the last year were asked to give the reason for the latest payment.

Again, the results were relatively similar to those for the main credit card not paid off in full, with the same two top answers: increase in expenditure (20%) and to pay off a more urgent debt (14%). However, far fewer respondents mentioned 0% transfer deals (3%) than for the main credit card (13%).

The proportion that answered don’t know was high (27%) and as for the credit card this suggests that many have been making the minimum payment out of habit and therefore could not actually rationalise their behaviour.
Like for the main credit card, the reason given for the last minimum payment is likely to depend on how frequently respondents make the minimum payment, however, due to the small base sizes it is not possible to analyse this in detail.

**8.4.3 How long making minimum payment for**

Those that said they had been making the minimum payment on their store card every month were asked how long they had been making the minimum payment for. Around half said they had been doing it for under a year and a fifth (19%) had been doing it for over five years. These results are similar to the main credit card results.
8.5 On second main credit card not paid off in full

8.5.1 How frequently the minimum payment is made

Respondents that had at least two credit cards, which a payment or a purchase has been made on in the last 6 months and whose balance was not paid in full every month, were also asked about how regularly they made minimum payments on their second main credit card.

When asked how regularly they made the minimum payment on this card, over a quarter (28%) said every month. As for the main credit and store cards, there is a big division between those that said they make the minimum payment every month and those that say they never do.
8.6 Awareness and understanding of minimum payments

In the qualitative research, it was clear that everyone was aware that card users had the option to repay the full balance, the minimum payment or any amount between the two. Most consumers also understood that it would take far longer to clear a debt, paying only the minimum payment, and the interest costs would be higher. Therefore respondents thought that most consumers were aware that it was important to pay more than the minimum payment each month.

There were different reasons given for making minimum payments, with most respondents having done this at some time, even if they now usually paid their balance in full each month. Respondents suggested that having the option to make a low minimum payment was important at expensive times of year such as Christmas or when making large purchases, particularly holidays. There was also a perception that it may be necessary to make minimum payments when making large payments unexpectedly, for emergency house maintenance or car repairs.

Respondents also ‘used’ minimum payment facilities to repay balance transfers slowly, at very low cost. For these respondents making minimum payments on debt which was within an interest free period was considered a sensible way to repay debt.
whilst avoiding additional cost. This was considered less expensive than alternative forms of borrowing.

“I pay 0% [interest] so what’s the point of paying more than the minimum payment because I know that when I come to the end of that, I am going to go onto another thing, because the purpose of mine is to pay off […] it has been going for years and it is gradually coming down, but it is an awful lot cheaper than either […] putting it on my mortgage or putting it through a bank, you know, a normal bank loan or similar.” (Male, Leicester, Regular Borrowers)

For consumers who considered that they were able to manage their debt responsibly, having the option to make minimum payments, when necessary, was considered a valuable feature as it gave people the flexibility to pay what they could afford during expensive months or periods of financial difficulty. However, there was a perception that allowing consumers to make minimum payments could be problematic for a minority of vulnerable card users who had built up high levels of debt and who habitually made the minimum payment.

8.7 Attitudes to minimum payment

The majority of card users reported that they aim to make more than the minimum payment because they want to reduce their debt, rather than pay off the interest. However there was a minority of consumers who habitually make the minimum payment – a finding supported by the quantitative survey. Respondents suggested that consumers who habitually made the minimum payment had either a poor understanding of the long-term consequences of making only the minimum payment or they could only afford to make minimum payments as the level of debt was too high.

**Poor Understanding:** Respondents thought that some consumers may be less well informed, saying that there would be people who did not realise that making minimum payments would mean a debt lasting many years. However, respondents’ attitudes to the issues discussed indicated that they were not fully aware of the consequences of making minimum payments. Respondents were given material which illustrated the cost of repaying a debt of £1,856 and the length of time it would take to repay that debt, if only minimum payments were made. Virtually all of the respondents were shocked by the actual cost – so much so that they reported having discussed this with friends between the first and second waves of research. These
respondents reported that their friends had also been shocked and surprised about how long debts took to pay off, as they had thought that the minimum payment would also pay off part of the debt, not just the interest.

There was a perception that some consumers may choose to make the minimum payment when they could afford to repay a higher amount because their conceptualisation of credit caused them to consider the short term costs of repayment, rather than the long-term consequences of servicing credit card debt over a long period. These consumers may therefore fail to recognise or consider the implications of making the minimum payment.

“...sometimes you think well why not, it's going to mount up anyway. And you always have other things to spend it on.” (Male, London, Regular Borrowers – Minimum Payment)

From discussion of the respondents’ diaries it appeared that understanding of the long term consequences of habitually making the minimum payment was linked to their conceptualisation of credit. Those who tended to see credit as ‘free money’ were more likely to report spending without considering how the debt would be repaid, and only focusing (if at all) on how the monthly minimum payment could be met. The debt on the card felt unreal whereas the immediate repayment cost was deducted from their money.

Respondents suggested that the term ‘minimum payment’ should be replaced with wording which made it clearer to customers that their payment was not eating into their debt. Suggestions included: Interest payment; Worst payment; Emergency payment and Red payment (as in late payment invoices). These suggestions highlighted the view that it may be helpful to remind consumers that making the minimum payment has little effect on consumers’ debt. Respondents thought that the term should effectively be a warning that making this payment was not the most desirable course of action.

**Affordability:** However, they also felt that for many people there would be no choice but to make minimum payments, especially in the current economic climate. Respondents who now paid in full, or were occasional borrowers, recalled having been in the position of making minimum payments in their youth, or when times had
been hard for them, when they paid for things on credit but did not have the financial resources to pay the debt off quickly. They thought that people who were financially inexperienced and/or who were on low incomes were likely to make minimum payments and not understand the long term implications:

“...the reason they've taken the credit card is to get them through Christmas or to get them through whatever, and then they cannae afford to actually pay it right off so they're then stuck paying the minimum payment.”

(Female, Edinburgh, Wave 1, Regular Borrowers – Cash)

There were respondents who felt that their debt was so large that they could not envisage ever clearing it, so for them there was no point in making more than minimum payments:

“The amount becomes so massive that you think, well, even if I put up £150 this month, I'm not even starting to eat into that; I may as well just make the minimum... it gets to a point where there's too much”

(Female, Cardiff, Store Card User)

8.8 Reform options

Respondents considered the issue related only to a minority of customers who were only considering the short term affordability of the minimum payments rather than the long term cost of the debt. Respondents’ views on the four policy options was shaped by whether they thought that information on the long term effects of making minimum payments would be sufficient to effect behavioural change or whether it might be necessary to force change, by changing repayment options.

Different warning on statements

Respondents thought that putting a different warning on credit card statements, which showed how long it would take to repay debt, was likely to be effective and received strong support. Respondents felt that this option would enable customers to visualise the long term impact of building up higher levels of debt. They thought that debt could be an abstract concept for some people and that showing the overall cost, and the number of years it would take to pay off, made the debt feel more real.
Further, there was a perception that comparing the cost and the length of time it would take to repay the debt when paying the minimum payment to a higher recommended amount, would give card users a target and highlight the benefits of paying a higher amount each month.

**Increase the minimum payment**

Respondents recognised that some consumers, who were in financial difficulties, would struggle to make higher repayments and therefore increasing the minimum payments was considered ‘draconian’. However respondents thought that increasing how much people have to pay each month, would be the most effective way to force change, and the only way for some customers who resist other methods. There was a perception that many card users who make the minimum payment could afford to pay a higher amount, and would budget to do so if the minimum payment was increased.

“But I’m saying that’s a positive thing because we’re all weak and if we think we can just pay five pounds then we will and we’ll spend the five pounds on something else. […] if we really got into a different mindset, because […] we’ve become accustomed to it being two or two and a half percent, if it moved to five percent people will moan initially but gradually it will become the norm.”

(Edinburgh, Regular Borrower, Male)

**Recommended higher amount**

There was little support for displaying a recommended higher payment amount on statements as respondents thought that consumers were already able to choose to pay any amount over the minimum payment. There was a perception that consumers who were not disciplined enough to pay more than the minimum payment would not choose to pay a higher amount. One respondent was also concerned that consumers may choose to pay the recommended amount, even if they could afford to make a higher repayment.

“Some people can afford more than 15%, and if they are taking that as the new minimum they say ‘All right then, I will give them 15%’ but they could have maybe paid 50%.”

(Male, London, Regular borrower – minimum payment)
However respondents thought that if the financial benefits of making the higher payments were also shown, consumers may be more encouraged to choose to pay the higher amount.

More information
In general respondents considered that consumers already receive a lot of information from the card providers and they felt that additional information was very likely to be ignored.

8.9 Responses to consequences
Unlike the other three issues, the proposed reforms for minimum payments had no cost consequences for card users who were not in financial difficulties. However, respondents were informed that increasing the minimum payment to 5% was likely to bankrupt some consumers in the worst financial difficulties. Respondents considered it was important to protect card users who were struggling with debt and may be pushed into bankruptcy by any increases. Therefore they suggested a number of caveats which they thought would help to reduce this effect.

Respondents thought that a long lead-in time was necessary to give people time to budget for the higher cost. There was also a perception that it was unfair to change the terms of a contract once the card is active therefore respondents suggested that the additional charges should only apply to new customers who would then be aware that this level of repayment would be expected of them from the point of application. Respondents suggested that card users who were most at risk of bankruptcy should have their credit card frozen to allow them to pay off some of the debt without incurring interest. However, it was felt that during this time these card users would not be able to use the card.

However, respondents felt that if consumers were unable to repay 5% of their debt, their level of debt was unmanageable. Therefore there was a perception that forcing these consumers into bankruptcy may be the only viable option and may be beneficial to them in the long-term.
9. Unsolicited credit limit increases

In this section the findings from both the quantitative and qualitative research are presented. We begin with the survey findings on awareness of unsolicited credit limit increases and respondents’ experiences of the practice. The second part of the section discusses the findings from the discussion groups.

9.1 Key findings

- Awareness of the fact that lenders can raise or lower the limit of cards without asking customers was fairly good with most aware of this (67%); however there is a sizeable minority (30%) that were not. Those most likely to be unaware of the practice are those that are in financial difficulty (52%) and those that regularly withdraw cash (54%).

- A fifth (20%) of all respondents had experienced an unsolicited credit limit increase in the last 12 months. The amount of the change varied from person to person with around a third having experienced an increase of under £1,000 and a similar proportion saying £2,000 or more.

- The vast majority (84%) of respondents said that the unsolicited credit limit increase had no effect and was not important to them, and 86% of those that do not pay all their cards off in full every month have said it had no effect. Only 6% of those that experienced an unsolicited increase in their credit limit contacted their lender to ask for the limit to remain unchanged. A very small proportion (3%) indicated that they increased their spending on the card.

- One in ten (10%) respondents that had experienced an unsolicited credit limit change in the last 12 months contacted their lender following the most recent change and of those 83% indicated that contacting the lender was extremely, very or fairly easy.

- In the qualitative discussion groups respondents reported it was unusual to have experienced an unsolicited credit limit increase in the last year. There was a view across all of the groups that such unsolicited increases could lead to temptation to spend, which would be difficult to resist for some people.
- There was scepticism about the motivations of credit companies offering credit limit increases without being asked; respondents thought that this was a tactic to make money and to get customers to stay with companies, rather than moving their account elsewhere.

- Banning credit limit increases unless consumers ask for it was considered to be the most useful option. Respondents felt that customers would feel greater personal responsibility for debts accrued through requested credit limit increases, and would be more in control of their debt.

### 9.2 Awareness of practice

Respondents were asked whether they were aware of the fact that lenders can raise or lower the limit of cards without asking customers prior to taking part in the survey. In general the awareness was fairly good with most aware of this, however there is a sizeable minority (30%) that were not. Those most likely to be unaware of the practice are those that are in financial difficulty and those that regularly withdraw cash.

**Figure 50**

**Awareness of unsolicited credit limit increases**

- **Yes**: 67% (Total), 45% (Financial difficulties), 41% (Regular cash withdrawals)
- **No**: 30% (Total), 52% (Financial difficulties), 54% (Regular cash withdrawals)
- **Don’t know**: 3% (Total), 3% (Financial difficulties), 4% (Regular cash withdrawals)

Source: G7. Prior to taking part in this survey, did you know that your lender could raise or lower the limit of your credit card or store card without asking you?

Base: All respondents (1908)
9.3 Experience of unsolicited change in the last year

We asked all respondents if the limit on their main card had been changed without them requesting it in the last 12 months; a quarter (23%) reported that it had. Of those that had experienced a change, most had only had one change in the last year. All respondents except those that had not had a change in the last year were then asked whether their limit had been increased without them requesting it in the last 12 months; 55% said it had. This means that overall, 20% of respondents have experienced an unsolicited credit limit increase in the last 12 months.

Figure 51

Prevalence of unsolicited credit limit increases

Those who have had their existing debt re-priced in the last 12 months were also most likely to report an unsolicited credit limit increase. It is possible this group may consist of people that check their bills most closely and therefore were more likely to have noticed the changes that had occurred.

Figure 52 - All respondents (1908)

<table>
<thead>
<tr>
<th></th>
<th>Pay back in full</th>
<th>Minimum payer</th>
<th>Regular cash withdrawer</th>
<th>Re-priced existing debt</th>
<th>Financial difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1429)</td>
<td>(166)</td>
<td>(98)</td>
<td>(338)</td>
<td>(57)</td>
</tr>
<tr>
<td>Experienced unsolicited credit limit increase</td>
<td>19</td>
<td>22</td>
<td>14</td>
<td>27</td>
<td>19</td>
</tr>
</tbody>
</table>
9.3.1 Magnitude of the increase

Those that reported an unsolicited increase in their credit limit were asked how much their limit increased by. The amount of change varied from person to person with around a third having experienced an increase of under £1,000 and a similar proportion saying £2,000 or more.

Figure 53

Magnitude of the unsolicited credit limit increase

Source: G4c. How much was the increase in the credit limit?
G4d. Looking at the screen, can you give me an estimate of the increase in the credit limit?
Base: All respondents whose credit limit increased in the last 12 months without them requesting it (364)

9.4 Personal response to increase in limit

Those that had reported an unsolicited credit limit increase were asked how they responded to the increase. The vast majority (84%) of respondents said that it had no effect and was not important to them; considering that 70% of those that have had a credit limit increase pay all their debts off in full every month this is not altogether surprising. However, even 86% of those that do not pay all their cards off in full every month said it had no effect.
9.5 Contacting lenders regarding unsolicited credit limit changes

All those that had experienced a change in credit limit (either an increase or a decrease) were asked whether they contacted their lender to request that the limit remain unchanged; one-in-ten reported that they had. These respondents were then asked how easy they had found it to contact their lender; the vast majority found it fairly to extremely easy (83%). The chart on the following page illustrates these results.

We may have expected those that experienced a decrease in their credit limit in the last year to have been more likely to have contacted their lender, however, this was not found to be the case.

Regular cash withdrawers and those in financial difficulty were most likely to contact their lender to request that their limit stay unchanged (33% and 34% respectively). However, due to the small base sizes involved these were not found to be significantly different to other payment behaviours.
Those that did not contact their lender were asked the main reason for this, the results can be seen below.

There is generally little difference between the payment behaviours (due in part to the small base sizes of some groups); however minimum payers were more likely to
have said that they didn’t get round to contacting the lender (12% compared with 3% of those that pay back in full). Again, there was little difference between those that experienced an increase or a decrease in limit.

9.6 Awareness and understanding of unsolicited credit limit increases

In the qualitative discussion groups respondents reported it was unusual to have experienced an unsolicited credit limit increase in the last year (which is consistent with the quantitative finding that only 20% were affected). Respondents who had store cards had experienced fewer credit limit increases – especially if they had not used the cards very much.

Respondents who had requested increases on credit and store cards to cover particular purchases had found the process easy, and the view was that access to higher credit limits were given without very much checking by the card providers.

Views varied on how companies might decide whom to offer credit limit increases, and at what level. The following factors were assumed to be considered:

- a good credit rating
- level of income
- ability to pay
- home ownership
- payment history/behaviour
- credit card usage
- not having County Court Judgements
- personal/family outgoings
- current level of debt
- credit history

There was a view across all of the groups that such unsolicited increases could lead to temptation to spend which would be difficult to resist for some people. Further, respondents thought that making a request for a credit increase meant that people would be likely to plan properly for making repayments, whereas unsolicited
increases felt 'less real', and could lead to people making unplanned spends with it, without considering the long term costs.

“If you wanted it increased you know you’re going to be paying it back, if they just offer you it then you’re not even thinking about it, you’re just getting excited over the amount of money still left on the card.” (Female, London, Regular borrower – minimum payment)

There was scepticism about the motivations of credit companies offering credit limit increases without being asked; respondents thought that this was a tactic to make money and to get customers to stay with companies, rather than moving their account elsewhere.

“They want you to get into more debt that’s why they do it... they want you to be buying more, to be paying off more, more money is going through their hands and they hope to get you to a point where presumably you do more minimum payments.” (Male, Cardiff, Pay back in full)

Assumptions that credit card companies raised customers’ credit limits in a cynical attempt to push them to spend more led to a general view that this practice should be stopped. Respondents held the view that credit card companies would rather have customers who were in debt to them, and that this practice was a way of ensuring that some people would be pushed into that position, as they would not be able to control their spending with a higher credit limit. This was viewed to be irresponsible practice on the behalf of credit card companies.

“Do you want a £1,000 I’d be like please, please don’t, please just go away before I get a chance to say yes” (Female, London, Occasional borrower)

This view was validated by some respondents who said that they viewed unsolicited credit limit increases as windfalls, which they would immediately go out and spend, with no thought for how they would pay for the goods. It should be noted, however, that there were people in this category who wished that they had not been tempted in this way, and who felt that the credit providers were at fault for tempting them.

There was debate amongst respondents about personal responsibility and whether credit card companies should have a social responsibility to help people not to get into large amounts of debt.
On the other hand, there were respondents who liked having a higher credit limit, as they felt that it was good to have as a fall-back sum, to cover emergencies – these people, though, had self-imposed spending limits, and said they were unlikely to use up to their credit limit.

Overall, credit limit increases were considered to be too tempting for many customers. Credit limits were already thought to be too high for many customers, and the limits appeared to bear no relationship to customers’ abilities to pay. Therefore, the practice of offering higher credit limits, especially to people who could not afford them, negatively affected respondents’ views of credit card companies, with a belief that companies were pushing people into levels of debt that they would never clear. Respondents who had spent more after credit limit increases argued that providers should not have put them in that position, and felt strongly that credit card companies should adopt practices which were more socially responsible, effectively protecting customers from being tempted to spend beyond their ability to pay.

“It’s rubbish, it should be in your control. It’s your card and it’s your credit, you should have control over how much you can spend on it, because some people just can’t resist, they keep spending and keep spending.” (Female, London, Occasional Borrower)

Respondents who were occasional borrowers and those who paid their cards off in full each month tended to think that customers with good financial self control would never spend more than they could afford to pay back. However, there was still resentment that credit providers appeared to be tempting them into levels of debt, even though they would be unlikely to spend up to any new credit limit.

9.7 Reform options
Respondents were asked to consider the options for reform.

Banning all unsolicited limit increases was considered to be the most useful option. Respondents felt that customers would feel greater personal responsibility for debts accrued through requested credit limit increases, and would be more in control of their debt.
Allowing consumers to opt-in to receiving unsolicited limit increases, was thought to be less desirable as people could still be tempted to allow the credit limit to increase, even if they knew they were likely to spend it and could not afford it.

