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# THE UKCARDS ASSOCIATION

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## PRESS RELEASE

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# New Online Tool Launches to Help Consumers Understand the Cost of their Credit Cards

**The UK Cards Association's new website will give consumers better access to tailored information on their credit card costs**

Following a research project undertaken with the Personal Finance Research Centre (PFRC) at The University of Bristol\*, The UK Cards Association today announces the launch of a new website - [www.cardcosts.org.uk](http://www.cardcosts.org.uk) with the objective of helping consumers improve their understanding of their credit card costs. The website is built on the findings of the research, which concluded that consumers are struggling with the 'APR' as the traditional measure of illustrating the cost of borrowing.

The CardCosts website will allow credit cardholders to:

- Gain a better understanding of the cost of their current repayment choices;
- Experiment with different levels of payments and desired periods to pay off a balance;
- Learn from a range of informative messages which explain what can be complicated terms;
- Link to other help and guidance, such as credit card statements and summary boxes; and
- Quickly receive details of sources of free independent debt advice.

The website looks to go further than other similar existing tools by capturing details of different types of Balance, covering not only traditional card purchases, but also balance transfers and cash advances. Furthermore, it allows the user to clearly see the impact of paying just a little more than the minimum payment. These enhanced features will ensure that the indicative costs provided are as tailored to a



customer's individual circumstances as possible.

This is the latest in a series of important enhancements to transparency and responsible lending delivered by the card payments industry over many years, which has included the introduction of summary boxes, the delivery of a series of new consumer rights offering greater control and convenience, a contact process to provide advice for cardholders who are frequently paying only the minimum payment and also the introduction of annual credit card statements.

The initiative has received support from the Department for Business, Innovation & Skills, where the Minister for Employment Relations, Consumer Affairs & Postal Services, Jo Swinson MP, has welcomed the alignment of this work with its own ambitions around 'consumer empowerment'.

The development process for the new website included feedback from key stakeholder round-tables involving Which?, the Money Advice Trust, Citizens Advice, AdviceUK, StepChange Debt Charity, Money Advice Scotland and with subsequent input from the Money Advice Service.

The UK Cards Association will now be working with its members and other stakeholders to discuss how best to ensure that the benefits of the website are made available to as many customers as possible via various channels.

***Melanie Johnson, Chair of The UK Cards Association, commented:***

"I am delighted with the outcome of this important research, the result of working closely with the highly respected Personal Finance Research Centre. The research confirmed that customers find it difficult to understand APRs and would prefer to see credit card costs displayed in a way that is more easily understood. This website does just that, allowing people to better understand their costs in a clear, tailored and interactive way. This is another important step in the industry's transparency journey, which has seen a series of initiatives delivered in the interests of customers over many years".

***Andrea Finney, Senior Research Fellow at the Personal Finance Research Centre, commented:***

"One of the most striking findings to come out of our research was how strongly the people we spoke to wanted to understand the costs of their credit card in relation to their own spending. A hypothetical balance, such as the one used for calculating the APR, simply wasn't meaningful. This new website was developed to give users the opportunity to see the cost of their cards as a direct reflection of their actual balance and how they use their card.

The way that credit card costs are calculated and applied can be complicated enough, but when you add in the potential different combinations of types of balance and the many different approaches consumers can take to repay their cards, the picture becomes even more complex. It's extremely difficult for consumers to navigate this complexity on their own. The key challenge in developing a tool like this therefore lay in stripping back this real-world complexity to make the interface as simple and intuitive to use as possible, while retaining the validity and representativeness of the results."

***Jo Swinson MP, Consumer Minister, commented:***

"The Government is committed to helping consumers in financial difficulty. A big part of managing financial problems and debt is knowing how to avoid them, and well informed consumers make better choices and spending decisions. That is why I am pleased that The UK Cards Association and Bristol University have launched the CardCosts website today, which I'm confident will be a welcome aid to consumers seeking more information on credit cards. This website will help consumers take control of their bills and pick the best credit card for their needs. "Consumers who are in financial difficulty can talk to the Money Advice Service on 0300 500 5000, who provide free and confidential debt advice."

**To view a short film of Jo Swinson and The UK Cards Association Chair, Melanie Johnson discussing the new website please visit: <http://youtu.be/CZepNRj-41w>**

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For further information please contact The UK Cards Association Press Office on 020 3217 8436 / 07767 114703 or email [press@ukcards.org.uk](mailto:press@ukcards.org.uk)

#### **Notes to Editors:**

\* The research was carried out by the Personal Finance Research Centre (PFRC) at The University of Bristol and consisted of 3 Phases. It was completed between Autumn 2011 - February 2012, where some 46 individuals were selected based on criteria around age, income and reporting not being in financial difficulties. A mix of men and women took part in the research. To view the full research please visit:

<http://www.bris.ac.uk/geography/research/pfrc/news/>

1. The UK Cards Association commissioned the Personal Finance Research Centre (PFRC) at The University of Bristol to undertake research into consumers' understanding of their credit card costs, in particular the extent to which they understood the APR and how they would prefer these costs to be presented.

