

CREDIT CARDS – UK – 2023

Credit cards remain an important payment option for consumers, while the cost of living crisis has pushed many to use their credit card more frequently.



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Credit Cards - UK - 2023

This report looks at the following areas:

- Analysis of the size of the credit card market and forecast for the next five years.
- Market share of major players, competitive strategies and advertising initiatives.
- Credit card ownership and payment behaviour.
- Impact of the cost of living crisis on credit card ownership and use.
- Interest in different benefits and alternative credit card providers.



Credit cards remain an important payment option for consumers, while the cost of living crisis has pushed many to use their credit card more frequently.

Overview

The credit card market experienced doubled digit growth in 2023 as consumers turned to credit to manage everyday spending. One in four personal credit card owners report that they have used their credit card more over the past 12 months, increasing further for Gen Zs and Millennials.

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Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview

Opportunities for the credit cards market

- Continue to support customers through the cost of living crisis
- Innovation can help to reduce buy now pay later threat
- Younger generations more open to alternative credit card providers

Market dynamics and outlook

- The five-year outlook for credit cards
- Double-digit growth in gross credit card lending in 2023
- Net credit card lending to remain elevated in 2023
 - Graph 1: net credit card lending (not seasonally adjusted) 2019-23
- Brands fail to eat into Barclaycard's market leading position
- Key market drivers

What consumers want and why

- Three quarters of Brits own a credit card
- Three-quarters of Brits own a credit card
 - Graph 2: credit card ownership, 2023
- Consumers remain committed to making full repayments...
 - Graph 3: monthly credit card payment activity, by financial situation, 2023
- ...but the cost-of-living crisis drives new behaviours
- ...but the cost-of-living crisis drives new behaviours
 - Graph 4: credit card behaviours in the last 12 months, 2023
- Use benefits to demonstrate value to consumers
 - Graph 5: interest in benefits from credit card providers, 2023
- Buy now pay later threat remains limited

Innovation and marketing

- Innovative launches in market
- Advertising expenditure subdued in 2022/23
 - Graph 6: total above-the line, online display and direct mail advertising expenditure on credit cards, 2018/19-2022/23
- American Express continues its partnership with Andy Murray

MARKET DYNAMICS

Market Size

- Gross credit card lending set to rise by 10.5% in 2023
 - Graph 7: gross credit card lending (not seasonally adjusted) 2019-23
- Cost-of-living crisis turns more consumers to credit cards
- Net credit card lending to remain elevated in 2023
 - Graph 8: net credit card lending (not seasonally adjusted) 2019-23

Market forecast

- Credit card market set for growth over the next five years
- Credit card lending grows as rising prices grip UK economy
- Learnings from the last income squeeze
- Credit card market is in a different position compared to the financial crisis

Market environment

- Credit card drives increase in total consumer credit lending
 - Graph 9: gross consumer credit lending (excluding student loans), 2018-23
- A third of consumers use credit cards weekly...
- ...and many report higher credit card use over past 12 months

Market share

- Largest providers maintain dominance in the credit card market
- Brands fail to eat into Barclaycard's market leading position
- Tesco increases in popularity among consumers with multiple credit cards...
- ...aided by the offer of Clubcard points
- M&S bank introduces new credit products

Macro-economic factors

- Inflation is still the key factor affecting consumers' finances
 - Graph 10: CPI inflation rate, 2021-23
- Bank of England raises base rate more than a dozen times since start of 2022
 - Graph 11: Bank of England base rate changes, 2007-23
- ...impacting wider credit and lending markets
 - Graph 12: consumer credit rates in the UK, 2016-23
- Consumer sentiment: the recovery has begun...
 - Graph 13: financial wellbeing index, 2016-23
- ...and people feel more confident about their financial prospects
 - Graph 14: financial confidence index, 2016-23

- Spending power has been curbed

Regulatory and legislative changes

- 2023 brings significant regulatory change for financial services brands
- Consumer Duty focuses on four key outcomes
- Buy now pay later set to come under FCA regulation
- Reforms expected to Consumer Credit Act

WHAT CONSUMERS WANT AND WHY

Credit card ownership

- Three quarters of Brits own a credit card
 - Graph 15: credit card ownership, 2022-23
- Ownership remains stable, despite economic pressures
- Ownership among younger generations grew during the pandemic
 - Graph 16: personal credit card ownership, by age
- Those with less-healthy finances may have limited access to credit cards
 - Graph 17: personal credit card ownership, by financial situation, 2023
- Over half of credit card customers only have one card
 - Graph 18: number of credit cards owned, 2023
- Mortgage holders typically own more credit cards

