FINANCIAL CONDUCT AUTHORITY

Evaluation Paper 26/1: An evaluation of credit card persistent debt remedies introduced in 2018

November 2026

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Acknowledgements

We are grateful to all FCA colleagues for their contributions to this project.

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Executive summary

Credit cards can help consumers smooth expenditure and manage short-term borrowing needs. But where they make low monthly repayments over long periods, it can cause harm. These harms include high borrowing costs and extended periods of indebtedness, while lenders may have few incentives to intervene.

We introduced remedies in 2018 through PS18/4 to address this persistent debt (PD) as well as firms' limited incentives to help customers repay more quickly. The remedies required firms to:

- identify customers who have paid more in interest, fees and charges than towards their principal balance over an 18-month period, where balances are at least £200
- take escalating steps to help customers repay more, if they could afford to

Our view, informed by this research, is that the remedies may have helped customers move out of persistent debt and reduce their borrowing costs.

Main evaluation findings

In 2018, 7% of credit card accounts were in persistent debt, and by early 2023 this had shrunk to 3%. While we think our remedies have helped, there were other changes affecting this market that our analysis couldn't fully account for, including the Covid-19 pandemic and the cost of living crisis. These undoubtedly affected consumers' use of credit and their outcomes over the period.

Our findings show other positive indicators over the evaluation period, including:

- monthly interest and fees for customers in persistent debt fell
- the share of consumers paying fees decreased
- most consumers got out of persistent debt within 18 months of entering it

These findings are indicative rather than precise. Data quality issues required analytical adjustments and assumptions, and some inconsistencies in firms' submissions remain unresolved. After engaging with firms, we judged that further work to resolve these issues would be disproportionate. The consistency of findings gives us confidence in the overall direction of our conclusions.

Our cost analysis suggests that firms' total compliance costs were broadly in line with, but slightly below, pre-intervention estimates. Pre-intervention estimates improved significantly after industry engagement during our consultation period.

The remedies are less effective for customers who cannot afford to increase their repayments. A significant minority remained in persistent debt 27 months after receiving the initial communication, indicating that some customers need broader support with financial difficulty.

Our approach

Our Rule Review Framework states that the scale, urgency and extent of harm to consumers and markets determine when and how we undertake a review. We reviewed the persistent debt remedies because the Credit Card Market Study (CCMS) showed that more than 5 million consumers were potentially in problematic debt and the costs and benefits estimated in CP17/10 were substantial.

Our evaluation focuses on consumer outcomes after firm interventions for customers in persistent debt (PD). The evaluation covers the period from January 2017 to August 2023. We examine changes in persistent debt status, repayments and borrowing costs. We also analyse firms' implementation costs against our pre-intervention estimates and consider qualitative evidence on implementation.

We use application and statement data from ten large credit card lenders in our main analysis of outcomes. We describe the intervention and changes in consumer outcomes over the evaluation period, to show how outcomes changed following the policy change. This approach does not allow us to attribute changes observed solely to the persistent debt remedies. Due to this, we do not try to calculate the monetary benefits of the intervention or make a comparison against the cost benefit analysis estimates from PS18/4.

Our findings

The following table assesses whether the outcomes anticipated when the remedies were introduced occurred in practice.

Hypothesis	Supporting hypothesis	Findings
The persistent debt rules achieved their intended outcomes.	Customers in persistent debt received persistent debt communications and engaged with them.	Firms used a range of communication channels. 50-60% of customers opened electronic communications (where this could be monitored).
	Customers in persistent debt paid less in interest and fees.	Interest paid and fees have both fallen for customers in persistent debt. We do not attempt to monetise this benefit, because we cannot attribute the changes to the intervention.
	Rates of persistent debt fell.	The share of accounts in persistent debt fell from 7% in 2018 to 3% by early 2023, equivalent to around 57%. The decline took longer than the 2 years assumed in the CBA and cannot be attributed solely to the remedies.