2. The research consisted of 3 Phases: Phase 1, completed in autumn 2011, was to undertake a thorough review of previous research and published literature in order to identify indications around consumers' awareness and understanding of the APR in relation to credit cards. Phase 2 comprised six focus groups, undertaken within the University in February 2012, where some 46 individuals were selected based on criteria around age, income and reporting not being in financial difficulties. A mix of men and women took part in the research.

3. The outcome of Phase 2 was unequivocally that consumers wanted to see expressions of cost that are tangible, rather than abstract. The focus groups showed that costs expressed in pounds had the greatest impact on people's understanding. This had even greater resonance when related to the lifetime of the borrowing, whether driven by how much people could afford to repay, or a goal to clear the balance within a certain time. Although people recognised the monthly interest accrued from their statements, they were struck when they saw how these could stack up over the course of the year.

The evidence gathered in the first two phases led to agreement between the PFRC, The UK Cards Association and its members that a new website would be the most efficient way to deliver the desired outcome for consumers. Plans are also being considered for those consumers who do not have direct access to the internet, but may for example be able to access the website via public libraries.

4. The website has been designed and developed by the University of Bristol IT Services R&D (<http://www.bris.ac.uk/ilrt/>) in partnership with PFRC and The UK Cards Association. Consumer testing of the prototype was undertaken to inform the final design.

#### **Joanna Elson OBE, Chief Executive Money Advice Trust comments:**

"This tool will help people see how subtle differences in interest rates or repayment levels can have a significant impact on their long-term finances. As such it will enable people to make informed decisions about their borrowing and help prevent debt problems. Managing household finances can be as arduous as it is important, so any help along the way is very welcome; we applaud UK Cards for this excellent initiative."

#### **David Hawkes, National Money Advice Co-ordinator, AdviceUK comments:**

"The website tool is excellent. I have no doubt that consumers will find it really useful and that it will encourage people to make better informed decisions when using credit cards and repaying credit card debt. Congratulations are due to UK Cards and its members not only for developing the tool but also for the really positive and constructive way in which they have engaged, and continue to engage, with the advice sector."

#### **Delroy Corinaldi, external affairs director, StepChange Debt Charity comments:**

"One of the joys of the system of "revolving credit" offered by credit cards, if used responsibly, is flexibility when it comes to repayment. The downside is that this flexibility makes it very hard for consumers to understand the impact that different ways of repaying over different time periods will have on the final cost of credit card purchases. This online information tool makes it clear to credit card users what the impact on their finances will be."

The credit card industry has delivered a range of improvements over many years, which have helped its customers to better understand the key costs and features of their credit card and to have more control over their accounts. Changes have included:

- Summary boxes, which clearly set out the key costs and features of a credit card account
- A series of changes agreed with the Government in 2010 and fully implemented into the Lending Code, such as:
  - A separate letter being sent where the interest rate on an account is to rise, including a new 60 day period to reject the increase; this is supported by a Plain English Crystal Marked explanation of how credit card re-pricing works and why it happens
  - More control for customers who wish to 'reject' an unsolicited credit limit increase and with more convenience by being able to do so via a variety of contact methods, such as on-line, or by telephone
- Annual credit card statements, setting out how much a customer has spent on their credit card over the year, their payments and a range of other informative information
- A new communication sent to customers who are frequently paying only the minimum payment, pointing out that this is the most expensive way to pay and providing contact details for free independent debt advice.

**About The UK Cards Association:**

The UK Cards Association is the leading trade association for the card payments industry in the UK. With a membership that includes all major credit, debit and charge card issuers, and card payment acquirers, the Association advances industry best practice, contributes to the development of legislative and regulatory frameworks, and safeguards the integrity of card payments by tackling card fraud, developing industry standards and coordinating other industry-wide initiatives. More information about The UK Cards Association is available at [www.theukcardsassociation.org.uk](http://www.theukcardsassociation.org.uk)

**About The Personal Finance Research Centre (PFRC) at The University of Bristol:**

The Personal Finance Research Centre is an independent social research centre which conducts high-quality, policy-focused research for a wide range of public, charitable and private organisations. PFRC's interdisciplinary team combines extensive quantitative and qualitative empirical research skills with a detailed understanding of a range of social policy issues. Through its research, consultancy and advisory work, PFRC acts as a bridge between the academic and research community, the financial services industry, policymakers and other stakeholders. More information about PFRC is available at: [www.pfrc.bris.ac.uk](http://www.pfrc.bris.ac.uk)