“I would rather not have that, I would rather ring up myself if I wanted because [...] if I was close to my limit and I had that letter, saying we can if you want to but call us, I would probably think, well I best just do it in case I go over, and then if I had the extra limit I would probably just spend it” (Female, Leicester, Regular Borrower)

Respondents felt that if this were taken forward there would have to be other barriers put in place, such as having a rule that customers would have to be proactive in confirming they wished to have a credit limit increase, for example, by having to make a call to confirm.

Limit the size and/or frequency of credit limit increases. Respondents did not like this option, as they thought that this could lead to irresponsible practices on the part of the credit card companies, for example with increases being given in the summer and just before Christmas, when people’s spending was likely to be high, and when they might be most likely to give in to temptation. It was also thought that this option was unlikely to curb credit card companies from offering limits which were inappropriately high for people, unless regulations limited amounts as well as timings. For people who wanted to be able to access credit increases there was a worry that such a rule might limit them from requesting a credit limit increase when they needed one.

Improving information transparency by sending people a separate letter when they increase their limits was thought to be the least effective in terms of limiting credit companies’ practices. Respondents thought that such information should be provided as a matter of course, and that it would only be useful to people if it was clear and easy to understand. There was also a view that forcing credit card companies to provide extra information would lead to extra costs, which would be passed on to customers.
9.8 Response to Consequences

Respondents across all the discussion groups thought that credit limits were already too high, and therefore the potential consequences of a reduction of credit limits were considered acceptable. Respondents who said that they felt that available credit was too tempting, would prefer to have a reduced limit to reduce temptation. However respondents thought it would be frustrating if ‘good’ card users could not access higher credit limits when they needed to.

“If you’re a good payer you want the facility, but if you weren’t allowed to have that facility it would be quite frustrating” (Male, Cardiff, Pay back in full)

Introducing cash deposits for inexperienced borrowers was considered beneficial as this created barriers to borrowing, for customers who respondents considered to be high risk.

There was a perception that smaller credit providers were more likely to lend to high risk customers, to offer balance transfers and high credit limits. Therefore respondents thought it would be acceptable if smaller card providers closed down. However there was a perception that a loss of competition was inherently bad for the market. Consequently, respondents considered that losing smaller lenders may have negative consequences for consumers.
10. Re-pricing of existing debt

This section begins by presenting the findings from the quantitative survey on the incidence of re-pricing of existing debt. The remainder of the section discusses the qualitative research, looking at views about re-pricing of existing debt and the options for reform.

10.1 Key findings

- Almost one in five respondents (18%) said that the interest rate on at least one of their credit cards had changed in the last year. Looking specifically at their main credit card, over two-thirds (69%) experienced a rate increase and only a fifth experienced a decrease (22%). Those that pay back in full (11%) were less likely to have been affected than those that do not pay all their cards off in full (18%).

- Over half (57%) reported a change of between 1% and 5%, only around one-in-ten reported a change of over 5%.

- Those that had experienced a change in their interest rate were asked whether they felt that the re-pricing had been explained adequately to them; just under half thought it had. However, if we exclude those that did not request an explanation this rises to almost three-fifths (58%).

- Half (47%) said that they accepted the change and continued to use the card, whilst a quarter (27%) said they did not know. It is probably safe to assume that a response of “don’t know” to this question is likely to mean that respondents had not given the issue much thought, so in all likelihood had continued using the card as normal.

- Those that participated in the qualitative research were aware that interest rates could change, and there was a widely-held assumption that this would be linked to bank base rates. Respondents were not aware of risk based interest increases.
• On learning about the practice of risk based pricing, the immediate reaction of most respondents was one of surprise, followed by concern that banks were making money from the people who could least afford it.

• When considering the options for reform there was widespread support for prohibiting re-pricing of existing debt. Respondents felt that it was not right that credit card providers could change terms which the customer had agreed to when they had signed up for a credit card. This option was deemed to be fairest for all customers, not just those who were in a higher risk category. This would leave an option for providers to put different interest rates on new debt.

10.2 Experience of re-pricing of existing debt

Respondents were asked whether the interest rate on any of their cards had changed in the last twelve months. Surprisingly, around a third (32%) could not answer this question, this implies that a fairly large proportion of people may not look at their bills regularly enough or in enough detail to be able to answer this. Respondents that tend to pay back all of their cards in full were least likely to have experienced this (17% reported a change) compared with those that have experienced an unsolicited credit limit increase (24%) and those in financial difficulty (29%). In contrast, those that pay back all their cards in full were more likely to have answered don't know (36%) than minimum payers (16%), regular cash withdrawers (21%) and those in financial difficulty (12%). This suggests that those that pay back in full may be more likely to pay less attention to this area of their bill as it does not tend to affect them.
Respondents were then asked whether the interest rate increased or decreased. Those who told us that the interest rate on more than one of their cards changed in the last twelve months were asked to think about their main card when answering this. Over two-thirds (69%) experienced a rate increase and only a fifth experienced a decrease (22%). This means that of all of the respondents that have taken part in this survey, 13% have experienced an increase in the interest rate of their main card in the last year and 4% have experienced a decrease.

The table below shows how the proportion that has had an increase in their interest rate varies depending on payment behaviour. Those that pay back in full (11%) were less likely to have been affected than those that do not pay all their cards off in full (18%). A fifth of those in financial difficulty reported an increase in their rate, although due to the small base size this was not found to be significantly higher than those that pay back in full. There was little variation in the proportion of each group that have had a decrease in their rate.
10.2.1 How much the interest rate increased by
Respondents who reported that their interest rate had increased were asked how much the rate increased by. Over half (57%) reported a change of between 1% and 5%, only around one-in-ten reported a change of over 5%.

10.3 Were the reasons for the change adequately explained and reasonable?
Those that had experienced a change in their interest rate were asked whether they felt that the re-pricing had been explained adequately to them; just under half thought it had. However, if we exclude those that did not request an explanation this rises to almost three-fifths (58%). Those that felt that the change was adequately explained
were then asked whether or not they felt that the change was reasonable, three-quarters were in agreement.

Unsurprisingly, those that experienced an increase in their interest rate were not as positive as those that experienced a decrease. Despite this, they were still more likely than not to believe the change was adequately explained and reasonable. The table which follows illustrates this finding.

<table>
<thead>
<tr>
<th>Whether rate increased or decreased?</th>
<th>Increased</th>
<th>Decreased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was the change adequately explained?</td>
<td>(237)</td>
<td>(69)</td>
</tr>
<tr>
<td>Yes</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>No</td>
<td>43</td>
<td>59</td>
</tr>
<tr>
<td>Did not request an explanation</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td>DK</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Did you feel the change was reasonable?</td>
<td>(103)</td>
<td>(41)</td>
</tr>
<tr>
<td>Yes</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>No</td>
<td>65</td>
<td>98</td>
</tr>
<tr>
<td>DK</td>
<td>29</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>
10.4 Response to the increase

Respondents who told us that the interest rate on their main card affected increased were asked how they responded to this change. Half (47%) said that they accepted the change and continued to use the card, whilst a quarter (27%) said they did not know. It is probably safe to assume that a response of “don’t know” to this question is likely to mean that respondents had not given the issue much thought, so in all likelihood had continued using the card as normal.

In contrast just over a fifth (22%) stopped using the card in some way: 12% accepted the change but stopped using the card, 5% transferred the balance to a different card, 4% paid the card off in full and closed the account and 1% refused the rate and accepted a repayment plan. No-one sought expert advice or tried/managed to make the bank agree to keep their old rate.

10.5 Awareness

Those that participated in the qualitative research were aware that interest rates could change, and there was a widely-held assumption that this would be linked to
bank base rates. Respondents were not aware of risk based interest increases and there was no awareness of the rules the Government had recently put in place.

Respondents were unaware of how risk was assessed prior to attending the group discussions; they felt the fairest way to assess risk would be on an individual basis taking into account the personal circumstances of individuals.

On learning about the practice the immediate reaction of most respondents was one of surprise, followed by concern that banks were making money from the people who could least afford it. This was seen as unfair:

“... It’s very harsh sticking the interest rate up because then they are never going to get out.” Male, Leicester, Wave 1, Occasional Borrowers

10.6 Attitudes to re-pricing of existing debt

Whilst increased rates had not affected all respondents there was a general feeling that re-pricing of existing debt was unfair and should not be allowed to happen:

“I think it's disgusting that the Government allows that.” (Female, Edinburgh, Regular Borrowers – cash)

Respondents' thought that re-pricing of existing debt was unfair because it either targeted more vulnerable consumers or penalised responsible card users in order to underwrite high risk debt.

Introducing risk-based re-pricing at times when the bank base rate was very low was considered by a number of respondents to be profiteering on the part of banks. Respondents considered that by adopting risk based re-pricing of debt, credit providers were ‘prowling’ on vulnerable card user. Risk-based re-pricing was thought to increase the pressure on consumers who were already experiencing financial difficulties.

“If you are already struggling, if you lost your job and they thought ‘that’s a big risk, I’m not going to get my money back, whack it up’ then you are just going to panic even more when your rent is not being paid, bills, food and especially if you have kids and things.” (Female, Cardiff, Regular borrower - store cards)
Additionally respondents were concerned that card users who had high levels of debt were effectively trapped by credit providers as they relied on the continuous use of their card.

“If you're in hock to them and you haven't got a choice [...] Say for example you had a debt of £1000, you can't get a card elsewhere and they said to me tomorrow we’re upping your rate, what am I going to do, what could I do? Can I say I'm going to take my debt elsewhere?” (Male, London, Regular borrower – minimum payment)

“They’ve got you over a barrel”
(Male, London, Regular borrower – minimum payment)

Therefore targeting high risk customers was considered to be compounding the issue. Whilst this view was apparently altruistic, respondents attitudes to high risk borrowers indicated that their concern was partially self-interested. Increasing interest rates for high risk-customers may cause some card users to miss payments or force others into bankruptcy. Respondents were concerned that ultimately the costs would be passed onto more responsible card users.

“It does come back and bite you on the backside then if all these people are going to (unclear) well those credit cards are going to need to claim the money from somewhere” (Female, Cardiff, Regular borrower – store card)

Respondents’ perception of their relationship with credit providers and the relationship that credit providers had with more vulnerable card users also had an effect on respondents attitudes to risk-based re-pricing. It was unusual for respondents to view themselves as high risk customers, therefore risk based re-pricing was considered to be an issue for a minority of more vulnerable consumers who were less able to manage their debt responsibly and who were therefore higher risk. However, respondents thought that credit providers could adopt irresponsible or dishonest practices in order to maximise their profits. For example, there was a perception that credit providers may increase interest rates excessively, or apply them to consumers who were not high risk, because the factors which contributed to risk were considered to be unclear.
Some respondents perceived themselves to be high risk borrowers because they had a revolving debt, which they felt unable to repay and/or they considered themselves unable to resist temptation when offered credit. These respondents thought that their credit provider should not have encouraged them to borrow more than they were able to repay. This illustrates the dichotomy between personal and social responsibility in relation to credit card borrowing. (See Section 6.5).

Many respondents thought that card providers intentionally encouraged consumers to borrow more than they could. Irresponsible lending practices, for example offering high credit limits to inexperienced card users or people on low incomes were thought to perpetuate a culture of excessive borrowing. As credit providers were considered to have encouraged high risk borrowers to raise unmanageable levels of debt, respondents thought that credit providers had a responsibility to protect responsible consumers from the consequences of high risk borrowing.

Therefore respondents thought that it was not right for companies to target vulnerable customers via irresponsible lending, but neither was it fair to expect non-vulnerable customers to pay. Furthermore, in order to protect consumers in the long term respondents considered that it was important that providers adopted more socially responsible lending practices in the future, which limited access to credit for consumers who are less self-controlled when managing their debt. Whilst respondents fully appreciated that banks were businesses, there was a common view that if the banks accepted people as customers, then they should absorb the problems of those customers who became higher risk.

10.7 Response to policy options
Prohibit re-pricing of existing debt
The most acceptable solution was prohibiting re-pricing of existing debt. Respondents felt that it was not right that credit card providers could change terms which the customer had agreed to when they had signed up for a credit card. This option was deemed to be fairest for all customers, not just those who were in a higher risk category. This would leave an option for companies to put different interest rates on new debt, for example, if customers chose to borrow more at a higher rate, that is, taking out a new contract, they would know what interest rate applied to the new amount.
“If all credit cards are going to be at a higher rate [...] If you really want to borrow it then that’s your choice, [...] at least you’re made aware of it beforehand” (Male, London, Occasional borrower)

Define factors which contribute to risk
Respondents thought that it would be beneficial for consumers if the factors which contributed to whether a card user was risky were determined by the Government rather than lenders. There was a perception that this would limit credit providers’ practices as consumers were concerned that ‘anyone’ could be considered high risk. Furthermore respondents felt that clarifying the factors contributing to risk might be an incentive for some people to use credit more responsibly. However, there was a concern that providers would use the new rules to legitimately target card users who may not otherwise have been identified as high risk.

Limit the size and/or frequency of increases
There was some scepticism about the Government only allowing companies to increase interest by a certain amount. Respondents thought that companies would put interest rates up whenever they were allowed to, by as much as they were able to, for example, by 2% a year.

“So in five years time you are paying 14% extra than you are now because 2% every year, that’s 14%, 15%.” (Male, London, Regular Borrowers – Minimum payment)

More information
Respondents felt that providing more information was the weakest option; they thought that adequate information should be provided as a matter of course, but that to be useful if had to be clear and easy to understand, otherwise it would be ignored.

10.8 Responses to consequences
Respondents’ preference for prohibiting re-pricing of existing debt was reinforced by the associated consequences. Respondents thought that as a consequence of lending to high risk borrowers, costs were being passed on to more responsible card users.
“But then arguably I am sensible with my credit cards, so I would be pretty hacked at having to sort of foot the consequences of people who haven’t spent wisely on their credit cards.” (Female, Cardiff, Wave 1, Regular Borrowers – store card users)

Consequently, there was a perception that reducing access to credit for high risk customers would be beneficial for all card users. Additionally there was a perception that these high risk card users should have never been given access to credit.

Respondents thought that it would be acceptable to reduce credit limits for all consumers as respondents thought that credit limits were already too high.

Respondents were strongly opposed to re-pricing of all customers debt. Respondents expressed a view that it was not fair that responsible card users were required to underwrite credit providers’ losses, as a consequence of irresponsible lending practice to high risk borrowers.

“All they are doing is extending our personal risk, as good customers, to fund higher risk people who have little or no security” (Male, Leicester, Occasional borrower)

Consequently, respondents thought that the credit providers should adopt socially responsible lending practices to ensure that high risk customers were not able to build high levels of debt.
11. Cost Trade-off

In this section the findings from an exercise in the discussion groups in which the preferred reform options were traded-off against possible costs is described.

11.1 Key findings

- Respondents’ attitudes to the trade-offs appeared to depend on two factors: how respondents conceptualised credit and secondly whether respondents’ attitudes to the cost trade-off was influenced by their own self-interest or whether they were influenced by a more altruistic concern to protect vulnerable consumers.

- The introduction of additional charges for credit cards that were dormant for a month was strongly disliked and resisted across all the discussion groups. While most understood that the card providers were a commercial business and had to make money they felt that a charge was unacceptable.

- There was considerable scepticism about whether credit card providers would actually introduce the additional costs discussed in the trade-off exercise. Some respondents expressed the view that they would be protected from charges by competition in the market. Respondents thought that the additional charges would not be adopted by all banks and they would have the option to transfer their balance to an alternative provider who offered no charges and/or rewards.

11.2 Attitudes to trade-offs

From the earlier discussions on options for reform, it appeared that there was widespread support for reducing access to credit, both for respondents themselves and for high risk borrowers. As part of the Wave 2 discussion groups, participants were asked to consider that if their preferred options for reform were implemented there would be an additional cost which card providers may impose. These additional charges were indicated as follows:
Scenario 1
- £2.50 charge per month on unused cards
- Free reward schemes and cash-back disappear

Scenario 2
- £5 charge per month on unused cards
- Free reward schemes and cash-back disappear
- Fees introduced for some services

Scenario 1 would apply when respondents chose 2 or more policy options which incurred additional costs, and scenario 2 would apply when respondents chose 3 or more policy options which incurred additional cost. (See Appendices for Stimulus Materials – Trade-off exercise for policy options which incurred additional costs)

11.2.1 Views on additional charges
The introduction of additional charges for credit cards that were dormant for a month was strongly disliked and resisted across all the discussion groups. While most understood that the card providers were a commercial business and had to make money they felt that a charge was unacceptable. There was a strong feeling that credit cards were in general free to consumers and that they should remain free.

Respondents who regularly had a revolving balance on their credit card tended to be most negative. They were concerned that the additional charges would simply add to their debts. They were particularly concerned that as balance transfers were increasingly difficult to obtain, the introduction of charges was particularly unfair when the card user could not pay off the debt and close the account, nor were they able to transfer their balance to another account.

A relatively small number of participants, mainly from the pay back in full groups, felt that the credit card was a service and that the small cost of £2.50 would be acceptable – so long as they felt they were still receiving value from the card, through services like card protection or insurance. As the charge would only apply to cards that were dormant for a month, these respondents said that they would manage their account to avoid the charges, i.e. by ensuring that there was at least one small transaction on the card every month.
11.2.2 Loss of Reward Schemes
Views about the loss of reward schemes were more varied across different individuals. Clearly for those that valued reward schemes, their removal was seen as a major loss, and some felt that they would use their credit card less, or stop it. For the remainder, losing the rewards schemes was not considered to be a significant concern.

11.3 Factors influencing views
Respondents’ attitudes to the trade-offs appeared to be dependent on two factors: how respondents conceptualised credit and secondly whether respondents’ attitudes to the cost trade-off was influenced by their own self-interest or whether they were influenced by a more altruistic concern to protect vulnerable consumers.

Respondents whose conception of credit was about “playing the system”, in order to gain rewards and cash-back, would not consider paying for a credit card. These respondents recognised that credit providers were gaining from their transactions through transaction fees charged to the merchant. Therefore, whilst the respondent was receiving a free service, respondents recognised that their custom was still of commercial value to the provider. Therefore respondents did not think that paying a fee to operate the card was justified.

However, respondents who considered their credit card to be a useful service thought that a charge of £2.50 per month may be acceptable, particularly as this charge could be avoided and therefore would only be applied occasionally, when the card user forgot to use their card. However, even with respondents who expressed this view, they said that they would avoid additional charges where possible, and periodically review whether their card was necessary.

“Yes, if we were going to be selfish in this group, we don’t really care about the most expensive debt because we are paying it off every month, but we are doing that as a moral thing for society” (Male, Cardiff, Pay back in full)

In contrast, respondents who expressed more self-interested attitudes thought that responsible card users should not be liable for the irresponsible practices of others, both of high risk borrowers and credit providers. Similarly, these respondents were
also aware that credit providers earn fees from merchants when consumers use their card. Therefore, respondents who perceived themselves to be ‘good customers’ thought that credit providers would not apply charges to their account as the credit provider would want to keep their account.

“What they’re losing is also say ... doing a month’s transaction I would use it 25, 30 times, the shop pays for the transaction” (Female, Leicester, Occasional Borrower)

11.4 Protection from the market
There was considerable scepticism about whether credit card providers would actually introduce the additional costs discussed in the trade-off exercise. Some respondents expressed the view that they would be protected from charges by competition in the market. Respondents thought that the additional charges would not be adopted by all banks and they would have the option to transfer their balance to an alternative provider who offered no charges and/or rewards.