	Rates of financial distress fell.	Some indicators associated with financial difficulty changed over the period, but these trends are heavily affected by Covid-19, the cost of living crisis and other market-wide factors, so we do not draw conclusions from them.
The persistent debt rules had some unintended consequences.	Firms changed who they lend to, how much they lend, and/or prices.	Our evaluation was unable to assess this hypothesis.
Firm implementation costs were proportionate.	Total firm compliance costs were within the range of estimates available before implementation.	Post-implementation cost estimates (£281.6m) were slightly below our final pre-intervention estimated cost range (£294.6m – 334.1m) from CP17/43 and PS18/4. The analysis covers self-reported data from seven firms representing around 43% of the market, which was scaled to represent the full market.

Lessons learned

Evaluations are an opportunity for us to learn from previous interventions and improve our understanding of intervention impacts and costs.

The main lessons we learned from this evaluation are:

- In rare cases, we found firms applied the definition of persistent debt inconsistently. This related to the treatment of negative transaction values (e.g. refunds) when calculating repayments and some missing statement data. Discussing these cases with FCA supervisors could enable lenders to apply the definition more consistently.
- Firms have taken varied approaches to supporting customers, leading to different consumer outcomes. Forums for sharing best practice (e.g. via trade associations) could help to improve consumer outcomes.
- Not all customers opened their persistent debt communications, and some continued to make minimum repayments over long periods. This suggests engagement remains a challenge and is a prerequisite to changing customer behaviour.

1 Introduction

The credit card market

Credit cards allow consumers flexible access to credit. Consumers who borrow using a credit card can choose how quickly they want to repay. Doing so allows them to smooth consumption in response to temporary shocks. As of February 2026, there were 38.5 million active credit card accounts in the UK and UK credit card holders owed over £72 billion in outstanding balances, according to UK Finance (Card Spending Update - February 2026).

Subject to a contractual minimum repayment, consumers can choose how much to repay towards their credit card balance each month. Paying less than the minimum will usually trigger a missed payment with their provider. This flexibility allows consumers to carry debt for long periods without making significant repayments towards the outstanding balance. For consumers, this is an expensive form of long-term borrowing but for lenders can be highly profitable.

The harm we aimed to address

In July 2016, we published the final findings from our credit card market study (CCMS). We found that competition was working well for most credit card consumers. However, the CCMS identified a group of consumers showing signs of problem debt and found that firms lacked incentives to address this.

The CCMS identified that, in 2014, around 5.6 million consumers were potentially in problematic debt. This included 2 million who were either in arrears or had defaulted, a further 2 million who had held a balance above 90% of their credit limit for at least one year, and a further 1.6 million people who were only making the minimum repayments.

We introduced our persistent debt remedies to address the following consumer harms (CP17/10):

- very high cost of borrowing (in the form of interest charges and fees) relative to the amount borrowed
- the financial and non-financial consequences of default
- non-financial consequences of problematic debt, such as personal distress and the need to forgo essential expenditure

Lenders were not incentivised to support customers who repeatedly made the minimum repayment. Consumers who stay in credit card debt for a long period without making significant payments often incur high interest charges and fees. This can make them highly profitable for credit card firms, meaning lenders have fewer incentives to intervene, even though customers may be experiencing harm at this stage.

The persistent debt and earlier intervention remedies

In PS18/4 we introduced measures for firms to take to protect consumers in persistent debt. We did not intervene for business accounts.