Monthly payment activity

- Consumers remain committed to making full repayments
- Consumers remain committed to making full repayments
 - Graph 19: monthly credit card payment activity, 2022-23
- Repaying credit card balance is a priority for users
- Repayment schedules are dictated by financial situation
 - Graph 20: monthly credit card payment activity, by financial situation, 2023
- Educate younger generations around the importance of repayments
- Cost of living crisis highlights struggles of those making minimum repayments

Credit card behaviours

- A quarter of customers are using credit holders more often than a year ago...
 - Graph 21: credit card behaviours in the last 12 months, 2023
- ...rising to a third of Gen Zs and Millennials
 - Graph 22: more-frequent use of credit cards in the last 12 months, 2023
- Consumers are wary of accumulating too much debt
- Rising cost of living hits young families hardest

- Graph 23: difficulty for credit card holders to make their credit card repayments, by whether they have children, 2023
- Multiple card ownership may lead to difficulties opening new accounts

Interest in credit card benefits

- Use benefits to demonstrate value to consumers
 - Graph 24: interest in benefits from credit card providers, 2023
- Rewards and cashback dominant perks of credit cards
 - Graph 25: interest in benefits from credit card providers, 2023
- Opportunities to drive fair value for consumers...
- ...and to partner with insurance companies

Barriers to credit card ownership

- Aversion to debt is a key barrier to credit card ownership
 - Graph 26: barriers to owning a credit card, 2023
- Concerns around debt increase for those in tighter financial situations
 - Graph 27: concerns around getting into debt as a barrier to owning a credit card, by financial situation, 2023
- A perceived lack of need is the top standalone barrier
- Concern over interest rates is a secondary factor
- Buy now pay later threat remains limited
- Demonstrate benefits of having both a debit and credit card

Attitudes towards alternative credit card providers

- Consumers are hesitant to consider alternative credit card providers...
 - Graph 28: interest in taking out a credit card with different types of providers, 2023
- ...but there has been significant movement since 2019
- Gen Zs most open to alternative credit card providers
 - Graph 29: interest in taking out a credit card with alternative providers, 2023
- Use of alternative brands offers opportunities for seamless spending

INNOVATION AND MARKETING TRENDS

Competitive strategies

- Support navigating cost of living crisis
- Yonder creates 'send points' feature...
- ... further enhancing its premium features
- Klarna brings credit opt-out function to BNPL
- Amex uses introductory offers and partnerships to promote brand
- Mastercard launches plastic card recycling programme

Launch activity and innovation

- M&S launches digital credit account Sparks Pay
- Chase Bank plans credit card launch
- ASOS and Capital One partnership expected in 2023

Advertising and marketing activity

- Advertising expenditure subdued in 2022/23
 - Graph 30: total above-the line, online display and direct mail advertising expenditure on credit cards, 2018/19-2022/23
- Barclaycard tops advertising expenditure list
- TV dominates channels, but spend drops considerably
 - Graph 31: total ATL, online display and direct mail advertising expenditure on credit cards, by media, 2021/22-2022/23
- Experian adverts focuses on credit card comparisons
- Barclaycard's latest TV ad focuses on interest-free periods
- Barclaycard and Capital One dominate digital spending
- American Express continues its partnership with Andy Murray
- Depop and Amex partner on festival fashion collaboration

BRAND RESEARCH

- Credit card brands come highly recognised and recommended
 - Graph 32: Key brand metrics for selected brands operating in the credit cards category, 2023
- Consumers interact with credit card brands often
 - Graph 33: use of selected credit card brands all the time among brand users, 2023
- Room for improvement in trust for credit card brands
 - Graph 34: trust for selected credit card brands, 2023
- American Express and Nationwide are most differentiated
 - Graph 35: attitudes towards and usage of selected brands operating in the credit cards category, 2023
- Barclaycard and HSBC have strong reputations among consumers
 - Graph 36: attitudes towards brands operating in the credit cards category, 2023
- Household names have strong brand images
- Credit card brands have different personalities
 - Graph 37: brand personality – micro image, 2023
- NatWest considered reliable and affordable
- American Express stands out as a unique brand...
- ...and deemed most exclusive
 - Graph 38: brand personality of selected credit card brands, 2023
- Nationwide customers are most committed to the brand...

– Graph 39: intentions towards credit card brands, 2023

- ...and the brand provides much needed boost to customers amid cost of living crisis
- Tesco Bank perceived as accessible

APPENDIX

Market forecast data and methodology

- Market size: underlying data
- Market forecast and prediction intervals (value)
- Forecast methodology

Report scope and definitions

- Market definitions
- Market definitions (continued)
- Abbreviations and terms

Methodology

- Consumer research methodology
- Nielsen Ad Intel coverage

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