



Association for Payment Clearing Services

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PRESS RELEASE

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CREDIT CARD INDUSTRY ANNOUNCES PLANS TO ANALYSE CONFLICTING DEBT REPORTS

Following the recent study by Leeds University into UK consumer debt, the credit card industry has announced plans to commission an independent assessment of all the recent reports and the different conclusions they have reached.

The UK debt picture is extremely complex and credit cards are only one form of credit. Some of the reports currently available on consumer debt do not present an overall picture, are subjective, contain inaccuracies, and could be seen as over-simplistic.

The cards industry is fully committed to responsible lending and is keen to ensure it continues to deliver what UK consumers need and want. Consumers have more credit card products to choose from than ever before, and choose them above other types of credit because they offer one of the most flexible and cheapest forms of credit available.

Individual cases of consumers who have found themselves in difficulty are taken extremely seriously. Each issuer has a responsibility under the Banking Code to consider these cases sympathetically and positively. The banking industry also funds a number of counselling services such as National Debtline and the Consumer Credit Counselling Service.

Sandra Quinn, Director of Corporate Communications at APACS, says: "It is all too easy to point the finger of blame for UK consumer debt at the credit card industry - but this is a sensationalist approach. As far as we are concerned the most robust report to date is the Kempson* report commissioned by the DTI and we are not sure why its findings have been so overlooked.

Our study will identify what the genuine issues are and, if there are any specific issues, we will put forward suggestions to address them. The first question is how many people really are having trouble paying off their debts and, secondly, whether this is too high?"

Credit cards the facts

- Over half of us pay off our credit card bill in full every month.
- Less than two million credit card accounts have fallen behind in payments (i.e. two or more payments behind). The number of cardholders in arrears will be lower than this as, on average, each cardholder has more than one credit card.
- The number of credit card accounts in arrears has remained stable since the start of 2000 at around 9% of active accounts (35% of all credit card accounts are dormant).
- Compared to the average amount borrowed per account the average amount owed by a cardholder in difficulties has been falling since the start of 2000. This indicates that card issuers are spotting if people are in difficulty at an earlier stage and taking action to minimise the amount of debt cardholders fall into.

The DTI's own report on *Over-indebtedness in Britain** (Sept 2002) stated that:

- Most households used credit modestly, having only one or two credit commitments, owing modest amounts and paying less than a tenth of their gross income on credit repayments, but a small minority were heavy credit users
- Changes in lifestyle such as job loss, setting up home, having a family and relationship breakdown are the largest causes of over indebtedness on credit cards.
- Three per cent of households said they were in difficulty with credit cards.

Notes to Editors

APACS (the Association for Payment Clearing Services) is the UK trade association for payments. It provides the forum for the UK's financial institutions to come together on non-competitive issues, to develop banking systems for the future and to provide innovation and developments in payments. It is also the banking industry voice on payments issues such as plastic cards, card fraud, cheques, electronic payments and cash.

Recent reports include:

- CCRG (Credit Card Research Group) – *Debt Behind the Headlines* – March 2002
- *Professor Elaine Kempson (Bristol University's Personal Finance Research Centre – PFRC – on behalf of DTI) *Over-indebtedness in Britain* - Sept 2002
- CAB Survey – *In Too Deep – CAB Clients' Experience of Debt* – May 2003
- MORI (for CAB) – *Financial Over-Commitment Survey* – July 2003
- Leeds University Business School - *Debt Management: Collection and Recovery* – September 2003.

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