11.5 Cost Trade-offs – prioritisation
Respondents were asked to choose their preferred combination of policy options. There was considerable consistency across groups in the combination of policy options chosen.

- Reverse the allocation of payments
- Prohibit re-pricing of existing debt
- Ban all unsolicited credit limit increases
- Include a different warning on statement

Although this combination incurred the highest additional costs, respondents who usually paid their debt off in full every month chose not to change their selection because they thought that this combination would be most beneficial to all card holders. As these respondents usually repaid their debt in full and therefore would not benefit from the changes they said that they chose the combination for ‘the greater good’.
I think the solutions we have picked benefit everybody as opposed to just benefiting us as individuals because we pay ours off every month (Male, Edinburgh, Pay back in full)

However, respondents who chose a combination of policy options that incurred high additional costs thought that they may be able to avoid the charges, either by ensuring they used their cards every month or switching to a provider who did not apply the charges. Many respondents in this group also said that they would cancel their card if they were unable to avoid charges.

In contrast, respondents who usually had a revolving debt on their card were concerned that consumers with high levels of debt would not be able to close their accounts or switch providers if additional charges were applied. Therefore these respondents chose to change their combination of policy options in order to avoid additional charges. Respondents thought that it was important to prevent card providers from increasing costs for card holders who were unable to close their accounts. Therefore prohibiting re-pricing of existing debt was prioritised over other policy options.

“I wouldn’t have to worry about what’s already on my card. The rest of them would be more information, like expensive debts paid off, because I only ever used it to pay on my card” (Female, Cardiff, Regular borrower – store card)
12. Transparency

This section begins by presenting the findings from the quantitative survey on consumers’ contacts with card providers: the incidence and nature of complaints and the experience of respondents when contacting providers with regard to switching credit cards, and over re-pricing debt and unsolicited credit limit increases. The remainder of the section discusses the qualitative research looking at views about information from credit and store card providers, and how these could be improved.

12.1 Key findings

- In the survey, respondents were asked whether or not they had made a complaint to a credit or store card issuer in the last 12 months. Only 7% of respondents said they had made such a complaint. The most common complaints were regarding a fee or a charge (17%), fraud (12%), repayment not received or processed on time (12%) and mistakes on their bills (10%).

- Of respondents who said that the interest rate on any of their cards had changed in the last year and requested an explanation, over half felt the change was adequately explained (58%) whereas two-fifths (37%) felt it was not.

- Just over one-in-twenty (7%) respondents said that they had contacted a card issuer to switch provider, of these the vast majority (92%) found the process of switching provider extremely, very or fairly easy.

- Of those that experienced an unsolicited credit limit change in the last 12 months, 10% contacted their lender to request that their limit remain unchanged. Over four-fifths (83%) of these people found it extremely, very or fairly easy to contact their lender regarding this issue.

- In the qualitative research respondents discussed how they believed that the initial terms they agreed to when applying for the card would have been reasonable and that in general they trusted the provider – as a result they believed that it was in general unnecessary to review these terms on active cards.
• When they learned information about some aspects of the way their card operated (for example re-pricing or allocation of payments), some respondents felt that important details about the costs of their credit or store cards were being hidden. This tended to provoke strong reactions as they interpreted this as a breach of their trust in the fairness of the provider.

• Respondents complained that they regularly received booklets setting out new terms and conditions. Although they were informed that their terms and conditions had changed they were given no indication of what the changes were, or the effect this had on their card use. As a consequence respondents would ignore this information as they felt it was too difficult to decipher what the implications of the changes were.

• Respondents discussed a variety of ways to improve the information provided to them which included: reducing the overall amount of information they were sent, highlighting important information, making information easier to understand, targeting specific information that reflected the way the card was being used, and the use of alternative formats, particularly online to communicate important messages.

12.2 Complaints to issuers

12.2.1 Have respondents complained?
In the survey, respondents were asked whether or not they had made a complaint to a credit or store card issuer in the last 12 months. Only 7% of respondents said they had made such a complaint. This figure did not vary considerably by payment behaviour although there is some indication that those in financial difficulty and regular cash withdrawers were less likely to complain (4% of each, although this is not a significant difference).

12.2.2 What were the complaints about?
Respondents that had made a complaint in the last year were then asked what this complaint was about. Respondents had complained about a wide range of things although the most common complaints were regarding a fee or a charge (17%), fraud (12%), repayment not received or processed on time (12%) and mistakes on their bills (10%). However, around a quarter said that they had complained about
something which the codes did not cover, these answers ranged from comments such as “Bill/ statement not received in post” to “Order for tickets had not come”.

**Figure 63**

<table>
<thead>
<tr>
<th>What the complaints were about</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A fee or charge</td>
<td>17%</td>
</tr>
<tr>
<td>Fraud</td>
<td>12%</td>
</tr>
<tr>
<td>Repayment not received or processed on time</td>
<td>12%</td>
</tr>
<tr>
<td>Mistake on my bill</td>
<td>10%</td>
</tr>
<tr>
<td>Customer service</td>
<td>8%</td>
</tr>
<tr>
<td>Increase in my credit limit without asking</td>
<td>7%</td>
</tr>
<tr>
<td>Increase in interest rate</td>
<td>5%</td>
</tr>
<tr>
<td>How long a payment took to clear</td>
<td>3%</td>
</tr>
<tr>
<td>Error on my credit record</td>
<td>3%</td>
</tr>
<tr>
<td>Chasing me for debt</td>
<td>2%</td>
</tr>
<tr>
<td>Sending me too much / inappropriate marketing material</td>
<td>2%</td>
</tr>
<tr>
<td>Decrease in my credit limit without asking</td>
<td>1%</td>
</tr>
<tr>
<td>General level of the interest rate</td>
<td>1%</td>
</tr>
<tr>
<td>Application for a card declined</td>
<td>1%</td>
</tr>
<tr>
<td>Lost card</td>
<td>1%</td>
</tr>
<tr>
<td>Providing a copy of my original Ts &amp; Cs</td>
<td>28%</td>
</tr>
<tr>
<td>Something else</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: 12. What did you complain to the issuer(s) about?  
Base: 12. All respondents that have made a complaint to a card issuer in the last 12 months (126)

12.3 Other contact with issuers

We also asked respondents about other contact they had with card issuers. Whilst these are more relevant to other sections of the report and are therefore covered in more depth there (see Sections 10.2 Re-pricing of existing debt, 5.3 Changing credit card provider and 9.5 Contacting lenders regarding unsolicited credit limit increases), re-examining these together helps to determine that the consumers that go to the effort of contacting lenders tend to be pleased with the experience. However, as the vast majority of respondents said they do not tend to switch issuers or contact them regarding credit limit changes this could imply that people have the preconception that the processes involved might be arduous. More detailed results can be found below.

12.3.1 Ease of switching provider

Just over one-in-twenty (7%) respondents said that they had switched provider in the last year, of these the vast majority (92%) found the process of switching provider extremely, very or fairly easy.
12.3.2 Re-pricing of debt: was it adequately explained and reasonable?

Respondents who said that the interest rate on any of their cards had changed in the last year were asked whether they felt the change was adequately explained. Excluding the fifth (22%) that said they did not request an explanation, over half felt the change was adequately explained (58%) whereas two-fifths (37%) felt it was not. All those that felt the change was adequately explained were then asked if they thought it was reasonable, three quarters found this to be the case.

Although those that received an interest rate decrease were more positive, even those whose rate increased were more likely to say it was adequately explained and reasonable than not.

These are the most negative results and imply that there is a small but significant proportion that have experienced re-pricing of debt and that were not happy with how transparent the whole process was.

12.3.3 Ease of contacting lender regarding unsolicited credit limit changes

Of those that experienced an unsolicited credit limit change in the last 12 months, 10% contacted their lender to request that their limit remain unchanged. Over four-fifths (83%) of these people found it extremely, very or fairly easy to contact their lender regarding this issue.

12.4 Views about information from credit and store card providers

In the qualitative research there was a perception amongst most respondents that much of the information which they received from credit and store card providers was difficult to understand. In addition, as card users received a lot of information, it was difficult to identify the relevant and important points. As a consequence respondents ignored most of the information they received about their credit or store card.

Respondents believed that the terms they agreed to when applying for the card would have been reasonable and that in general they trusted the provider – as a result they believed that it was in general unnecessary to review these terms on active cards. There was a perception that the policies which credit providers adopted were *fair* and it was likely that the terms and conditions were the same all across
providers. There was also a perception that well-known brands would not ‘rip you off’. Finally respondents thought that if they observed a selection of golden rules, the cost of using a credit or store card would be acceptable.

However, this research has shown that, as a consequence of their apathy towards information about active cards, respondents did not fully understand how their cards operated and were unaware of some of the potential costs. Specifically, most respondents were unaware of the allocation of payments, and many were unaware that interest rates could be increased (see Sections 7.3 and 10.5). When they learned this information during the group discussions, many respondents felt that important details about the costs of their credit or store cards were being hidden – either as a result of the information being complicated, convoluted or confusing or that it was deliberately made opaque by the card providers. This tended to provoke strong reactions as they interpreted the charges as a breach of their trust in the fairness of the provider.

“Is it legal that you pay £50.00 off your bill and they choose where they’re going to take it from? I don’t understand how it’s legal. It’s outrageous” (Female, London, Regular borrower – minimum payment)

12.5 Reviewing changes on active cards

Respondents were very unlikely to check any information about changes to their credit or store card once the card was active. There was a perception that ‘no-one checks the terms and conditions’ and this norm legitimised respondents’ choice to ignore this information once having opened the card. Many expressed fear about understanding the large amount of small print information they were sent.

It was considered more difficult to understand information which used legal parlance, convoluted sentences that were difficult to follow and which contained a lot of jargon. However respondents’ primary concern was that they received too much information and that it was difficult to identify the parts were important or relevant.

"Less information, I think they need to miss out some of the unnecessary stuff […] just send me the bits that I actually need and is relevant to me" (Male, Occasional Borrower, Leicester)
Respondents complained that they regularly received booklets setting out new terms and conditions. Although they were informed that their terms and conditions had changed they were given no indication of what the changes were, or the effect this had on their card use. As a consequence respondents would ignore this information as they felt it was too difficult to decipher what the implications of the changes were. There was a perception amongst card users that it was normal to ignore information which did not highlight the relevant points or clarify the implications for the card user.

**12.6 Improving transparency**

In order to improve transparency, respondents thought that it was important that information was concise and easy to apply to everyday decisions about card use. There were several ways in which they believed this could be achieved: reducing the volume of information by only highlighting important information, making information easier to understand and, providing information that is more relevant and applicable to everyday decisions about card use.

**Highlight important information:** There was a perception that information should be concise and that ‘important’ points should be highlighted. There was a perception that card users were likely to discard pages of correspondence sent with a credit card statement. Therefore, respondents thought that information should be presented as bullet points and summarised to fit on to one sheet of paper. Alternatively respondents thought that that a small amount of information should be presented on the statement itself.

"I think a bullet point it’s easier to sort of see it rather than a whole paragraph, because a paragraph makes it really boring to read all things" (Male, Leicester, Regular Borrower)

**Make information easier to understand:** Respondents thought that information should be presented in plain English, using short sentences, rather than using jargon which most people would not understand.

**Targeted information:** While there was a perception that card users received a lot of irrelevant information, those who checked their terms and conditions between Wave 1 and Wave 2 often discovered features or conditions which they considered were
highly relevant to the way they used their cards. Respondents suggested that it would be beneficial to target the relevant information to individual card users and this should reflect the way the card was used. For example, relevant warnings should appear on the statements of consumers who regularly made minimum payments, or withdraw cash.

Respondents discussed whether providers might make more use of simpler communications that indicated the “golden rules” of managing their cards.

There was also a perception that messages which showed the benefits of one choice over another were more effective. For example, respondents thought that it would be effective to inform consumers who regularly make minimum payments that increasing a monthly repayment from the minimum amount to a specified, higher amount, for example £70, would reduce both the amount paid off and the length of time it would take to repay the debt.

Respondents felt it may be possible, therefore, to target simple messages to card users who habitually use their credit or store card in ways which increase the cost of servicing the card. However the information would need to identify a clear course of action and present the benefits of that choice.

12.7 Alternative Formats

Participants who preferred to receive paper statements thought that paper statements were easier to read and they indicated that they were likely to spend more time reviewing paper statements than they would checking an e-statement.

However respondents who were accustomed to using online banking thought that e-statements were more convenient and it was easier to manage an account using e-statements as it was possible to regularly check the balance and make payments.

"You can log on whenever you want to, at any time, wherever you are in the world and find out what's happening....it's peace of mind to know that you can check and you could report it 24/7“ (Male, Cardiff, Pay back in full)

For consumers who were enthusiastic about using online formats, any improvements to online facilities were considered beneficial.
Alternative formats which enabled consumers to absorb information more easily were considered beneficial. As respondents thought that many consumers found it difficult to absorb lengthy text, using video formats to summarise the key information, was considered helpful. However, there was a perception that consumers are apathetic about information relating to their store or credit cards. Respondents thought that it was very unlikely that consumers would watch a DVD as this required some effort. Online video sent by email or embedded in online statements may be more likely to be viewed as it required minimal effort. Alternatively, when applying for a credit card online, respondents suggested that the terms and conditions should be explained in a short video which the applicant would be compelled to watch rather than ticking a box to confirm that the terms and conditions had been read.

It was considered important that consumers were provided with sufficient information to understand the potential costs of operating their card. However, respondents believed that increasing the volume of information would be ineffective as more information was likely to be ignored. Therefore, respondents indicated that it may be necessary to refine the ways in which information was delivered to consumers. Importantly respondents thought that the provision of information should be streamlined to ensure that individual card users received less information, but that the information they did receive was relevant to everyday card use.
13. Alternative sources of credit

This section begins by presenting the findings from the quantitative survey on preferred payment methods for a major purchase. The results are presented for different types of borrowers. In the second half of the section, the findings from the qualitative research are presented.

13.1 Key findings

- Respondents in the survey were asked to imagine that they had to make a major purchase or pay a large bill for approximately £500, but couldn’t pay for it in cash or from their savings. Respondents were most likely to say that they would use a store or a credit card (30%). The next most popular options were doing without (18%) and drawing money out of savings they hadn’t planned to use (16%).

- Those that are in financial difficulties were far less likely than others to say they would use a credit or store card (only 3% selected this option); instead they were more likely to say they would borrow from family (30%), earn extra money (29%), cut back spending (24%) and withdraw cash from a credit card (19%). Those who regularly withdraw cash on a credit card were also more likely than most other groups to say they would take cash out (16%). In contrast, those who had experienced an unsolicited increase in credit in the last year were most likely to say they would use a credit or store card (38%) than those that pay back in full, regular cash withdrawers and those in financial difficulty.

- In the qualitative research, when respondents considered alternative forms of borrowing the principle factors which shaped respondents views were the relative cost of borrowing against the flexibility of the loan.

- There was a perception that individuals’ personal ability to manage debt responsibly affected how suitable different forms of borrowing were for different consumers. For respondents who were more self-controlled, the flexibility of credit card borrowing was the principle benefit over alternative
forms of credit. However this required the card user to borrow responsibly and to maintain a repayment plan. For consumers who were less self-controlled, alternative forms of borrowing were considered to be more suitable as the repayment structure is controlled by the provider rather than the borrower.

13.2 Preferred payment method for a major purchase

Respondents were asked to imagine that they had to make a major purchase or pay a large bill for approximately £500, but couldn’t pay for it in cash or from their savings. The respondents were then presented with a list of sixteen options and had to say what they would do.

Respondents were most likely to say that they would use a store or a credit card (30%). The next most popular options were doing without (18%) and drawing money out of savings they hadn’t planned to use (16%). The full results given to this question can be seen in the chart below.

Perhaps unsurprisingly, there were differences found between the payment behaviours. Those that are in financial difficulties were far less likely than others to say they would use a credit or store card (only 3% selected this option); instead they...
were more likely to say they would borrow from family (30%), earn extra money (29%), cut back spending (24%) and withdraw cash from a credit card (19%). Those who regularly withdraw cash on a credit card were also more likely than most other groups to say they would take cash out (16%). In contrast, those who have had an unsolicited increase in credit in the last year were most likely to say they would use a credit or store card (38%) than those that pay back in full, regular cash withdrawers and those in financial difficulty. The table below illustrates these differences.

Figure 65 - All respondents (1908)\(^7\)

<table>
<thead>
<tr>
<th></th>
<th>Pay back in full</th>
<th>Minimum payment</th>
<th>Regular cash withdrawals</th>
<th>Unsolicited credit increase</th>
<th>Repriced existing debt</th>
<th>In financial difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use credit or store card</td>
<td>29</td>
<td>34</td>
<td>21</td>
<td>38</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td>I would do without</td>
<td>20</td>
<td>10</td>
<td>15</td>
<td>15</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Draw money out of savings</td>
<td>17</td>
<td>10</td>
<td>13</td>
<td>19</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Cut back spending</td>
<td>12</td>
<td>17</td>
<td>6</td>
<td>13</td>
<td>14</td>
<td>24</td>
</tr>
<tr>
<td>Authorised overdraft</td>
<td>12</td>
<td>11</td>
<td>12</td>
<td>11</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Borrow from family</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>11</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>Earn extra money</td>
<td>6</td>
<td>13</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>29</td>
</tr>
<tr>
<td>Take cash out on a credit card</td>
<td>6</td>
<td>9</td>
<td>16</td>
<td>7</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Unsecured loan</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Unauthorised overdraft</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

### 13.3 Alternative sources of credit

When respondents considered alternative forms of borrowing the principle factors which shaped respondents views were the relative cost of borrowing against the flexibility of the loan. However, the way that respondents conceptualised alternative forms of borrowing also affected their views.

For long-term borrowing, **personal loans** were considered preferable as the APR would be lower than for long-term credit card debt. However, personal loans were not considered to be as flexible as credit card borrowing. Unlike a credit card, the level of repayment and the length of borrowing was fixed. Therefore, there was a perception that personal loans were more ‘serious’.

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\(^7\) In each row, pink values are significantly higher than blue values
“It’s more of a fixed debt isn’t it, loans, like that’s it, that’s what you owe but credit cards you can move the goalposts, you can either use it or not use it.” (Male, Leicester, Pay back in full)

Respondents who usually repaid their debt in full thought that overdrafts were an expensive form of borrowing. Some of these respondents also had the perception that overdrafts were ‘depressing’ as the overdraft was deducted from money paid into their current account - making the link between the debt and ‘their money’ more apparent.

“Like your wages go in and […] you’ve paid off your overdraft but it feels then that you’ve got less then for the month” (Female, Cardiff, Regular Borrowers)

However respondents who regularly allowed debt to revolve on the credit card thought that overdrafts were more affordable because the cost of borrowing on an overdraft was low in comparison to credit card repayments.

“I go up to my limit every month, my limit’s about £1,000, and like I say I go up to that limit every month and my charges are, I don’t know, they’re about £3 a month or something like that, so I think that’s alright.” (Female, Leicester, Regular Borrower)

Loans from friends and family were considered to be ‘obviously’ preferable to other forms of borrowing because the cost of the debt was low and there was no risk to the borrower if repayments were missed. However, respondents said that they felt guilty when borrowing from friends or relatives. Consequently respondents suggested that they were under greater pressure to repay the debt by the agreed deadline and therefore respondents would only consider borrowing from friends and family in an emergency.