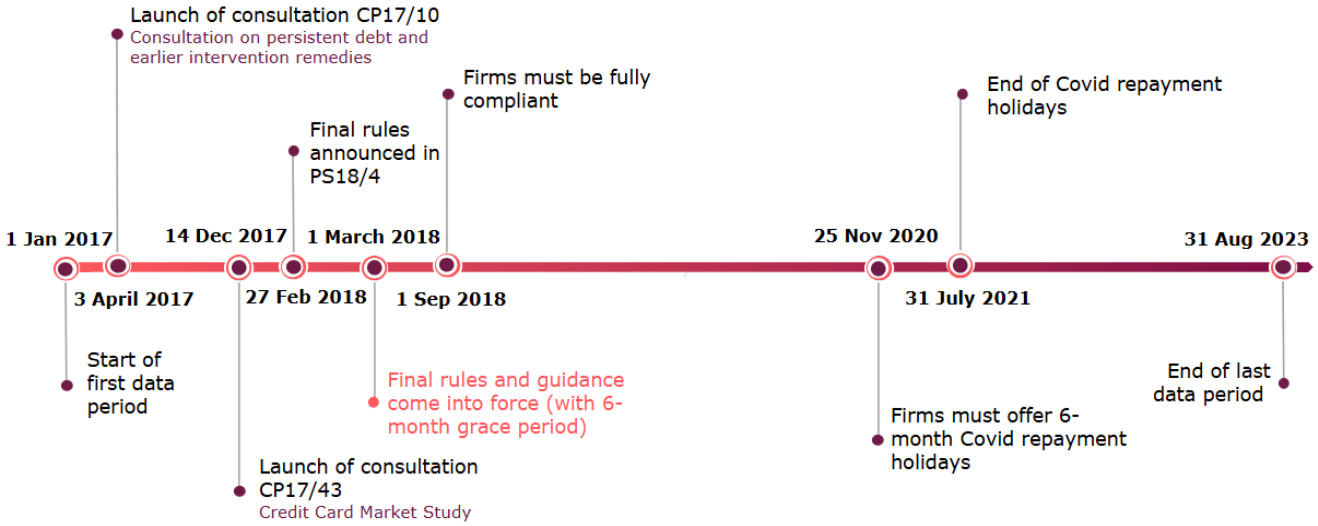
We defined consumers in persistent debt as those with an outstanding balance of more than £200 over an 18-month period, and who paid more in interest, fees and charges than they repaid towards the principal balance during that period.

Our rules required firms to send communications to consumers they identified as meeting our definition of persistent debt. These consumers would receive the following communications:

- After **18 months**, the consumers first meet the definition of persistent debt. Firms should contact consumers to prompt them to change their repayment behaviour if they can afford to.
- After **27 months**, firms should send another reminder if it looks like consumers will still be in debt by 36 months.
- After **36 months**, firms should propose ways for consumers to increase repayments to repay over a reasonable period, usually 3 to 4 years. Where consumers are unable to repay more quickly, firms must show forbearance. Any consumers who have been shown forbearance or who do not respond to communications would have their cards suspended.

CP17/10 and CP17/43 estimate that lower interest payments resulting from the intervention could save customers between £0.3bn and £1.3bn per year[1], over the period 2018-2030. This represents a transfer from firms, and we estimated firm revenue from interest payments would fall by the same amount. However, we anticipated our remedies would have wider consumer benefits such as reduced consumer stress and greater flexibility in dealing with future income or expenditure shocks.

Figure 1: Timeline of our intervention and evaluation period



[1] These estimates were on an undiscounted basis, meaning savings were not reduced to their present value.

This policy was implemented simultaneously to a separate earlier intervention, outlined in CP17/10. This required firms to 'monitor an account holder's repayment and other relevant information for signs of actual or potential financial difficulty,' with the exact details left open to firms. The persistent debt and earlier intervention rules came into force on 1 March 2018, with firms required to be fully compliant by 1 September 2018 (See Figure 1).

We also agreed voluntary remedies with firms concerning credit limit increases (CLIs). This gave account holders more control over how CLIs were offered. Consumers could turn off automatic CLIs and were made aware of their right not to receive CLI offers. Moreover, unsolicited offers of CLIs had to be presented neutrally, rather than as a reward. These measures also came into effect on 1 March 2018.

Creditworthiness assessments and credit limit increases affect the number of customers entering persistent debt, but they are not in scope of this evaluation. Firms are required to assess a customer's creditworthiness before significantly increasing their credit limit, and customers can decline or opt out of them.

Why we are evaluating this intervention

Testing how effective our remedies are helps us assess the impact of our rules and make better future decisions. The 2023 Rule Review Framework (the Framework) sets out our approach to monitoring and reviewing our rules, including impact evaluations. We also committed to evaluating our persistent debt remedies in PS18/4.