“There’s no interest, but then again you feel guilty if they’re…if they’re needing it and you’ve not got it to give them back.” (Female, Edinburgh, Regular borrower – cash)

Whilst more rigid forms of borrowing, such as hire purchase and cash loans were recognised to be more expensive than some alternatives, they were perceived to be convenient and generally easier to manage because the repayment structure was set
by the provider and the final repayment amount was fixed. Additionally respondents thought that long-term, revolving debt on a credit card could be as expensive as cash loans, particularly if the card user misses payments due to changing financial circumstances.

“You can get a Provident loan as well, even though you do pay quite a bit back extra on top of what you get, but [...] they are always up front about how much you are going to pay, and the man comes to your door to collect the money [...] you don’t have to keep going out and chasing it up yourself, they come round and show you.” (Female, London, Regular Borrower – minimum payments)

There was a perception that loans provided by a credit union were beneficial for consumers on a lower income because borrowers were required to make smaller payments more frequently and it was necessary to have savings in the scheme.

“You’re also putting something to your savings, and it’s good because [...] it comes off your wage [...] and we’re not missing that because we’ve been used to paying it [...] so you could just save every year because you get a reward back for your interest as well. But you’ve always got that buffer. You’ve still got your savings but you’ve got your loan” (Female, Edinburgh, Regular borrower - Cash)

13.4 Suitability of Alternative forms of borrowing

There was a perception that individuals’ personal ability to manage debt responsibly affected how suitable different forms of borrowing were for different consumers. For respondents who were more self-controlled, the flexibility of credit card borrowing was the principle benefit over alternative forms of credit. However this required the card user to borrow responsibly and to maintain a repayment plan. For consumers who were less self-controlled, alternative forms of borrowing were considered to be more suitable as the repayment structure is controlled by the provider rather than the borrower.

Secondly, there was a perception that it may be more difficult for consumers to manage their credit card debt as it may be perceived as ‘unreal’. As credit card debt was more fluid, in that the balance could increase and decrease and there was no
fixed end date, respondents who allowed debt to revolve on their account considered that credit card debt could feel unreal because there was no defined time limit in which the debt had to be repaid.

“They’re [Credit cards] not really real because there’s no time limit” (Male, Leicester, Regular Borrower)

Consequently, consumers may be more likely to conceptualise debt as ‘real money’ where repayment of the debt is more structured, i.e. the monthly repayment amount, the duration of the loan and the total repayment amount is set in advance by the provider.
14. Conclusions and Recommendations

This section sets out the conclusions and recommendations of the TNS-BMRB research team.

14.1 Key points:

- Card users’ attitudes to spending and re-payment were influenced not only by rational cost-benefit considerations but also by a range of other environmental, social and personal factors. In developing approaches to tackling unsustainable debt, it is clear that government will need to consider a wide range of measures that tackle some of the deeply held beliefs that consumers have about credit.

- The qualitative research highlighted that consumers do consider there is a need for reform of current practices in all of the four areas covered in the consultation. There was strong consensus across the different payment type groups on their preferences for the discussed options – much of it triggered by a concern for vulnerable groups. However there was also strong resistance to the introduction of a charge by card providers to cover the costs of changes made as a result of the reforms.

- Participants expected card providers to do more to ensure that their customers understand the messages that are communicated to them and the potential impact on their accounts – and to some extent to be able to demonstrate that customers have understood.

14.2 Verifying the findings

It is always prudent to question whether the self-reported information collected as part of the survey is accurate. In surveys of this kind it is possible that respondents may not have fully or accurately disclosed their financial situation to the interviewer, and indeed it is likely that the results may under-report the extent of individuals’ financial difficulties.

Recommendation: It will be important to attempt to verify the current findings with information from card providers.
14.3 Understanding the impact of the reforms on the target group
Even allowing for some degree of positive bias in respondents’ self-reported accounts, the findings from the survey indicate the majority of active credit and store card users may not consider themselves to be directly affected by the four consultation issues:

- 20% reported an unsolicited credit limit increase on their main card.
- 18% said that the interest rate on any of their cards had changed in the last 12 months
- 8% make the minimum payment every month on at least one of their cards
- 5% used a credit card to withdraw cash at least once every couple of months

However, it is likely that the impact of the proposed reforms would be more likely to affect them – particularly where this resulted in the introduction of a charge. The design of the current study did not test the views of a representative sample of active card users to the proposed reforms.

Recommendation: We would recommend that further research would be beneficial to identify the perceived impact of the reforms on the wider target population of active card users.

14.4 Card provider communications
It is clear that there are concerns about the communications card users receive from providers. The general view was that there were too many communications and that they were difficult to understand, partly because of the legalistic language and partly because of consumers’ concerns about understanding the numbers.

As a result participants in all the groups considered that reforms that focused on further attempts to communicate the way their cards worked were very likely to be ignored.

Participants in the groups seemed to respond more positively to other approaches to communicate important messages. This was clearest in the area of minimum payments where communicating, directly on the statement, the length of time it would
take to clear a debt if only the minimum balance was paid, was thought likely to be successful for some respondents.

In practice, consumers appear to rely on using a set of simple golden rules to direct them – and possibly there is potential for communications to focus on this approach.

Online consumers were also interested in how this medium might be more effectively used to communicate messages.

There was a sense in the discussion groups that participants expected the card providers to do more to ensure that their customers understand the messages that are communicated to them and the potential impact on their accounts – and to some extent to be able to demonstrate that customers have understood.

**Recommendation:** We would recommend that further consideration be given to how card providers can develop more effective communication approaches and to demonstrating that their customers have understood their communications.

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### 14.5 Social responsibility

There was clear evidence from the group discussions that while consumers expected card providers to operate commercially, they also considered that they had a social responsibility to more vulnerable groups, which included young people, those less experienced in dealing with credit, and individuals who seemed to be easily tempted to spend beyond their means.

There was certainly a strong sense of concern that some of the practices covered in the consultation appeared to target these more vulnerable groups. Strongly linked to this was a general concern that access to credit was too easy. In general participants considered that access to credit should be related to individuals’ ability to repay their debts. Limiting access to credit, particularly for the more vulnerable, was widely endorsed.

The extent to which this sense of social responsibility extended to other card users was discussed and it was clear that when there were no costs attached to protecting the vulnerable groups, almost everyone considered it was the right thing to do. Only
when the idea that the costs of providers changing their practices would be passed on to customers was introduced, did participants become more divided over concerns for others and self-interest.

Most respondents strongly supported the view that within the UK credit cards should be available without a fee, and most participants were very unwilling to see any charges introduced to pay for reforms.

Although the current research identified that some active card users are willing to pay a charge for reforms, further work would be required to understand whether other active card users could also be persuaded to pay a charge.

**Recommendation:** We would recommend that further consideration be given to exploring the overall target group’s willingness to pay for socially responsible banking.

### 14.6 Influences on purchase and repayment behaviour

Card users’ attitudes to credit and store cards were complex and multi-dimensional: their attitudes and behaviour towards spending and re-payment were influenced not only by rational cost-benefit considerations but also by a range of other environmental, social and personal factors. In developing approaches to tackling high levels of unsustainable debts, it is clear that government will need to consider a raft of measures that tackle some of the deeply held beliefs that consumers have about credit.

### 14.7 Views on the options for reform

The qualitative research highlighted that consumers do consider there is a need for reform of current practices in the all of the four areas covered in the consultation. There was strong consensus across the different payment type groups on their preferences for the discussed options – much of it triggered by a concern for vulnerable groups. However there was also strong resistance to the introduction of a charge by card providers to cover the costs of changes made as a result of the reforms. Further, there was a fair degree of scepticism about the need to impose a charge, with many consumers believing that competition in the market would make a charge unlikely.
15. Appendix 1 - Methodology

The research reported in this document consists of:

- a quantitative survey of 1908 active card users (defined as those who have either a credit or store card and have used one or other in the last month) conducted on the TNS omnibus
- qualitative deliberative research using 8 reconvened groups with respondents who used a variety of different payment approaches (these included “pay back in full”; “occasional borrowers”, and “regular borrowers”.

In this section we provide details of the methodology for both elements of the research.

15.1 The omnibus approach

The target population for this survey was adults (aged 18 and over) who had made a payment or a purchase on at least one credit or store card in the last month. As we would have needed to screen extensively to locate respondents who were eligible for the survey, it was decided that using an omnibus approach would be most appropriate. The TNS CAPI (computer assisted personal interviewing) face-to-face Omnibus was used.

The aim was to achieve interviews with around 1,800 regular store card or credit card users. Prior to the start of fieldwork it was estimated that the penetration rate would be about 45% and that the required number of interviews would therefore be achieved in two Waves of the omnibus.

15.1.1 Sampling

Full details on the sampling used by TNS omnibus can be found in Appendix 2.

15.1.2 Sample frame

The TNS Omnibus is carried out using a quota sample, with sample points selected by a random location methodology. 2001 Census small area statistics and the Postcode Address File (PAF) were used to define sample points.
15.1.3 Selection of sampling points
Sample points were selected for use by the Omnibus, after stratification by GOR and Social Grade. Sample points were checked to ensure that they were representative by an urban and rural classification.

15.1.4 Selection of clusters within sampling points
Wards were selected and Census Output Areas selected within those wards. Then, blocks containing an average of 150 addresses were sampled from PAF in the selected Output Areas, and were issued to interviewers.

15.1.5 Interviewing and quota controls
Assignments were conducted over two days of fieldwork and were carried out on weekdays from 2pm-8pm and at the weekend. Quotas were set by gender (male, female housewife, female non-housewife, where a ‘housewife’ is the person (male or female) responsible for carrying out more than half of the weekly shopping); within female housewife, presence of children and working status, and within men, working status, to ensure a balanced sample of adults within contacted addresses. Interviewers were instructed to leave 3 doors between each successful interview.

15.1.6 Achieved sample
In the end, five waves of omnibus were used to obtain the final sample of 1,908 regular credit and/ or store card users. There were two reasons why this took more than the two waves estimated.

15.1.7 Penetration rate
The penetration rate was lower than anticipated, only around 33% of those aged over 18 qualified to take part in the survey and this meant that the first two waves of omnibus yielded around 1,260 interviews. Consequently, it was decided that a third wave was required in order to achieve a final sample of the required size.

15.1.8 Routing error
In waves one and two of the fieldwork, there was a routing error in the CAPI script which affected respondents that had:

- One credit card and one or more store cards
- One store card and one or more credit cards
Appendix 1 - Methodology

It was decided to do another two waves of fieldwork where we screened specifically for these respondents in order to replace them in the final data, thereby ensuring that the final results were full and complete.

15.1.9 Statistical significance

In our reporting of the results we have tested for statistical significance to ensure that the differences highlighted are real differences and not differences that might be observed because we have only surveyed a sample, rather than the whole population. For the purposes of this report, we have commented on any differences that are found to be significant at the 95% confidence level (i.e. there is only a 5% likelihood that the difference could have occurred by chance). Where no reference is made to differences, this is because they are not statistically significant. This is particularly relevant when comparing small sub-groups within the sample, where a much bigger difference would need to be observed. The level of confidence that we can place in the data varies according to the sample size and to where in the range of 0% to 100% the measured figure is, i.e. the percentage of respondents who answer a question (the survey statistic). The following table shows the confidence intervals at the 95% confidence level for the whole sample (1,908), in addition to smaller sample sizes (including the main sub-groups used to analyse results in this report). The confidence intervals for each of the sample sizes have been provided based on differing survey statistics, for which the worst case scenario will be on a survey statistic of 50%. All calculations assume a random sample and do not include a design effect.

<table>
<thead>
<tr>
<th>Sample size</th>
<th>Survey statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%/ 90%</td>
</tr>
<tr>
<td>2000</td>
<td>±1.3</td>
</tr>
<tr>
<td>1908 – full sample</td>
<td>±1.3</td>
</tr>
<tr>
<td>1429 – pay back in full</td>
<td>±1.6</td>
</tr>
<tr>
<td>1000</td>
<td>±1.9</td>
</tr>
<tr>
<td>750</td>
<td>±2.2</td>
</tr>
<tr>
<td>500</td>
<td>±2.6</td>
</tr>
<tr>
<td>364 – unsolicited credit limit increase</td>
<td>±3.1</td>
</tr>
<tr>
<td>338 – existing debt re-priced</td>
<td>±3.2</td>
</tr>
<tr>
<td>250</td>
<td>±3.7</td>
</tr>
<tr>
<td>165 – minimum payers</td>
<td>±4.6</td>
</tr>
<tr>
<td>98 – regular cash withdrawer</td>
<td>±6.0</td>
</tr>
<tr>
<td>57 – financial difficulty</td>
<td>±8.0</td>
</tr>
<tr>
<td>50</td>
<td>±8.5</td>
</tr>
</tbody>
</table>
15.2 Qualitative method

The qualitative element of the research employs a deliberative approach using reconvened discussion groups. Reconvened groups in general provide a much richer source of data as respondents are much more likely to engage with the topic. It gives them time to reflect on their views, and to discuss their views with other influential friends and family. This approach also allows the respondent to look more closely at different points of views, and clarify their own position on the topic.

The rationale for this approach was that participants were able to discuss their initial thoughts on the area and then, after time for reflection, consider trade-offs around different policy options. At the core of the research design was a three-stage process:

**Stage one** used a discussion group format to explore consumer’s current understandings and experiences of using store and credit cards, particularly their knowledge of key card features and how this mediates behaviour with regard to repayment and debt. This stage also introduced consumers to the various reform options proposed in the consultation.

**Stage two** used an ethnographic format. Specifically, participants were asked to keep diaries of their credit card usage over the Christmas period, reflect on the factors driving behaviour; and consider whether the reforms would help them to make better informed decision about their finances.

The diary element had a number of benefits: principally it provided real examples of behaviour against which to test the likely impact of the proposed alternatives contained in the consultation document. In addition it also provided the opportunity to explore expressed attitudes and actual behaviour and to test whether these were in accord.

**Stage three** reconvened the discussion groups with the same participants and invited them to reflect on their experiences, discuss the reforms in greater depth and consider potential trade-offs around the reforms through simple gaming techniques.
15.2.1 The sample

The sample design was discussed with BIS, and it was agreed that we would recruit the following groups:

- 2 discussion groups of consumers who always **pay off their balance in full** i.e. they clear their balance at the end of every month. This would include those who have missed one or two payments in the last two years but normally pay off in full.

- 2 groups who are **occasional borrowers** i.e. they tend to pay off their balance in full but during expensive periods (i.e. Christmas or when paying for a holiday) they may carry the balance over to the next month and pay off the balance over a few months.

- 4 groups of **regular borrowers** who tend to allow the balance to carry over and rarely or never clear their balance. There are 4 sub groups:
  - regular borrowers as described above
  - regular borrowers who generally pay off the **minimum payment**;
  - regular borrowers who regularly use the card to withdraw **cash**
  - regular borrowers - a group where at least 5 of the participants also had a **store card and were under 25 years old**

There were also some additional quotas, as follows:

- a minimum quota (at least 1) for parents whose children have left home or live with another parent.

- An equal mix of males and females

- At least 3 BME in London and Leicester, at least 1 BME in Edinburgh and Cardiff.

This is outlined at Figure 2:
15.2.2 Recruitment

Recruitment was conducted using TNS-BMRB’s in-house specialist qualitative recruitment unit who manage a national network of specially trained qualitative recruiters. Participants were identified through qualitative free-find techniques, with the following recruitment procedures:

- After providing details of the research, individuals were asked to undertake a short screening questionnaire to assess eligibility and ensure that the designated quotas were accurately filled. Only once this has been carried out the participant was invited to participate in the research.

- Following recruitment, a confirmation letter or pack was sent out to respondents, providing details of the group, such as the nature of the study, the voluntary nature of participation, the date/time/venue and the confidentiality principles. It would also include a named contact within the TNS-BMRB research team.
Appendix 1 - Methodology

- Attendees received a reminder phone call in the week leading up to the event.

Participants received an incentive of £40 for participation in Wave 1 and £45 for participation in Wave 2.

15.2.3 Discussion Guides
The discussion guides were developed in consultation with BIS and are presented in Appendix 3.

15.2.4 Fieldwork
A total of 8 reconvened discussion groups were conducted. Each discussion group was of 2 hours duration. Wave 1 was conducted on 15th, 16th and 17th December 2009 and Wave 2 was conducted on the 14th, 15th and 16th January 2010. Discussion groups took place in four locations: London, Leicester, Edinburgh and Cardiff. A total of 10 participants were recruited for each group. The discussion groups were moderated by four experienced moderators from TNS-BMRB.

15.2.5 Analysis

Our main analytical approach is known as matrix mapping. The analysis involved a systematic process of sifting, summarising and sorting the material according to key issues and themes. The process began with a familiarisation stage and included an initial review of the notes from the sessions. After the groups had been completed, the researchers in the project team met for an interim debrief meeting. Here, prompted by the transcripts, they would discuss, compare and contrast their experiences and findings. The second stage of analysis – turning individual accounts into a thematic story uses the outputs from the thematic matrices to identify features within the data: defining how people come to understand and use cards; and providing insight into the use of proposed interventions; exploring the relationships between different credit and store card behaviours and perceived costs and benefits involved in different trade offs. Throughout the analytical procedures care is taken to ensure that the extraction and interpretation of findings are grounded and based on the raw data rather than on researchers’ impressions. The analyst then reviews the summarised data; compares and contrasts the perceptions, accounts, or experiences; searches for patterns or connections within the data and seeks explanations internally within the data set. The key issues, and the features that
underpin them, were then used as the basis for constructing an oral presentation and the written report.
16. Appendix 2 - Quantitative research appendices

16.1 Further details on omnibus survey

16.1.1 Sample frame

The TNS Omnibus is carried out using a quota sample, with sample points selected by a random location methodology.

The sample points were selected from those determined by TNS’s own sampling system. 2001 Census small area statistics and the Postcode Address File (PAF) were used to define sample points. The sample points are areas of similar population sizes formed by the combination of electoral Wards, with the constraint that each sample point must be contained within a single Government Office Region (GOR). Geographic systems were used to minimise the travelling time that would be needed by an interviewer to cover each area.

TNS have defined 600 points south of the Caledonian Canal in Great Britain.

16.1.2 Selection of sampling points

278 TNS sample points were selected south of the Caledonian Canal for use by the Omnibus, after stratification by GOR and Social Grade. Sample points were checked to ensure that they are representative by an urban and rural classification. These points were divided into two replicates, and each set of points is used in alternative weeks of Omnibus fieldwork. Sequential waves of fieldwork are issued systematically across the sampling frame to provide maximum geographical dispersion.

16.1.3 Selection of clusters within sampling points

All the sample points in the sampling frame have been divided into two geographically distinct segments each containing, as far as possible, equal populations. The segments comprise aggregations of complete wards. For the Omnibus, alternate A and B halves are worked each wave of fieldwork. Each week different wards are selected in the required half and Census Output Areas selected within those wards. Then, blocks containing an average of 150 addresses are sampled from PAF in the selected Output Areas, and are issued to interviewers.
16.1.4 Interviewing and quota controls
Assignments are conducted over two days of fieldwork and are carried out on weekdays from 2pm-8pm and at the weekend. Quotas are set by sex (male, female housewife, female non-housewife, where a ‘housewife’ is the person (male or female) responsible for carrying out more than half of the weekly shopping); within female housewife, presence of children and working status, and within men, working status, to ensure a balanced sample of adults within contacted addresses. Interviewers are instructed to leave 3 doors between each successful interview.
16.2 Final questionnaire

<table>
<thead>
<tr>
<th>STANDARD OMNIBUS DEMOGRAPHICS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td><strong>Age</strong></td>
</tr>
<tr>
<td>18-24</td>
</tr>
<tr>
<td>25-34</td>
</tr>
<tr>
<td>35-44</td>
</tr>
<tr>
<td>45-54</td>
</tr>
<tr>
<td>55-64</td>
</tr>
<tr>
<td>65+</td>
</tr>
<tr>
<td><strong>Working Status</strong></td>
</tr>
<tr>
<td>Full time (30 hrs +)</td>
</tr>
<tr>
<td>Part time (8-29 hrs)</td>
</tr>
<tr>
<td>Part time (below 8 hours)</td>
</tr>
<tr>
<td>Retired</td>
</tr>
<tr>
<td>Still at school</td>
</tr>
<tr>
<td>In full time higher education</td>
</tr>
<tr>
<td>Looking for work</td>
</tr>
<tr>
<td>Not looking for work (not student/retired)</td>
</tr>
<tr>
<td><strong>Household Size &amp; composition:</strong></td>
</tr>
<tr>
<td>Total people in household up to 5+</td>
</tr>
<tr>
<td>Total adults in household up to 5+</td>
</tr>
<tr>
<td>Total children 0-15 in household</td>
</tr>
<tr>
<td>Child in household/No child in household</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
</tr>
<tr>
<td>Married/Living as married</td>
</tr>
<tr>
<td>Widowed/Divorced/Separated</td>
</tr>
<tr>
<td>Single</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
</tr>
<tr>
<td>Own outright</td>
</tr>
<tr>
<td>Rent from local authority</td>
</tr>
<tr>
<td>Buying on mortgage</td>
</tr>
<tr>
<td>Rent privately</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
</tr>
<tr>
<td>British</td>
</tr>
<tr>
<td>Irish</td>
</tr>
<tr>
<td>Any other white background</td>
</tr>
<tr>
<td>White &amp; Black Caribbean</td>
</tr>
<tr>
<td>White &amp; Black African</td>
</tr>
</tbody>
</table>
White & Asian
Any other mixed background
Indian
Pakistani
Bangladeshi
Any other Asian background
Caribbean
African
Any other Black background
Chinese
Any other

Region
Government Office Regions

A - SCREENER QUESTIONS

IF RESPONDENT IS AGED 16 OR 17 THEN SKIP TO END, ALL OTHERS SHOULD CONTINUE

SINGLE CODE
A1. Do you have any credit cards?
Please include any cards held jointly with your partner/spouse.
INTERVIEWER PLEASE NOTE THE FOLLOWING
THIS INCLUDES:
CARDS THAT ARE LOST, DESTROYED OR SUSPENDED AS LONG AS AN ACCOUNT STILL EXISTS WITH A CREDIT CARD COMPANY WITH AN AMOUNT OUTSTANDING

THIS EXCLUDES:
COMPANY OR BUSINESS CREDIT CARDS

INTERVIEWER: IF RESPONDENT SAYS YES ASK HOW MANY CARDS

Yes – one card
Yes – two cards
Yes – three cards
Yes – four cards
Yes – between five and ten credit cards
Yes – ten or more credit cards
No
Don’t know

SINGLE CODE
A2. Do you have any store cards?
By this we mean cards which can be used to purchase goods in a particular store or chain of stores on credit.
Please include cards held jointly with your partner/spouse.
INTERVIEWER PLEASE NOTE THE FOLLOWING
THIS INCLUDES:
Retail store cards or shop cards (e.g. Argos, B&Q, Dorothy Perkins, etc.)

THIS EXCLUDES:
Retailer loyalty cards
Branded store credit cards which can be used to purchase goods anywhere e.g. M&S credit card

INTERVIEWER: IF RESPONDENT SAYS YES ASK HOW MANY CARDS

Yes – one card
Yes – two cards
Yes – three cards
Yes – four cards
Yes – five or more store cards
No
Don’t know

IF ANSWERED “YES” TO A1 OR “YES” TO A2 CONTINUE, ELSE SKIP TO END

SINGLE CODE
A3. When was the last time you made a payment OR a purchase on your credit card(s) and/or store card(s)?
Last week
A few weeks ago
A month ago
A couple of months ago
Three or four months ago
Five or six months ago
Longer than six months ago
Don’t know

IF ANSWERED “LAST WEEK”, “A FEW WEEKS AGO” OR “A MONTH AGO” TO A3 CONTINUE, ELSE SKIP TO END

B - CREDIT/STORE CARD USE

IF “NO” OR “DON’T KNOW” AT A1 SKIP B0A AND WRITE IN “NONE” OR “DK” AT THIS QUESTION
IF ANSWERED “YES -ONE CARD” AT A1 AND “NO” OR “DON’T KNOW” AT A2 AND “LAST WEEK” OR “A FEW WEEKS AGO” OR “A MONTH AGO” AT A3 SKIP B0A AND WRITE IN “ONE” AT THIS QUESTION
SINGLE CODE
B0a. You said that you have <<INSERT NUMBER FROM A1>> credit cards.
How many of these credit cards have you made a payment OR a purchase on in the last six months?
One
Two (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST TWO CARDS FROM A1)
Three or more (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST THREE CARDS FROM A1)
None
DK SCRIPT AS BUTTON

IF “NO” OR “DON’T KNOW” AT A2 SKIP B0B AND WRITE IN “NONE” OR “DK” AT THIS QUESTION
IF ANSWERED “YES -ONE CARD” AT A2 AND “NO” OR “DON’T KNOW” AT A1 AND “LAST WEEK” OR “A FEW WEEKS AGO” OR “A MONTH AGO” AT A3 SKIP B0B AND WRITE IN “ONE” AT THIS QUESTION
SINGLE CODE
B0b. You said that you have <<INSERT NUMBER FROM A2>> store cards.
How many of these store cards have you made a payment OR a purchase on in the last six months?
One
Two (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST TWO CARDS FROM A2)
Three or more (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST THREE CARDS FROM A2)
None
DK SCRIPT AS BUTTON

IF ANSWERED NONE OR DK TO BOTH B0A AND B0B SKIP TO END

HIDDEN QUESTION CALCULATED FROM B0A AND B0B
B1. Number of active cards?
One card – IF “ONE” ANSWERED TO B0A AND B0B AND OTHER ANSWER GIVEN IS “NONE” OR “DK”
More than one card – IF “ONE” IS ANSWERED TO BOTH B0A AND B0B OR IF “TWO “OR “THREE OR MORE” ANSWERED TO B0A AND/OR B0B

SINGLE CODE
B1a. You said that you have <<INSERT NUMBER FROM B0A>> active credit cards and <<INSERT NUMBER FROM B0B>> active store cards.
Do you pay off the outstanding balance on all your credit and store card(s) every month?
IF NECESSARY ADD:
By active I mean a credit card or store card which you have made a payment or purchase on in the last 6 months.
Yes
No
Appendix 2 - Quantitative research appendices

DK SCRIPT AS BUTTON
IF ANSWERED “YES” A B1A RESPONDENT SHOULD SKIP TO B6

IF “ONE” ANSWERED AT B0A AND “DK” OR “NONE” AT B0B SKIP B1B
AND WRITE IN “01: ONE” INTO THE DATA AT B1B
IF “ONE” ANSWERED AT B0A AND “DK” OR “NO” AT A2 SKIP B1B AND
WRITE IN “01: ONE” INTO THE DATA AT B1B
ASK B1B IF ANSWERED “ONE” “TWO” OR “THREE OR MORE” AT B0A

B1b. For how many of your active credit cards do you not pay off the
outstanding balance in full each month?
One
Two (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST TWO CARDS
FROM B0A)
Three or more (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST
THREE CARDS FROM B0A)
None

DK SCRIPT AS BUTTON

IF “ONE” ANSWERED AT B0B AND “DK” OR “NONE” AT B0A SKIP B1C
AND WRITE IN “01: ONE” INTO THE DATA AT B1C
IF “ONE” ANSWERED AT B0B AND “DK” OR “NO” AT A1 SKIP B1C AND
WRITE IN “01: ONE” INTO THE DATA AT B1C
ASK B1C IF ANSWERED “ONE” “TWO” OR “THREE OR MORE” AT B0B

B1c. For how many of your active store cards do you not pay off the
outstanding balance in full each month?
One
Two (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST TWO CARDS
FROM B0B)
Three or more (ONLY SHOW CODE IF RESPONDENT HAS AT LEAST
THREE CARDS FROM B0B)
None

DK SCRIPT AS BUTTON

START OF LOOP
LOOP A = ASK THIS LOOP IF RESPONDENT ANSWERED “ONE”, “TWO”
OR “THREE OR MORE” AT B1B

LOOP B = ASK THIS LOOP IF RESPONDENT ANSWERED “TWO” OR
“THREE OR MORE” AT B1B

LOOP C = ASK THIS LOOP IF RESPONDENT ANSWERED “ONE”, “TWO”
OR “THREE OR MORE” AT B1C

LOOP D = ASK THIS LOOP IF RESPONDENT ANSWERED “TWO” OR
“THREE OR MORE” AT B1C OR “THREE OR MORE” AT B1B
TEXT TO SHOW BEFORE LOOP A
Now, I am going to ask you a few questions about your main active credit card for which you do not pay off the outstanding balance in full every month.
IF NECESSARY ADD:
By active I mean a credit card which you have made a payment or purchase on in the last 6 months
By main I mean that this should be the credit card that you use most frequently.

TEXT TO SHOW BEFORE LOOP B
Now, I am going to ask you a few questions about your second main active credit card for which you do not pay off the outstanding balance in full every month.
IF NECESSARY ADD:
By active I mean a credit card which you have made a payment or purchase on in the last 6 months
By second main I mean that this should be the credit card that you use next most frequently after the one we have spoken about.

TEXT TO SHOW BEFORE LOOP C
Now, I am going to ask you a few questions about your main active store card for which you do not pay off the outstanding balance in full every month.
IF NECESSARY ADD:
By active I mean a store card which you have made a payment or purchase on in the last 6 months
By main I mean that this should be the store card that you use most frequently.

TEXT TO SHOW BEFORE LOOP D
Now, I am going to ask you a few questions about your remaining active store and credit cards for which you do not pay off the outstanding balance in full every month.
When answering these questions please talk about the cards generally and add together all of the remaining cards when giving your answers.

IF NECESSARY ADD:
By active I mean a store or credit card which you have made a payment or purchase on in the last 6 months

SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED
IF LOOP A = MAIN ACTIVE CREDIT CARD
IF LOOP B = SECOND MAIN ACTIVE CREDIT CARD
IF LOOP C = MAIN ACTIVE STORE CARD
IF LOOP D = REMAINING ACTIVE STORE/CREDIT CARD(S)
SINGLE CODE
SHOW SCREEN
B2a. Can you tell me, how much was the outstanding balance on your <<SUBSTITUTE TEXT>> on your last statement?
If you are not completely certain, please provide an estimate.
**Appendix 2 - Quantitative research appendices**

ENTER AMOUNT IN £s  
**NUMERIC OPEN MINIMUM = 0 AND MAXIMUM = 99,995**  
DK  **SCRIPT AS BUTTON**

**IF RESPONDENT ANSWERS “DK” AT B2A ASK B2B, ELSE SKIP**  
**SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED**  
**IF LOOP A = MAIN ACTIVE CREDIT CARD**  
**IF LOOP B = SECOND MAIN ACTIVE CREDIT CARD**  
**IF LOOP C = MAIN ACTIVE STORE CARD**  
**IF LOOP D = REMAINING ACTIVE STORE/CREDIT CARD(S)**  
**SINGLE CODE**  
**SHOW SCREEN**

B2b Looking at this screen, can you give me an estimate of the amount outstanding on your **<<SUBSTITUTE TEXT>>** on your last statement?  
Less than £250  
£250 to £499  
£500 to £749  
£750 to £999  
£1,000 to £1,999  
£2,000 to £2,999  
£3,000 to £3,999  
£4,000 to £4,999  
£5,000 to £9,999  
£10,000 or more  
DK  **SCRIPT AS BUTTON**

**SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED**  
**IF LOOP A = MAIN ACTIVE CREDIT CARD**  
**IF LOOP B = SECOND MAIN ACTIVE CREDIT CARD**  
**IF LOOP C = MAIN ACTIVE STORE CARD**  
**IF LOOP D = REMAINING ACTIVE STORE/CREDIT CARD(S)**  
**SINGLE CODE**  
**SHOW SCREEN**

B3a. Again, thinking about your **<<SUBSTITUTE TEXT>>**, can you please tell me how much of the debt on THIS CARD/THESE CARDS you repaid on your last statement?  
If you are not completely certain, please provide an estimate.  
ENTER AMOUNT IN £s  
**NUMERICAL OPEN MIN = 1 MAX = 99,995**  
DK  **SCRIPT AS BUTTON**

**IF ANSWERED “DK” AT B3A ASK B3B, ELSE SKIP**  
**SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED**  
**IF LOOP A = MAIN ACTIVE CREDIT CARD**  
**IF LOOP B = SECOND MAIN ACTIVE CREDIT CARD**
Appendix 2 - Quantitative research appendices

IF LOOP C = MAIN ACTIVE STORE CARD
IF LOOP D = REMAINING ACTIVE STORE/CREDIT CARD(S)
SINGLE CODE
SHOW SCREEN
B3b. Looking at this screen, can you give me an estimate of the amount you repaid on your last statement on your <<SUBSTITUTE TEXT>>?
Less than £25
£25 to £49
£50 to £74
£75 to £99
£100 to £199
£200 to £499
£500 to £999
£1,000 to £1,999
£2,000 or more
DK SCRIPT AS BUTTON

B3bb. Was this the minimum payment on the statement?
Yes
No
DK SCRIPT AS BUTTON

SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED
SINGLE CODE
B3bc. How frequently do you make the minimum payment on THIS/THESE cardS?
Never
Once a year
A couple of times a year
A few times a year
Once every three months
Once every couple of months
Every month
DK SCRIPT AS BUTTON

IF RESPONDENT ANSWERED “EVERY MONTH” AT B3BC SKIP TO B4
SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED
SINGLE CODE
B3c. How did the repayment you made on your last statement compare to the repayment you made on THIS/THESE cardS in the previous couple of statements?
Similar amount
More
Less
DK SCRIPT AS BUTTON
Appendix 2 - Quantitative research appendices

SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED
IF LOOP A, B OR C = this card
IF LOOP D = these cards
IF ANSWERED “MORE” OR “LESS” AT B3C CONTINUE, ELSE SKIP TO B4

SINGLE CODE
B3d. You said that the repayment you made on your last statement was [INSERT ANSWER FROM B3C] than the payment you made on <<SUBSTITUTE TEXT>> in the previous couple of statements. How much [INSERT ANSWER FROM B3C] was it?
If you are not completely certain, please provide an estimate.
ENTER AMOUNT IN £S OR SELECT ONE CODE
NUMERICAL OPEN MIN = 1 MAX = 99,995
It varies – whatever the minimum payment is
It varies – I pay the card off in full every month
DK SCRIPT AS BUTTON

IF ANSWERED “DK” AT B3D ASK B3E, ELSE SKIP
SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED
IF LOOP A, B OR C = this card
IF LOOP D = these cards
SINGLE CODE
SHOW SCREEN
B3e. Looking at this screen, can you give me an estimate of the repayment you made on <<SUBSTITUTE TEXT>> in the previous couple of statements?
Less than £25
£25 to £49
£50 to £74
£75 to £99
£100 to £199
£200 to £499
£500 to £999
£1,000 to £1,999
£2,000 or more
It varies – whatever the minimum payment is
It varies – I pay the card off in full every month
DK SCRIPT AS BUTTON

SUBSTITUTE QUESTION TEXT DEPENDING ON WHICH LOOP IS BEING FOLLOWED
IF LOOP A, B OR C = this card
IF LOOP D = these cards
SINGLE CODE AND RANDOMISE
SHOW SCREEN
B4. How do you currently plan to repay your current balance on <<SUBSTITUTE TEXT>>?
I have no outstanding debt on my card(s)
By paying off as much as I can each month
I plan to make a balance transfer to take advantage of low introductory interest rates
I’m expecting a temporary increase in my future income (e.g. a bonus)
I’m expecting a permanent increase in my future income (e.g. a pay rise)
Not sure - I can only afford to make the minimum payments
DK SCRIPT AS BUTTON

SINGLE CODE AND RANDOMISE
IF LOOP A, B OR C = this card
IF LOOP D = these cards
SHOW SCREEN
B5. How do you tend to make your payment on <<SUBSTITUTE TEXT>>?
Direct debit from bank account
Telephone from bank account
Telephone using another credit card
Pay in bank in cash
Pay in bank by cheque
Post a cheque
Internet from bank account
Internet using another credit card
Other (specify)
DK SCRIPT AS BUTTON

END LOOP

SHOW TEXT TO ALL
When answering the following questions, please think about all of the credit/store cards you have made a payment or a purchase on in the last six months.