We made this commitment for several reasons:

- The CCMS showed that more than 5 million consumers were potentially in problematic debt and that the financial and non-financial costs of problem debt were substantial. Evaluating the persistent debt remedies helps us to assess whether we have addressed the harms associated with problem debt.
- The costs and benefits estimated in CP17/10 were substantial. We want to determine whether these estimates were reasonable and improve our estimates of future interventions.
- Our evaluation will help us assess whether similar interventions for vulnerable customers are likely to be effective.

Evaluation scope

Our evaluation period covers January 2017 – August 2023, including a pre-intervention period before March 2018 (See Figure 1 for more detail on timelines). We focus on the persistent debt interventions rather than the earlier intervention or the voluntary component because:

- From the cost benefit analysis (CBA) in CP17/10, we expected the largest benefits to come from the persistent debt interventions.
- There is a clearly defined group of customers affected which is consistent across lenders, making measurement more feasible.

We collected qualitative evidence on the earlier intervention and voluntary remedies, and how these interact with the persistent debt remedies. This is described in the Implementation: Qualitative Evidence section.

Because this evaluation focuses on persistent debt communications, it does not provide a full assessment of changes in running-account creditworthiness or credit limit increase practices over the evaluation period. We discuss the implications of this in the limitations section.

Our analysis in this report focuses on credit card accounts that receive a letter after 18 months in persistent debt. We do not consider separately the effects of repayment plans arranged after 36 months in persistent debt. At the time of our data collection, many of the first to begin these arrangements were still in or had recently completed their repayment plan. This did not provide sufficient time to analyse whether outcomes were successful following the completion of a repayment plan.

2 Our evaluation approach

This section sets out our approach to evaluating the persistent debt remedies and what this approach allows us to conclude about the intervention.

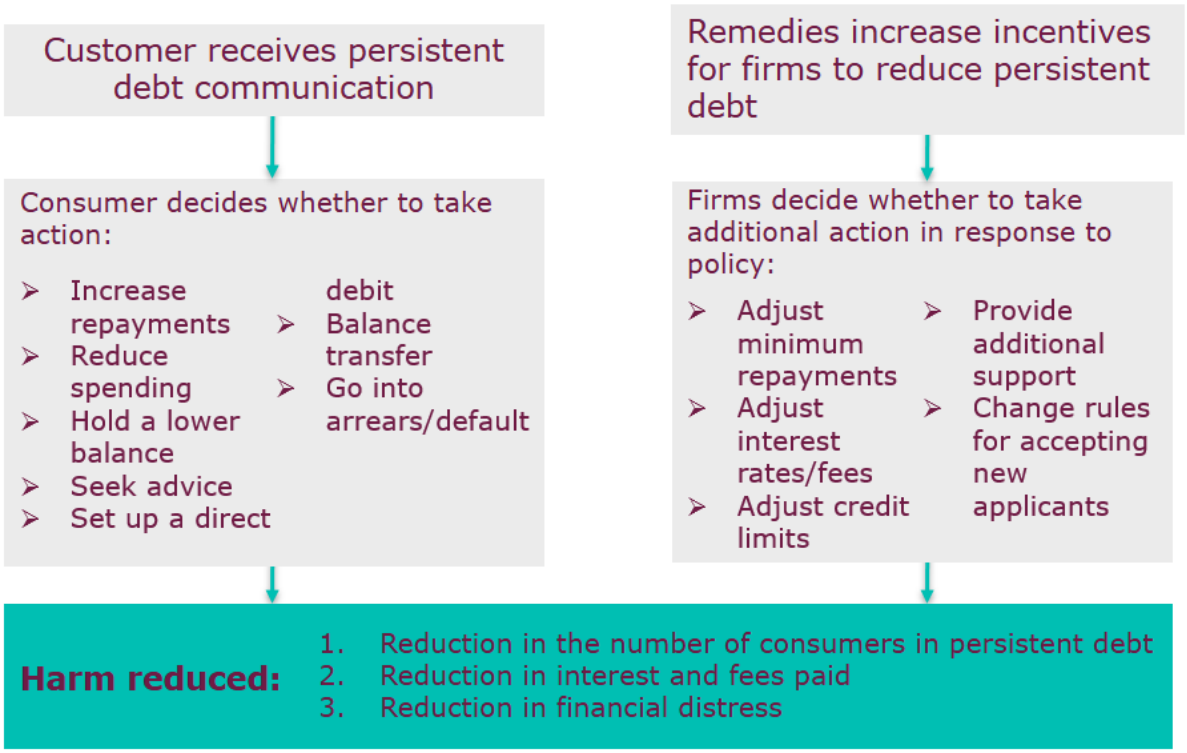
The expected outcomes from the intervention