ONLY ASK B6 TO THOSE WHO ANSWERED “YES” TO B1A ALL OTHERS SHOULD SKIP TO B8
SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER B1 IS “ONE CARD” OR “MORE THAN ONE CARD”
SINGLE CODE AND RANDOMISE
SHOW SCREEN
B6. How do you tend to make your payment on THIS CARD / THESE CARDS?
Direct debit from bank account
Telephone from bank account
Telephone using another credit card
Pay in bank in cash
Pay in bank by cheque
Post a cheque
Internet from bank account
Internet using another credit card
DK SCRIPT AS BUTTON

SINGLE CODE
SHOW SCREEN

B8. What length of time would you consider to be a ‘reasonable period’ to repay an outstanding balance on a credit or store card?
Up to six months
Between six months and a year
Between one and two years
Between three and five years
Between six and ten years
Ten years or more
DK SCRIPT AS BUTTON

C - CREDIT/STORE CARD USERS

IF ANSWER AT A1 = “YES” ASK C1 ELSE SKIP
RANDOMISE LIST OF CODES
MULTI CODE (UP TO THREE ANSWERS)
PLEASE CODE UP TO THREE ANSWERS
SHOW SCREEN

C1. Below is a list of credit card features, can you please select the three features which are the most valuable to you?
Low interest rate on balance transfers
Low interest rate on purchases made with the card
Low interest rate on cash withdrawals made with the card
Cashback on purchases made
Air miles
The amount that you can borrow
Ability to spread large payments over a period of time
Interest free period on balance transfers
Interest free period on other purchases
No/low fee on balance transfers
Signing up gifts/incentives
Free travel insurance
Donations made to charity when the card is used
Brand/trust in provider
Protection against fraud/goods not arriving
How the card looks
None of these SINGLE CODE
DK SINGLE CODE AND SCRIPT AS BUTTON
Appendix 2 - Quantitative research appendices

IF ANSWER AT A2 = “YES” ASK C2 ELSE SKIP
MULTI CODE (UP TO THREE ANSWERS)
PLEASE CODE UP TO THREE ANSWERS
SHOW SCREEN
C2. Below is a list of store card features, can you please select the two features which are the most valuable to you?
Interest rate on purchases made with the card
The amount you can borrow
Signing up offer/discount
Reward schemes (e.g. loyalty points)
Ability to spread large payments over a period of time
Retailer special events (such as store card user only evenings)
How the card looks
Sales previews
Free copy of in-house magazine
Withdrawing cash from ATM
None of these SINGLE CODE
DK SINGLE CODE AND SCRIPT AS BUTTON

MULTI CODE (MAXIMUM THREE ANSWERS) AND RANDOMISE
PLEASE SELECT UP TO THREE ANSWERS
SHOW SCREEN
C3. Imagine you had to make a major purchase or pay a large bill for approximately £500, but couldn’t pay for it in cash or from your savings, which of the following would you do?
Please select up to three answers.
Borrow from family/friends
Use authorised/arranged overdraft
Use unauthorised overdraft
Use credit or store card(s)
Use a pawn brokers or cash converters
Use a payday lender or cheque cashier
Use home credit provider
Take out an unsecured loan
Withdraw equity from my house/extend my mortgage
Borrow from an illegal moneylender
Draw money out of savings that hadn’t planned to use
Do overtime/earn extra money
Cut back spending/do without
Take cash out on a credit card’
Something else (specify)
Varies too much to say SINGLE CODE
I would do without SINGLE CODE
DK SCRIPT AS BUTTON AND SINGLE CODE

IF ANSWER AT A1 = “YES” ASK C4 ELSE SKIP
C4. Have you changed credit card provider in the last 12 months?
Appendix 2 - Quantitative research appendices

Yes
No
DK SCRIPT AS BUTTON

IF ANSWERED “YES” AT C4 CONTINUE, ELSE SKIP TO C5
MULTI CODE AND RANDOMISE
PLEASE SELECT ALL THAT APPLY
SHOW SCREEN
C4a. Why did you switch credit card provider?
Higher credit limit
Better interest rate on balance transfers
Better interest rate on purchases made with the card
Better interest rate on cash withdrawals made with the card
To take advantage of an introductory offer (e.g. low interest rate or balance
transfer etc.)
Better customer service
Better associated benefits (e.g. travel insurance, fraud guarantee, cash back,
loyalty points, etc.)
Another reason (specify)
DK SCRIPT AS BUTTON

SINGLE CODE
SHOW SCREEN
C4b. How easy or difficult did you find it to switch provider?
Extremely easy
Very easy
Fairly easy
Neither easy nor difficult
Fairly difficult
Very difficult
Extremely difficult
DK SCRIPT AS BUTTON

IF ANSWER AT A1 = “YES” ASK C5 ELSE SKIP
MULTI CODE AND RANDOMISE
PLEASE CODE ALL THAT APPLY
SHOW SCREEN
C5. Which of the following sources of information did you use when
deciding which credit card to apply for?
Money Saving Expert
Money Supermarket
uSwitch.com
Other price comparison site (specify)
Adverts for credit cards in newspapers, magazines or on TV
Mail out from a credit card provider
Mail out/leaflet from my bank or building society
Talking to someone at my bank or building society
Which? Magazine
Financial pages in newspapers or magazines
Financial features on television
Internet forums
Other (specify)
DK SCRIPT AS BUTTON

MULTI CODE AND RANDOMISE
IF ANSWER AT A2 = "YES" ASK C6 ELSE SKIP
PLEASE CODE ALL THAT APPLY
SHOW SCREEN
C6. Which of the following sources of information did you use when choosing which store card to apply for?
Did no research – chose card on spur of the moment/at till
Information given by shop staff
Posters inside shops
Leaflets inside shops
Money Saving Expert
Money Supermarket
uSwitch.com
Adverts for store cards
Which? Magazine
Financial pages in newspapers or magazines
Financial features on television
Internet forums
Other price comparison site (specify)
Other (specify)
DK SCRIPT AS BUTTON

D - FINANCIAL DIFFICULTIES

When answering the following questions, please think about all of the credit/store card(s) you have made a payment or a purchase on in the last six months.

SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER B1 IS "ONE CARD" OR "MORE THAN ONE CARD"
SINGLE CODE
D1a. Have you missed any payments on YOUR / ANY OF YOUR active store/credit card(s) in the last 6 months?
Yes
No
DK SCRIPT AS BUTTON

ASK D1B IF ANSWERED YES TO D1A
SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER B1 IS “ONE CARD” OR “MORE THAN ONE CARD”

SINGLE CODE

D1b. Have you missed three or more payments in a row on THIS / ANY OF YOUR card(S)?
Yes
No
DK SCRIPT AS BUTTON

MULTI CODE AND RANDOMISE

PLEASE SELECT ALL THAT APPLY

SHOW SCREEN

D2. Not everyone is able to pay every bill when it falls due. May I ask, are you (and your household) currently 3 or more consecutive payments behind with any of the bills on this screen?
Please just read out the appropriate letter next to each if you prefer.
A - Behind with mortgage
B - Behind with personal loan
C - Behind with other credit agreement
D - Behind with the electricity bill
E - Behind with the gas bill
F - Behind with Council Tax
G - Behind with telephone bill
H - Behind with water rates
M - Behind with rent
J - Behind with child maintenance payments
K - Behind with Court fines
L - Behind with Income Tax payments
N - Behind with Value Added Tax payments
O - Behind with other bills
P - Not behind with any of these
DK SCRIPT AS BUTTON

SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER B1 IS “ONE CARD” OR “MORE THAN ONE CARD”

SINGLE CODE

READ OUT

D3. Thinking about the CARD/CARDS you have just told me about, to what extent is keeping up with payments a financial burden to you?
Would you say it was…
A heavy burden
Somewhat of a burden
Or, not a problem at all?
DK SCRIPT AS BUTTON

E - RE-PRICING OF EXISTING DEBT
E1. In the last twelve months, has the interest rate on any of your cards been changed? Please include cards which you no longer own.
Yes on one card
Yes on more than one card
No
DK

SINGLE CODE

IF “YES” AT E1 CONTINUE, ELSE SKIP TO NEXT PART OF THE QUESTIONNAIRE

IF ANSWERED “YES ON MORE THAN ONE CARD” AT E1 SHOW THE FOLLOWING TEXT
You said that the interest rate has changed on more than one of your cards in the last twelve months. When answering the following questions please only think about the change of interest which occurred on the card which you use most frequently.

SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER E1 = “YES ON ONE CARD” OR “YES ON MORE THAN ONE CARD”

E2. Did the interest rate on your CARD / MAIN CARD increase or decrease?
Increase
Decrease
DK

SINGLE CODE

IF ANSWER “DK” AT E2 SKIP TO E4

SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER E1 = “YES ON ONE CARD” OR “YES ON MORE THAN ONE CARD”

E3a. How much did the interest rate on your CARD / MAIN CARD change by?
PLEASE ENTER THE AMOUNT THE INTEREST RATE CHANGED BY BELOW, PLEASE ENTER THE NUMBER TO ONE DECIMAL PLACE E.G. 1.0
NUMERICAL OPEN ALLOW RANGE OF ANSWERS BETWEEN 0.1 TO 99.9
DK

SINGLE CODE

IF ANSWERED “DK” TO E3A ASK E3B

SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER E1 = “YES ON ONE CARD” OR “YES ON MORE THAN ONE CARD”

E3b. Looking at this screen, can you give me an estimate of the amount by which the interest rate on your card/main card changed by?
Under 1%
1% to 5%
6% to 10%
11% to 20%
21% to 30%
More than 30%
DK SCRIPT AS BUTTON

SINGLE CODE
E4. Did you feel that the reasons for this change were adequately explained to you?
Yes
No
Did not request explanation
DK SCRIPT AS BUTTON

IF ANSWERED “YES” AT E4 ASK E5, ELSE SKIP TO E6
SINGLE CODE
E5. Did you feel the change was reasonable in light of the reasons given?
Yes
No
DK SCRIPT AS BUTTON

IF ANSWERED “INCREASE” AT E2 ASK E6, ELSE SKIP TO SECTION F
SUBSTITUTE QUESTION TEXT DEPENDING ON WHETHER E1 = “YES ON ONE CARD” OR “YES ON MORE THAN ONE CARD”
MULTICODE
E6. How did you respond to this increase in the interest rate on your CARD / MAIN CARD?
Contacted bank for explanation
Contacted bank to try and negotiate a lower rate
Accepted rate change and continued to/will continue to spend on card
Accepted rate change but stopped spending on the card
Bank agreed to let me keep my old rate
Paid off card in full and closed account
Transferred balance to a different card
Took up option to refuse the new interest rate and agreed a repayment plan to pay off my existing balance and close the account
Took up alternative option offered by my bank, e.g. converted my credit card debt to an instalment loan
Sought expert advice
Made a formal complaint because I felt that the change was not within the rules
DK SCRIPT AS BUTTON
When answering the following questions, please think about all of the credit cards you have made a payment or a purchase on in the last six months.

**F1. Have you ever used a credit card to withdraw cash?**
Yes
No
DK SCRIPT AS BUTTON

**IF ANSWERED “YES” AT F1 CONTINUE, ELSE SKIP TO NEXT PART OF QUESTIONNAIRE**

**SINGLE CODE**

**F2. How often do you tend to withdraw cash using a credit card?**
At least once a week
Once every couple of weeks
Once a month
Once every couple of months
A few times a year
Once a year
Less frequently than once a year
DK SCRIPT AS BUTTON

**SINGLE CODE**

**F3. On average, how much cash do you tend to withdraw each time?**
Less than £25
£26 to £50
£51 to £75
£76 to £100
£101 to £150
£151 to £200
£201 to £300
£301 to £400
More than £400
DK SCRIPT AS BUTTON
G - UNSOLICITED CREDIT LIMIT INCREASES

When answering the following questions, please think about the main credit/store card you have used in the last six months.

SINGLE CODE
G1. How long have you held your main store/credit card?
- Less than three months
- Three to six months
- Six months to nine months
- Nine months to a year
- Between one and one and a half years
- Between one and a half and two years
- Between two and five years
- More than five years
DK SCRIPT AS BUTTON

G2a. What was the initial credit limit on this store/credit card?
ENTER AMOUNT IN £s
NUMERICAL OPEN ALLOW ANSWERS OF BETWEEN 1 AND 999,995
DK SCRIPT AS BUTTON

IF ANSWER AT G2A IS “DK” ASK G2B
SINGLE CODE
SHOW SCREEN
G2b. Looking at the screen, can you give me an estimate of the initial credit limit on this store/credit card?
- Less than £250
- £250 to £499
- £500 to £749
- £750 to £999
- £1,000 to £1,999
- £2,000 to £2,999
- £3,000 to £3,999
- £4,000 to £4,999
- £5,000 to £9,999
- £10,000 to £14,999
- £15,000 or more
DK SCRIPT AS BUTTON

SINGLE CODE
G3. Have you requested a change in the credit limit of this card in the last 12 months?
- Yes
- No
DK SCRIPT AS BUTTON
IF ANSWERED “YES” AT G3 ASK G3A ELSE SKIP TO G4
SINGLE CODE
G3a. How many times have you requested a change in the credit limit of your main card in the last 12 months?
Once
Twice
Three times
Four or more times
DK SCRIPT AS BUTTON

IF DK AT G3A SKIP TO G4

Now, I am going to ask you a couple of questions about the last time you asked the limit on your MAIN credit/store card to be changed.

SINGLE CODE
G3b. Was the credit limit on your card increased or decreased?
Increased
Decreased
No change – the provider declined
DK SCRIPT AS BUTTON

IF ANSWERED “NO CHANGE – THE PROVIDER DECLINED” OR “DK” AT G3B SKIP G3C
G3c. How much was the change in the credit limit?
PLEASE ENTER THE CHANGE IN THE CREDIT LIMIT, PLEASE ENTER THE WHOLE NUMBER
NUMERICAL OPEN ALLOW ANSWERS OF BETWEEN 1 AND 999,995
DK SCRIPT AS BUTTON

IF ANSWERED “DK” AT G3C ASK G3D ELSE SKIP
SINGLE CODE
SHOW SCREEN
G3d. Looking at the screen, can you give me an estimate of the change in the credit limit?
Under £250
£250 to £499
£500 to £749
£750 to £999
£1,000 to £1,499
£1,500 to £1,999
£2,000 to £2,999
£3,000 to £3,999
£4,000 to £4,999
£5,000 to £7,499
£7,500 to £9,999
£10,000 or more
DK SCRIPT AS BUTTON

SINGLE CODE
G4a. How many times in the last 12 months has the credit limit on your main card been changed without you requesting it?
Never
Once
Twice
Three times
Four or more times
DK SCRIPT AS BUTTON

IF ANSWERED “NEVER” AT G4A SKIP TO G7
SINGLE CODE
G4b. Has the credit limit on your card been increased in the last 12 months without you requesting it?
Yes
No
DK SCRIPT AS BUTTON

IF ANSWER AT G4b WAS “YES” CONTINUE ELSE SKIP TO G5
Now, I am going to ask you a couple of questions about the last time the limit on your main credit/store card was increased without you requesting it.

MULTICODE
G4bb. How did you respond to this increase in your credit limit on your main credit/store card?
Increased spending on card
Had no effect – not important to me
Decreased spending on card
Contacted bank to ask for limit to remain unchanged
Cancelled my card
Changed my card provider
Other (specify)
DK SCRIPT AS BUTTON

IF DK OR ‘NO’ AT G4b SKIP TO G5

IF ANSWERED “DK” AT G4b SKIP G4c
G4c. How much was the increase in the credit limit?
PLEASE ENTER THE CHANGE IN THE CREDIT LIMIT, PLEASE ENTER THE WHOLE NUMBER
NUMERICAL OPEN ALLOW ANSWERS OF BETWEEN 1 AND 999,995
DK SCRIPT AS BUTTON
IF ANSWERED “DK” AT G4C ASK G4D ELSE SKIP
SINGLE CODE
SHOW SCREEN
G4d. Looking at the screen, can you give me an estimate of the increase in the credit limit?
Under £250
£250 to £499
£500 to £749
£750 to £999
£1,000 to £1,499
£1,500 to £1,999
£2,000 to £2,999
£3,000 to £3,999
£4,000 to £4,999
£5,000 to £7,499
£7,500 to £9,999
£10,000 or more
DK SCRIPT AS BUTTON

IF ANSWER AT G4A WAS “ONCE” “TWICE” “THREE TIMES” OR “FOUR TIMES OR MORE” CONTINUE
OR IF ANSWER AT G4A WAS “DK” AND ANSWER AT G4B WAS “YES” CONTINUE
ELSE SKIP TO G7
SINGLE CODE
G5. Following the most recent change to the credit limit of your main card did you contact your lender to request that the limit remains unchanged?
Yes
No
Don’t know

IF ANSWERED “YES” AT G5 ASK G5A
SINGLE CODE
G5a. How easy or difficult did you find contacting your lender to request that your limit remained unchanged?
Extremely easy
Very easy
Fairly easy
Neither easy nor difficult
Fairly difficult
Very difficult
Extremely difficult
DK SCRIPT AS BUTTON
IF ANSWERED “NO” AT G5 ASK G5B
SINGLE CODE
G5b. What was the main reason why you did not contact your lender to request that your limit remained unchanged?
I was happy with the change
I have contacted them before and it made no difference
I didn’t want the hassle of contacting them
I was too busy / didn’t get round to it
I don’t care what my limit is because I only ever spend what I can afford
It might make the bank think I was more risky or having financial problems
I didn’t care about the change
Other (specify)
DK SCRIPT AS BUTTON

SINGLE CODE
G7. Prior to taking part in this survey, did you know that your lender could raise or lower the limit of your credit card or store card without asking you?
Yes
No
DK SCRIPT AS BUTTON

H - MINIMUM PAYMENTS

ASK H2 IF RESPONDENTS ANSWERED “ONCE A YEAR”, “A COUPLE OF TIMES A YEAR”, “A FEW TIMES A YEAR”, “ONCE EVERY THREE MONTHS”, “ONCE EVERY COUPLE OF MONTHS” OR “EVERY MONTH” AT LOOP A OF B3BC
SINGLE CODE
H2a. Last time that you made the minimum monthly payment what was the main reason for not paying off more of the debt on your main credit card?
Fall in income
Increase in expenditure
I was taking advantage of a 0% transfer deal
I had set up a direct debit to always make the minimum payment and I forgot to pay off more/didn’t get round to it
I wanted to pay off a more expensive or urgent debt
Other reason (please specify)
DK SCRIPT AS BUTTON

ASK H3 IF RESPONDENTS ANSWERED “EVERY MONTH” AT LOOP A OF B3BC
SINGLE CODE
H3a. You said that you make the minimum monthly payment on your main credit card every month. How long have you been making the minimum payment for?
ASK H3a IF RESPONDENTS ANSWERED “ONCE EVERY COUPLE OF MONTHS”, “ONCE EVERY THREE MONTHS”, “A FEW TIMES A YEAR”, “A COUPLE OF TIMES A YEAR” OR “ONCE A YEAR” AT LOOP A OF B3BC

SINGLE CODE

H3aa. You said that you have previously made the minimum monthly payment on your main credit card. Thinking about the last time that you made the minimum payment, how long were you making the minimum payment for?

6 months or less
Between 6 months and one year
Between one and one and a half years
Between one and a half and two years
Between two and two and a half years
Between two and a half and three years
Between three and four years
Between four and five years
For more than five years

DK SCRIPT AS BUTTON

ASK H2 IF RESPONDENTS ANSWERED “ONCE A YEAR”, “A COUPLE OF TIMES A YEAR”, “A FEW TIMES A YEAR”, “ONCE EVERY THREE MONTHS”, “ONCE EVERY COUPLE OF MONTHS” OR “EVERY MONTH” AT LOOP C OF B3BC

SINGLE CODE

H2b. Last time that you made the minimum monthly payment what was the main reason for not paying off more of the debt on your main store card?

Fall in income
Increase in expenditure
I was taking advantage of a 0% transfer deal
I had set up a direct debit to always make the minimum payment and I forgot to pay off more/didn’t get round to it
I wanted to pay off a more expensive or urgent debt
Other reason (please specify)

DK SCRIPT AS BUTTON
ASK H3 IF RESPONDENTS ANSWERED “EVERY MONTH” AT LOOP C OF B3BC
SINGLE CODE
H3b. You said that you make the minimum monthly payment on your main store card every month. How long have you been making the minimum payment for?
6 months or less
Between 6 months and one year
Between one and one and a half years
Between one and a half and two years
Between two and two and a half years
Between two and a half and three years
Between three and four years
Between four and five years
For more than five years
DK SCRIPT AS BUTTON

ASK H3a IF RESPONDENTS ANSWERED “ONCE EVERY COUPLE OF MONTHS”, “ONCE EVERY THREE MONTHS”, “A FEW TIMES A YEAR”, “A COUPLE OF TIMES A YEAR” OR “ONCE A YEAR” AT LOOP C OF B3BC
SINGLE CODE
H3ab. You said that you have previously made the minimum monthly payment on your main store card. Thinking about the last time that you made the minimum payment, how long were you making the minimum payment for?
6 months or less
Between 6 months and one year
Between one and one and a half years
Between one and a half and two years
Between two and two and a half years
Between two and a half and three years
Between three and four years
Between four and five years
For more than five years
DK SCRIPT AS BUTTON

SHOW ALL
When answering the following questions, please think about the main credit/store card you have used in the last six months.

SINGLE CODE
H4. In the last 5 years, have you been unable to make at least the minimum repayment on your main credit/store card?
Yes
No


**Appendix 2 - Quantitative research appendices**

**IF ‘YES’ AT H4**
H5. When was the last occasion that you were unable to make at least the minimum repayment on your main credit/store card?
- Up to 1 year ago
- Between 1 and 2 years ago
- More than 2 years ago

**I - OTHER QUESTIONS**

I1. In the last 12 months have you complained to a credit/store card issuer?
- Yes
- No

**IF ANSWERED “YES” AT I1 CONTINUE**

**MULTI CODE**
Please code all that apply
Show screen

I2. What did you complain to the issuer(s) about?
- Increase in my credit limit without asking
- Decrease in my credit limit without asking
- Increase in interest rate
- General level of the interest rate
- A fee or charge
- Customer service
- Chasing me for debts
- How long a payment took to clear
- Mistake on my bill
- Repayment not received or processed on time
- Sending me too much / inappropriate marketing material
- Application for a card declined
- Error on my credit record
- Providing a copy of my original terms and conditions
- Lost card
- Fraud
- Something else (specify)

**X - SURVEY SPECIFIC DEMOGRAPHICS**
I would now like to ask you a couple of questions to help us analyse this information.

**SINGLECODE**

X1. Please look at the screen and tell me which band represents the total income of your household before any deductions for income tax, National Insurance, etc.

Please just give the letter alongside the relevant answer should you wish

**IF CLARIFICATION REQUIRED:**
Income includes all of the following:
- Earnings from employment or self-employment
- Pensions including from a former employer, personal pension or the state pension
- Child benefit, income support, tax credits or any other state benefits
- Interest on savings or investments
- Income from an equity release scheme
- Other kinds of regular allowances or from other sources, e.g. rent

**IF RESPONDENT SAYS THAT THEIR INCOME VARIES, ASK THEM TO ESTIMATE THE AVERAGE AMOUNT**

<table>
<thead>
<tr>
<th>Weekly</th>
<th>Monthly</th>
<th>Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>X - Less than £100</td>
<td>X - Less than £434</td>
<td>X - Less than £5,200</td>
</tr>
<tr>
<td>L - £100 to £199.99</td>
<td>L - £434 to £866</td>
<td>L - £5,200 to £10,399</td>
</tr>
<tr>
<td>A - £200 to £299.99</td>
<td>A - £867 to £1,299</td>
<td>A - £10,400 to 15,599</td>
</tr>
<tr>
<td>J - £300 to £399.99</td>
<td>J - £1,300 to £1,733</td>
<td>J - £15,600 to £20,799</td>
</tr>
<tr>
<td>H - £400 to £499.99</td>
<td>H - £1,734 to £2,166</td>
<td>H - £20,800 to £25,999</td>
</tr>
<tr>
<td>B - £500 to £599.99</td>
<td>B - £2,167 to £2,599</td>
<td>B - £26,000 to £31,199</td>
</tr>
<tr>
<td>F - £600 to £699.99</td>
<td>F - £2,600 to £3,033</td>
<td>F - £31,200 to £36,399</td>
</tr>
<tr>
<td>K - £700 to £799.99</td>
<td>K - £3,034 to £3,466</td>
<td>K - £36,400 to £41,599</td>
</tr>
<tr>
<td>C - £800 to £899.99</td>
<td>C - £3,467 to £3,899</td>
<td>C - £41,600 to £46,799</td>
</tr>
<tr>
<td>D - £900 to £999.99</td>
<td>D - £3,900 to £4,333</td>
<td>D - £46,800 to £51,999</td>
</tr>
<tr>
<td>T - Over £1,000</td>
<td>T - Over £4,334 to</td>
<td>T - Over £52,000</td>
</tr>
</tbody>
</table>

**X2. Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months? Include problems related to old age.**

Yes, limited a lot
Yes, limited a little
No

R **SCRIPT AS BUTTON**
16.3 Calculations in the report

16.3.1 Main credit card not paid off in full

Respondents that said they did not pay off at least one credit card in full were asked some questions about their main credit card.

Amount outstanding on last statement

Firstly, they were asked how much was outstanding on this card on the last balance they received. Respondents were first asked for the exact value (B2a) and if they were unable or unwilling to provide an answer were then asked the same question except this time they had to choose from different bands of values (B2b).

It was decided at the analysis stage that respondents that chose a banded answer at (B2b) would be assigned a value based on the answers given at B2a. To this effect, the answers given at B2a were split up into the different bands presented at B2b and the mean answer given for each band was calculated. The following table shows what the value assigned for each band was.

<table>
<thead>
<tr>
<th>Answer at B2b</th>
<th>Value assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £250</td>
<td>123</td>
</tr>
<tr>
<td>£250 to £499</td>
<td>337</td>
</tr>
<tr>
<td>£500 to £749</td>
<td>576</td>
</tr>
<tr>
<td>£750 to £999</td>
<td>833</td>
</tr>
<tr>
<td>£1,000 to £1,999</td>
<td>1292</td>
</tr>
<tr>
<td>£2,000 to £2,999</td>
<td>2267</td>
</tr>
<tr>
<td>£3,000 to £3,999</td>
<td>3171</td>
</tr>
<tr>
<td>£4,000 to £4,999</td>
<td>4033</td>
</tr>
<tr>
<td>£5,000 to £9,999</td>
<td>5695</td>
</tr>
<tr>
<td>£10,000 or more</td>
<td>11026</td>
</tr>
</tbody>
</table>

When the mean amount outstanding on the main credit card was calculated, respondents that selected a band at B2b were assigned the values given above.

Amount repaid on last statement

Respondents were also asked how much of the debt they repaid on this card they repaid on their last statement. This was asked in a similar way with respondents first
asked for the exact value (B3a) and if they were unable to give this, they were then asked to select a band of values (B3b).

The following table shows the value assigned to respondents who selected a banded answer.

<table>
<thead>
<tr>
<th>Answer at B3b</th>
<th>Value assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £25</td>
<td>14</td>
</tr>
<tr>
<td>£25 to £49</td>
<td>34</td>
</tr>
<tr>
<td>£50 to £74</td>
<td>53</td>
</tr>
<tr>
<td>£75 to £99</td>
<td>80</td>
</tr>
<tr>
<td>£100 to £199</td>
<td>118</td>
</tr>
<tr>
<td>£200 to £499</td>
<td>257</td>
</tr>
<tr>
<td>£500 to £999</td>
<td>584</td>
</tr>
<tr>
<td>£1,000 to £1,999</td>
<td>1195</td>
</tr>
<tr>
<td>£2,000 or more</td>
<td>3327</td>
</tr>
</tbody>
</table>

**Percentage of balance repaid on last statement**

For each respondent that did not pay their main credit card in full, the percentage of their balance they repaid on their last statement was calculated. To do this we either used the exact value given at B2a or B3a or where respondents had selected a band at B2b or B3b they were assigned a value as outlined above.

When calculating the mean percentage repaid, answers of “don’t know” or answers that were of over 100% were excluded.

**16.3.2 Main store card not paid off in full**

Respondents that said they did not pay off at least one store card in full were asked some questions about their main store card.

**Amount outstanding on last statement**

As for the main credit card, respondents that chose a band when asked what the amount outstanding on their store card was were assigned a value.

Where there was no data for the store card (in a few instances no-one had given an answer in the range) and a value needed to be assigned (someone had selected that band at B2b) the mean value from the main credit card was used instead.
The following table shows the values assigned.

**Figure 70**

<table>
<thead>
<tr>
<th>Answer at B2b</th>
<th>Value assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £250</td>
<td>109</td>
</tr>
<tr>
<td>£250 to £499</td>
<td>314</td>
</tr>
<tr>
<td>£500 to £749</td>
<td>616</td>
</tr>
<tr>
<td>£750 to £999</td>
<td>800</td>
</tr>
<tr>
<td>£1,000 to £1,999</td>
<td>1188</td>
</tr>
<tr>
<td>£2,000 to £2,999</td>
<td>2267</td>
</tr>
<tr>
<td>£3,000 to £3,999</td>
<td>3700</td>
</tr>
<tr>
<td>£10,000 or more</td>
<td>11026</td>
</tr>
</tbody>
</table>

**Amount repaid on last statement**

Respondents that were unable to give the exact amount they repaid on their last statement were asked to select a band. For calculations that required an exact value these respondents were assigned a value based on the exact answers given by other respondents. The following table shows the values assigned to respondents.

**Figure 71**

<table>
<thead>
<tr>
<th>Answer at B3b</th>
<th>Value assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £25</td>
<td>14</td>
</tr>
<tr>
<td>£25 to £49</td>
<td>34</td>
</tr>
<tr>
<td>£50 to £74</td>
<td>52</td>
</tr>
<tr>
<td>£75 to £99</td>
<td>84</td>
</tr>
<tr>
<td>£100 to £199</td>
<td>110</td>
</tr>
<tr>
<td>£200 to £499</td>
<td>288</td>
</tr>
<tr>
<td>£500 to £999</td>
<td>691</td>
</tr>
<tr>
<td>£2,000 or more</td>
<td>3327</td>
</tr>
</tbody>
</table>

**Percentage of balance repaid on last statement**

As for the main credit card, the percentage of the outstanding balance repaid was calculated. Where respondents had given a banded answer they were assigned an exact number using the method outlined above.

When the mean was calculated answers of “don’t know” and above 100% were excluded.
16.4 Technical report

<table>
<thead>
<tr>
<th>Client</th>
<th>Department for Business, Innovation and Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducted by</td>
<td>TNS-BMRB (using TNS Omnibus)</td>
</tr>
<tr>
<td>Objectives</td>
<td>To determine Consumers’ current experience of using credit and store cards, their understanding of their key features and their attitudes towards these</td>
</tr>
<tr>
<td>Universe</td>
<td>Adults (aged 18 and over) who are current or active users of credit and/or store cards (who have made a payment or a purchase on at least one card in the last month).</td>
</tr>
<tr>
<td>Sample size</td>
<td>1,908</td>
</tr>
<tr>
<td>Fieldwork period</td>
<td>December 2009 – January 2010</td>
</tr>
<tr>
<td>Sampling method</td>
<td>The TNS Omnibus uses a random location sampling approach and quotas</td>
</tr>
<tr>
<td>Data collection</td>
<td>CAPI</td>
</tr>
<tr>
<td>Interviewers</td>
<td>156</td>
</tr>
<tr>
<td>Interviewer validation</td>
<td>A minimum of 10% of interviews are checked on every survey. Verification is carried out at TNS’ head office, mainly on the telephone, by trained validators. Interviewer assignments are systematically selected.</td>
</tr>
<tr>
<td>Questionnaire</td>
<td>The full questionnaire can be found in the appendix</td>
</tr>
<tr>
<td>Analysis</td>
<td>After fieldwork answers given to “others” were examined and back-coded where possible, in some instances new codes were raised.</td>
</tr>
<tr>
<td></td>
<td>At the analysis stage rim weighting interlocking gender, social grade, age and region was applied to all of those that responded to the five waves of omnibus surveys to ensure that the final sample was representative.</td>
</tr>
</tbody>
</table>
17. Appendix 3 - Qualitative research

17.1 Discussion Guide – Wave 1
17.2 Discussion Guide – Wave 2
## Topic guide: Credit and Store Cards

<table>
<thead>
<tr>
<th>Approx timing</th>
<th>Key Questions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 mins</td>
<td>1. Introduction and background</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Introduction</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• About TNS-BMRB – independent research agency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Briefly describe aims of the research – understand people’s thoughts and views on store and credit cards;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Commissioned by Department for Business, Innovation and Skills</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• One of eight groups being run around the UK with people from a wide range of backgrounds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Confidentiality and anonymity – their views will be used, but not identifiable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Preamble: <em>Reassure people that the main purpose of the research is to look at the current practices of credit and store card companies, and to identify how information can benefit all of their customers. Whilst this will mean people talking about their views and attitudes it is their choice how much they wish to share with the group about their own use of such cards.</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Recording groups – recordings only available to the research team</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Length of discussion approx. 2 hours 30mins</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Group introductions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Participants introduce themselves to the group. Ask participants to give their first name and three biographical details – e.g. married with kids and in full time work. Also, ask participants to briefly say what sort of cards they hold (credit/store/both)</td>
<td></td>
</tr>
<tr>
<td>20 mins</td>
<td>2. Understanding of card features</td>
<td></td>
</tr>
<tr>
<td></td>
<td>What do people look for when choosing a credit/store card? Explore spontaneous responses then <strong>PROMPT ON:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Low introductory rates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Credit limit offered at application</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 0% Balance transfers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Duration of offer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Typical APR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Brand/Provider</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Rewards (e.g. Airmiles) and cashback</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Person in shop (for store cards)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Was there enough information from this source</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Any others (explore)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>INFORMATION</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>When thinking about applying for a credit card what sources of information do people use? <strong>PROBE ON:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Terms and conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Promotional material</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3 - Qualitative research

- Information from advisor at application
- Websites (money-supermarket; money expert)
  - Explore differences between those giving advice and those just making simple comparisons
- Personal finance pages in newspapers/magazines

Is this information easy to understand

What makes this information easier or more difficult to understand
- Length
- Jargon
- Advice versus comparisons
- Any thing else (explore)

Is it different for different cards i.e. other credit cards or store cards they have applied for

What information is available when applying for a store card?
- How does this compare to information available when applying for a credit card?

Explore whether people have re-read or looked at terms and conditions, or other materials, since application
- Why
- What looked for

To what extent do people shop around when choosing a card?
- Did respondents consider different cards when applying?
- Have they considered switching cards
- Have they ever done a balance transfer?

Balance transfers
- Why do people transfer balances

25 mins

3. Paying off cards with minimum payments

What are the different ways people choose to pay off their balance?
  PROBE ON
- Minimum payment
- Balance in full
- Other

Reasons for choosing different ways to pay off the balance
  PROBE
- Spreading the cost over time
- Affordability of payments each month
- Prefer to retain disposable income
- Large expenses – holidays, large items
- Christmas
- Different for different purchases and at different times of year?
  - Why
- Ease of payments (e.g. setting up Direct Debit for

Show Stimulus Card 1 – explanation of minimum payments
Appendix 3 - Qualitative Research

<table>
<thead>
<tr>
<th>Questions</th>
<th>Interventions Exercise</th>
<th>Show Stimulus Card 2 – What this might mean for people</th>
</tr>
</thead>
<tbody>
<tr>
<td>minimum payment)</td>
<td>Interventions Exercise</td>
<td>Show Stimulus Card 2 – What this might mean for people</td>
</tr>
<tr>
<td>o Has this caused a problem for anyone</td>
<td>Advantages for consumers</td>
<td>Show Stimulus Card 2 – What this might mean for people</td>
</tr>
<tr>
<td>Were they aware of minimum payments before the group?</td>
<td>Disadvantages for consumers</td>
<td>Show Stimulus Card 2 – What this might mean for people</td>
</tr>
<tr>
<td>Why would people choose to make minimum payments</td>
<td>Unintended consequences</td>
<td>Show Stimulus Card 2 – What this might mean for people</td>
</tr>
<tr>
<td>• Potential advantages and disadvantages for consumers</td>
<td>Any alternative interventions which respondents think might be effective</td>
<td>Show Stimulus Card 2 – What this might mean for people</td>
</tr>
<tr>
<td>• How and why?</td>
<td>• Would more information to customers be of help – would people read it</td>
<td>Show Stimulus Card 2 – What this might mean for people</td>
</tr>
</tbody>
</table>

25 mins 4. Your credit limit increased without your agreement

<table>
<thead>
<tr>
<th>Questions</th>
<th>Show Stimulus Card 1: Explanation</th>
<th>RESEARCHER NOTE: Probe on Store Cards throughout this section particularly in store card holders’ group. Store cards are likely to have significantly lower credit limits but it may be easier to apply for an increase by going to customer service desk in store.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Views on their credit limit</td>
<td>Prove – Different for Store cards?</td>
<td></td>
</tr>
<tr>
<td>• Thoughts on how credit limits are set</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o What factors are considered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What do they feel about the size of their limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o What does it say about them/make them feel (e.g. makes them feel good</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to have a higher credit limit / worried about having too high a limit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Is it easy to apply for credit increases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Is it easy to apply for credit increases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROBE – Different for Store cards?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Different limits on different cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Are they aware of having different limits on different cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• In what ways would this effect card use?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Were people aware that credit limits could be increased</td>
<td></td>
<td></td>
</tr>
<tr>
<td>without agreement before coming group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Had respondents experienced a credit limit increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Did they question it or complain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What information / explanation was received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Did it change the way they used their card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes to changes in credit limits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Potential issues for consumers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• More convenient for consumers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Impact of credit increase on customers’ card use/ purchase behaviour?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Increase risk of consumers getting into unsustainable debt?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Interventions Exercise

- Advantages for consumers
- Disadvantages for consumers
- Unintended consequences
- Explore views on whether customers should
  - Apply for increases
  - Opt-in when offered an increase
  - Opt-out when offered an increase
- Any alternative interventions which respondents think might be effective
  - How and why
- Would more information to customers be of help – would people read it

### 5. Getting charged different interest rates

Explore awareness of different rates of interest applied to purchase, cash and balance transfer

Were respondents aware that they would usually pay off the debt at the lowest rate first

Did they understand the issue before coming group (i.e. as described in their agreement)

Ask for initial views on stimulus 2 then

- What effect would this have on customers
  - Understanding
  - Managing debt
  - Cost

Impact on behaviour:

- Do respondents consider getting charged different interest rates when using their cards.
- Attitudes to cash withdrawal on credit cards
- Attitudes to using a Balance transfer card for purchases and cash

### Interventions Exercise

- Advantages for consumers
- Disadvantages for consumers
- Unintended consequences
- Any alternative interventions which respondents think might be effective
  - How and why
- Would more information to customers be of help – would people read it

### 6. Interest rates increased with little explanation

Were respondents aware that their interest rates on their card could be increased

Show Stimulus 3 - Ranking exercise. Showing each intervention ask respondents to consider advantages; disadvantages and potential unintended consequences
<table>
<thead>
<tr>
<th>Have they experienced an increase of the interest rate on their card?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How did they respond?</td>
</tr>
<tr>
<td>Explore views on increasing interest rates based on assessment of risk.</td>
</tr>
<tr>
<td>How do respondents think providers determine risk</td>
</tr>
<tr>
<td>• How should they</td>
</tr>
<tr>
<td>Interventions Exercise</td>
</tr>
<tr>
<td>• Advantages for consumers</td>
</tr>
<tr>
<td>• Disadvantages for consumers</td>
</tr>
<tr>
<td>• Unintended consequences</td>
</tr>
<tr>
<td>• Any alternative interventions which respondents think might be effective</td>
</tr>
<tr>
<td>• How and why</td>
</tr>
<tr>
<td>• Would more information to customers be of help – would people read it</td>
</tr>
<tr>
<td>Show stimulus 2: Interest rate increase</td>
</tr>
<tr>
<td>PROBE ON last para: Respondents thoughts on increasing interest rates when increase to risk is unclear (i.e. financial circumstances have not changed)</td>
</tr>
<tr>
<td>Show Stimulus 3 - Ranking exercise. Showing each intervention ask respondents to consider advantages; disadvantages and potential unintended consequences</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10 mins</th>
<th>7. Purchase behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>What do you think about when choosing to purchase on your credit card/store card</td>
<td></td>
</tr>
<tr>
<td>• Is this different for different types of purchases</td>
<td></td>
</tr>
<tr>
<td>• Different for different types of card</td>
<td></td>
</tr>
<tr>
<td>• Which is more important and why?</td>
<td></td>
</tr>
<tr>
<td>Researcher to note on flip chart thoughts and feelings when making a purchase on a credit card/store card</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACTIVITIES BETWEEN SESSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explain purpose of diary</td>
</tr>
<tr>
<td>• Think about purchases made over Christmas</td>
</tr>
<tr>
<td>• Thoughts and feelings when making purchases</td>
</tr>
<tr>
<td>• Feelings after purchase made</td>
</tr>
<tr>
<td>Researcher to hand out diaries</td>
</tr>
<tr>
<td>AND</td>
</tr>
<tr>
<td>• Ask respondents to bring any promotional materials and information relating to credit card or store cards, or any information from newspapers, magazines etc., which catches their eye about credit cards, store cards, debt, etc.</td>
</tr>
<tr>
<td>• Bring in any information which they think has been presented in a way that is easy to understand</td>
</tr>
</tbody>
</table>

THANK AND CLOSE
# Topic guide: Credit and Store Cards

<table>
<thead>
<tr>
<th>Approx timing</th>
<th>Key Questions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 mins</td>
<td><strong>Introduction</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>About TNS-BMRB – independent research agency</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Briefly describe aims of the research – understand people’s thoughts and views on store and credit cards;</strong></td>
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<tr>
<td></td>
<td><strong>Commissioned by Department for Business, Innovation and Skills</strong></td>
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<tr>
<td></td>
<td><strong>One of eight groups being run around the UK with people from a wide range of backgrounds</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Confidentiality and anonymity – their views will be used, but not identifiable</strong></td>
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<tr>
<td></td>
<td><strong>Preamble:</strong> <em>Reassure people that the main purpose of the research is to look at the current practices of credit and store card companies, and to identify how information can benefit all of their customers. Whilst this will mean people talking about their views and attitudes it is their choice how much they wish to share with the group about their own use of such cards.</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Recording groups – recordings only available to the research team</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Length of discussion approx. 2 hours 30mins</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Group introductions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ask respondents to re-introduce themselves to the group by giving their first name.</td>
<td></td>
</tr>
<tr>
<td>15 mins</td>
<td><strong>2. Information and Communications</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ask respondents to describe the type of information they have brought in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Why was that example chosen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What is easier to understand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What is more difficult/confusing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Explore the methods which credit and store card providers use to deliver information to customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Paper statements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• E statements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Text and mobile services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Leaflets/booklets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Promotional material/advertising</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Customer service reps</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Any others</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discuss whether some channels are considered easier to show/discuss the examples they have brought in/ seen over the holidays.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure respondents think about different types on information i.e. statements, terms and conditions, changes to terms and conditions and promotional material.</td>
<td></td>
</tr>
</tbody>
</table>
use or understand
  • Which channels do respondents prefer?
  • Why are some channels preferred?

What other channels could providers use to make information more usable?
Discuss spontaneous thoughts then PROBE ON
  • Online Video
  • DVDs
  • Statements that integrate with other applications (i.e. to export into excel with other bills etc)
  • Text messaging

Explore the types of information is important to receive/understand?
PROBE ON
  • Minimum payment
  • APR (different for cash, purchases and balance transfers)
  • Interest free period
  • Rewards
  • Benefits

Discuss respondents’ views on the minimum level of information which credit and store card companies should provide?

Explore respondents’ views on how credit and store card companies could improve how they provide information
Ideas could include:
  • Different fonts /size / coloured ink for key information (e.g. outstanding amount, apr)
  • Different formats for paper statements (e.g. booklet?)
  • More interactive online statements (e.g. ability to track specific spending)
  • Other?

15 mins 3. Purchase decisions and Diary Exercise
Purchase behaviour exercise from W1
  • Thoughts and feelings when making a purchase on your credit card or store card
    o More important/ front of mind when making purchase
    o Different for store cards?
    o Different for different types of purchases

Diary Task
  • Discuss up to 3 things which, looking back on the diaries, respondents found surprising about how they used their card

Researcher to note on flip chart thoughts and feelings when making a purchase on a credit card or store card
Ask each respondent to look through their diaries and think about any surprising points
Appendix 3 - Qualitative research

Explore aspects of the card that respondents considered when deciding to use their credit card over Christmas

**PROBE ON**
- APR
- Interest free period
- Rewards or cashback
- Available funds/credit limit
- Other

Discuss importance of aspects of the card when making a purchase
- Different for different purchases?
- Is this different at other times of year (not Christmas)

What alternative forms of borrowing are there?
Are these better or worse than using a credit or store card?
How and why?

**PROBE ON**
- Overdrafts
- Personal loans
- Pay day loans
- Other (e.g. loan from family/friend?)

When choosing to make purchases on their credit card or store card to what extent did they think about/plan how they were going to pay off the debt?

**PROBE:**
- Different on their store cards?
- Different for different purchases?

How well have respondents planned out how to pay off their purchases
- at time of purchase
- Now

Will they pay off purchases in the way that they planned to?
- Why or why not

To what extent do credit cards help people to manage their debts or finances
- How are credit cards helpful
- How are they unhelpful
- Different for store cards?

**10 mins**

**4. Reflection on 4 issues**

Thinking of the four issues:
- Have respondents views changed since last group
- Feedback from friends and family
- Any effect on their behaviour?

Show Stimulus Card 1 – explanation of four issues. Read out to remind respondents of the issues that were
## 5. Being charged different interest rates

Thinking about each of the potential solutions, have respondents' views changed since last time?
- How has their views changed? What do they think now?
- Why did their view change?

**Ranking Exercise**
For each potential solution discuss:
- Advantages for consumers
- Disadvantages for consumers
- Unintended consequences
- Affect on respondents themselves
- Affect on other consumers

Explain to respondents that we will consider some of the consequences of each of the solutions. As some of the solutions will have an effect on credit and store card companies it is likely that there will also be an effect on customers too. Either in increasing the cost to customers or reducing their choice. We will now look at those consequences and think about whether it would still be in customers’ best interests.

Discuss spontaneous views on potential consequences

**PROBE ON:**
- Benefits and disadvantages of consequences for them
- Benefits and disadvantages of consequences for other consumers
- Why is consequence worse/better than current situation?
- Explore how the consequences affect their ranking of potential solutions
  - Why are consequences acceptable
  - Why are consequences unacceptable

### 6. Interest rate increases

Thinking about each of the potential solutions, have respondents’ views changed since last time?
- How has their views changed? What do they think now?
- Why did their view change?

**Ranking Exercise**
For each potential solution discuss:

Show stimulus card 2 – *listing each policy option*

Ask respondents to rank approaches and discuss benefits and disadvantages of each

When discussing providing more information explore whether the information is likely to be used and how the information should be presented in order to encourage use.

Show Stimulus card 3 – *showing potential consequences for each solution*

Show stimulus card 4 – *listing each policy option*

Ask respondents to rank approaches and
<table>
<thead>
<tr>
<th>10 mins</th>
<th>Break</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>20 mins</strong></td>
<td><strong>7. Increased Credit limit – potential solutions</strong></td>
</tr>
</tbody>
</table>

Thinking about each of the potential solutions, have respondents views changed since last time?
- How has their views changed? What do they think now?
- Why did their view change?

**Ranking Exercise**
For each potential solution discuss:
- Advantages for consumers
- Disadvantages for consumers
- Unintended consequences
- Affect on respondents themselves
- Affect on other consumers

Discuss spontaneous views on potential consequences
**PROBE ON:**
- Benefits and disadvantages of consequences for them
- Benefits and disadvantages of consequences for other consumers
- Why is consequence worse/better than current situation?

- Explore how the consequences affect their ranking of potential solutions
  - Why are consequences acceptable
  - Why are consequences unacceptable

Show Stimulus card 6 – listing each policy option
Ask respondents to rank approaches and discuss benefits and disadvantages of each
When discussing providing more information explore whether the information is likely to be used and how the information should be presented in order to encourage use.

Show Stimulus card 7 – showing potential consequences for each solution
### Appendix 3 - Qualitative research

#### 8. Minimum payments – potential solutions

**20 mins**

**Thinking about each of the potential solutions, have respondents’ views changed since last time?**
- How has their views changed? What do they think now?
- Why did their view change?

**Ranking Exercise**
For each potential solution discuss:
- Advantages for consumers
- Disadvantages for consumers
- Unintended consequences
  - **PROBE on showing a higher payment of 15%**
    - Explore views on how this may affect how much people choose to pay off
- Affect on respondents themselves
- Affect on other consumers

**Explore respondents views on what the term minimum payments means to them**
- Does this have an effect on respondents’ thoughts about making the minimum payment?
- Is there a better way of describing/talking about minimum payment?

**Discuss spontaneous views on potential consequences**
**PROBE ON:**
- Benefits and disadvantages of consequences for them
- Benefits and disadvantages of consequences for other consumers
- Why is consequence worse/better than current situation?
- Explore how the consequences affect their ranking of potential solutions
  - Why are consequences acceptable
  - Why are consequences unacceptable

**Show stimulus card 8 – listing each policy option**

**Ask respondents to rank approaches and discuss benefits and disadvantages of each**

**When discussing providing more information discuss whether the information is likely to be used and how the information should be presented in order to encourage use.**

**Show Stimulus card 9 – showing potential consequences for each solution**

### 9, Trade-off exercise

**15 mins**

**Explain that in this section we will look at designing a card with their preferred features. However there are consequences and there may be some costs for**

**Moderator to run task using stimulus card 10 (trade-off exercise).**
Ask respondents to choose a combination of solutions which they think are the most important for credit card and store cards to adopt

PROBE ON

- Benefits/disadvantages for them
- Benefits/disadvantages for other consumers
- Effect of consequences on choice
- Effect of cost/trade-off on choice

Explain that choosing 2 or more highlighted options incurs the following cost:

- Card companies introduce new fees charging £2.50 per month for all customers who don’t use their cards
- Free reward schemes and cash back disappear from the market

Explain that choosing 3 or more highlighted options incurs the following cost:

- Card companies introduce new fees of £5 per month for all customers not using their card
- Free reward schemes and cash back disappear from the market
- Fees are introduced for some card services currently provided free of charge (e.g. customer services)

5 mins 10. Views on credit cards and store cards

How do respondents feel about using credit and store cards?

Three key messages about store and credit card to feedback to BIS

Anything else respondents would like to raise

THANK AND CLOSE
Being charged different interest rates
Credit card companies can charge different interest rates for different types of use.

- Using a credit card to buy things – charged at the normal interest rate
- Using a credit card to get cash out - usually charged at more than the normal interest rate
- Transferring a balance between one credit card and another - might mean being charged at less than a the normal interest rate, or even paying no interest at all for a while

When a payment is made to pay part of a credit card debt most companies will use it to pay off the debt at the lowest interest rate first.

Interest rate increases
Credit card companies can, and sometimes do, decide that all of their customers, or a group of them, have to start paying a higher interest rate on their credit cards. The new interest rate applies to any new spending on the card but also to any debts that have already built up.

Instead of increasing the interest rate for all their customers, credit card companies might only make customers pay more if they think they will not be able to make their payments in the future. This is called “risk-based” pricing.

Credit limit increased without being asked
Credit card companies can, and many do, increase people’s credit limits without telling them. This means that people do not have to ask for a credit limit increase, or give their consent for such an increase.

Making the minimum payments
The 'minimum payment' is usually 2% - 3% of the credit card debt and usually goes towards paying the interest on the debt.
Setting the minimum payment at a low level means people have flexibility in months where there are other calls on their finances. But making only minimum payments means that clearing a debt can take years, and people get charged a lot of interest along the way.
Getting charged different interest rates

1. make the credit card companies give people **even more information** so that they understand the rules.

   **PROBE ON**
   - More information may be more confusing to customers
   - Customers may pay less attention to statements and letters if there is too much information

2. set up a system where, if people pay off (say) £100, that **pays off a bit of all the different kinds of debt** on a card – e.g. £50 from a balance transfer, £40 on items bought with the card and £10 on cash taken with the card. If someone has taken a lot of cash out more of what they pay could go towards paying off the expensive part of the debt.

   Credit card companies have to re-programme their computer systems leading to costs that are passed on to customers (e.g. higher APRs or reduced credit limits).

   (OPTIONAL US study suggested 1.8% increase)

   **PROBE ON**
   - to APR or credit limits to decrease by 1/5th)

   Potentially more confusing, particularly how much interest is owed or how to minimise interest paid

3. tell credit card companies that when someone pays off their credit card, the money they put in should **pay off the most expensive debt first**

   - Credit card companies stop offering 0% balance transfer deals because they no longer make any income or profit from them

4. make credit card companies at least let people pay off any money they took out as **cash first**

   - Credit card companies introduce or increase charges for withdrawing cash across all customers, or credit card companies no longer offer the ability to withdraw cash.

   **PROBE ON** – Allowing very low risk customers to continue having a cash withdrawal facility without new charges

---

**Factors considered when assessing risk**

- High debt/income ratio
- Poor credit history
- Regularly makes min payment
- Regularly uses credit card to withdraw cash
- Uses a high % of credit limit or goes over the limit
- Has previously missed repayments on credit card or other credit products (i.e. personal loans)
Interest rates increased

1. make credit card companies **tell people why they have increased interest rates without people having to ask**. At the moment companies only have to tell people why they have increased their interest rates if they ask them to. Companies could also be made to give people advice to help them improve their interest rates in the future.

   **PROBE ON – People may not pay attention** to extra info or may be more confused

2. The Government could set **new rules** which make clear what things genuinely make people more risky. Card companies would then only be able to increase your rate if one of those things has happened. This could help make people more confident that the credit card companies are not unfairly targeting certain people.
   - Interest rates for all customers rise by 1-2% over next year, with rates for new customers increasing by up to 5%, as credit card companies recoup the income they would have earned from re-pricing of higher risk customers.

3. The Government could also think about ensuring that card companies could **only increase their interest rates by 2% per year**.
   - APRs rise for all customers by between 1 and 2% in the next year as companies recoup their lost income from the high-risk customers that would have received even greater price increases

4. Credit card companies could be stopped from raising their interest rates on **debt people already have on their cards**.
   - Companies reduce credit limits by £500 per customer on average and close the accounts of more risky customers.

Some factors considered when assessing risk

- High debt/income ratio
- Poor credit history
- Regularly makes min payment
- Regularly uses credit card to withdraw cash
- Uses a high % of credit limit or goes over the limit
- Has previously missed repayments on credit card or other credit products (i.e. personal loans)
**Credit limit increased without being asked**

1. make the credit card companies **send people a separate letter** when they increase their limits, and make the companies give a clear way of cancelling it, together with giving a better understanding of what it means to the person.

   **PROBE ON**
   - Customers may ignore letters
   - Customers may think cancelling may be viewed badly by provider or damage credit score

2. Only allow credit card companies **increase limits by a fixed amount per year**, for example £2000
   - Some smaller credit card companies close down because they rely on being able to lend more to customers once they have a proven track record. This would reduce the choice for consumers.

3. ban the credit card companies from giving people a higher limit **unless they have asked for it**.
   - People applying for credit card for the first time (for example, students or people who have recently moved to the UK) find it very difficult to get a credit card without making a cash deposit.
   - Existing cardholders could have their credit limits lowered and/or experience difficulty in having them increased. This would affect customers who use their credit card to make large one-off purchases.

4. Ensure that credit card companies give people a higher limit **only when they have asked whether they want it**. This could be either every time they want to increase people’s limits, or people could say when they got their card that they did not mind the company increasing their limit.
   - Some smaller credit card companies (most likely those that are not part of big high street banks) close down, reducing the choice for consumers.
<table>
<thead>
<tr>
<th>Feature - Repaying the debt</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(choose a maximum of 1)</td>
<td></td>
</tr>
<tr>
<td>Customer receives more information about different</td>
<td>Cost to provider passed on to the customer (higher APR or lower limits)</td>
</tr>
<tr>
<td>rates of interest on cash, balance transfers and</td>
<td>Customers have to pay new or higher charges for withdrawing cash</td>
</tr>
<tr>
<td>purchases and how these are paid off</td>
<td>OR</td>
</tr>
<tr>
<td>Repayments pay off a bit of all the kinds of debt</td>
<td>Card companies stop allowing customers to withdraw cash</td>
</tr>
<tr>
<td>Cash withdrawals are always paid off first</td>
<td>Card companies stop offering 0% balance transfer deals</td>
</tr>
<tr>
<td>The most expensive debt is paid off first</td>
<td>Choosing two or more features such as this (from across the features) could result in financial consequences</td>
</tr>
<tr>
<td>i.e. cash, purchases then balance transfers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Feature - Increasing the interest rate</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(choose a maximum of 1)</td>
<td></td>
</tr>
<tr>
<td>Card companies have to tell the customer why their</td>
<td>APRs for all customers rise by between 1-2%</td>
</tr>
<tr>
<td>interest rate has been increased without them having</td>
<td>Rates for new customers rise by up to 5%</td>
</tr>
<tr>
<td>to ask</td>
<td>APRs for all customers increase by between 1% and 2%</td>
</tr>
<tr>
<td>Increases to the interest rate must be based on new</td>
<td>Choosing two or more features such as this (from across the features) could result in financial consequences</td>
</tr>
<tr>
<td>rules, set by the government, about what makes a</td>
<td></td>
</tr>
<tr>
<td>customer more risky</td>
<td></td>
</tr>
<tr>
<td>Interest rate can only be increased by 2% per year</td>
<td></td>
</tr>
<tr>
<td>Feature - Increasing the credit limit (choose a maximum of 1)</td>
<td>Consequence</td>
</tr>
<tr>
<td>-------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>When credit limit is increased the card companies has to provide better information including a promise that they will reduce the limit if asked</td>
<td>Some of the smaller companies close down leading to less choice for consumers</td>
</tr>
<tr>
<td>Credit limit can only be increased by £2000 per year</td>
<td>Choosing two or more features such as this (from across the features) could result in financial consequences</td>
</tr>
<tr>
<td>Credit limit is only increased when the customer asks for it</td>
<td>First time card holders or people who don’t have a good credit rating find it difficult to get a card unless they put down a cash deposit. Lower limits or difficulty increasing limits for existing cardholders</td>
</tr>
<tr>
<td>Card company can increase the credit limit without asking, if the customer has agreed to this in advance</td>
<td>Some of the smaller companies close down leading to less choice for consumers</td>
</tr>
</tbody>
</table>
Choosing two or more features such as this (from across the features) could result in financial consequences

<table>
<thead>
<tr>
<th>Feature – Making the minimum payment</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(choose a maximum of 1)</td>
<td></td>
</tr>
<tr>
<td>Card company provides information on the statement which says how long it will take to repay their balance if they are only making the minimum payment</td>
<td></td>
</tr>
<tr>
<td>As well as the minimum payment, the statement also shows a recommended higher payment of 15% of the balance</td>
<td></td>
</tr>
<tr>
<td>The minimum payment is increased to 5% per month</td>
<td></td>
</tr>
<tr>
<td>Some customers, who are struggling to pay off debt, are forced into bankruptcy as the repayments required are too high.</td>
<td></td>
</tr>
<tr>
<td>Choosing two or more features such as this (from across the features) could result in financial consequences</td>
<td></td>
</tr>
</tbody>
</table>
### 17.3 Qualitative technical report

<table>
<thead>
<tr>
<th>Client</th>
<th>• Department for Business, Innovation and Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducted by</td>
<td>• BMRB Ltd</td>
</tr>
<tr>
<td>Objectives</td>
<td>• To determine Consumers’ current experience of using credit and store cards, their understanding of their key features and their attitudes towards these</td>
</tr>
<tr>
<td>Universe</td>
<td>• Card users aged 18 and above</td>
</tr>
<tr>
<td>Sample size</td>
<td>• 73</td>
</tr>
</tbody>
</table>
| Fieldwork period | • Wave 1 – 14\textsuperscript{th}-18\textsuperscript{th} December  
• Wave 2 – 11\textsuperscript{th} – 15\textsuperscript{th} January |
| Method | • Discussion groups |
| Recruitment | • Free find |
| Incentives | • Wave 1 - £40  
• Wave 2 - £45 |
| Interviewers | • 4 |
| Interviewer validation | • 100% validation by field team |
| Questionnaire | • Discussion guide in Qualitative Appendices |
| Analysis | • Matrix mapping as described in the methodology |