Figure 2 shows the causal chain for our persistent debt interventions. These interventions aimed to:

- reduce the number of consumers in persistent debt
- reduce the interest and fees paid by consumers in persistent debt
- reduce instances of financial distress arising from unsustainable credit card debts

The persistent debt notifications are designed to encourage customers to consider repaying their debt faster, but the customer is free to respond (or not respond) in any way that they choose. For example, they might choose to increase repayments or restrict their expenditures. Similarly, firms may have taken a variety of approaches to provide additional support to customers while ensuring their products remain profitable.

Figure 2: Causal chain of our remedies



In CP17/10, we estimated benefits arising from faster repayment of credit card balances of £0.3-£1.3bn per year. Non-monetised benefits include reduced incidence of arrears/defaults, less stress, improved credit scores, greater flexibility to deal with

income or expenditure shocks, and reduced fees and administration costs due to lower rates of arrears and debt collection. We also expected a reduction in costs for firms due to lower rates of arrears/defaults.

Our evaluation assesses whether the intervention reduced the 3 sources of consumer harm mentioned above. We also examine key stages of the causal chain to understand how the intervention may have affected consumer outcomes.

Establishing how well the intervention has worked

Table 1 outlines the hypotheses we sought to test in our evaluation and our expectations prior to introducing the remedies, including in our CBAs and causal chain (See Figure 2).

Table 1: Hypotheses to test and pre-intervention expectations

Hypothesis	Supporting hypothesis to test	Expectation set out in CP17/10, CP17/43 and PS18/4
The persistent debt rules achieved their intended outcomes.	Customers in persistent debt would receive communications and engage with them.	We expected customers to receive communications at key points during their time in persistent debt: after 18, 27 and 36 months. We expected only some customers to act on or engage with these communications.
	Rates of persistent debt would fall.	We assumed the number of the new accounts that enter persistent debt will decline over 2 years, to 50% of the original number of accounts, i.e. 25,000 accounts, at which point the flow remains constant.
	Customers in persistent debt would pay less in interest and fees.	We estimated £0.3-£1.3bn annual saving for consumers.
	Rates of financial distress would fall.	Not monetised but expected to fall.
The persistent debt rules have had some unintended consequences.	Firms would change who they lend to, how much they lend, and/or the prices they charge.	Not monetised, minimal effects expected as consumers can contact their lender if higher repayments are unaffordable. They should only transfer their balance if beneficial. Firm responses were not monetised. Most customers will still be profitable (except maybe those offered forbearance). Mixed evidence on firms' response to regulations.

Firm implementation costs were proportionate.	Total firm compliance costs would be within the range of estimates available before implementation.	In CP17/43 and PS18/4 total costs were estimated to be in the range £294.6m - £334.1m.

Evaluation data

We used different methodological approaches and data sources to test the pre-intervention expectations set out in Table 1. Data quality, completeness and availability varied across firms, which limited the analysis that could be undertaken in some areas. We discuss these limitations in more detail below.

Data overview

Our evaluation period runs from January 2017 to August 2023. Much of the analysis focuses on September 2018 (when firms were required to be fully compliant) to March 2023. Three different data sources are used within this evaluation, each with a different sample:

- Customer-level data from firms – Ten credit card lenders. We estimate that accounts at these lenders represented around 75% of market accounts over the evaluation period.
- Firm-level implementation survey – 17 credit card lenders.
- Firm-level cost analysis survey – Seven credit card lenders. We estimate this covers 43% of the market.

We asked firms for customer-level statement, product and application data. Application data included information on consumers' credit card applications, such as the product applied for and the application date, along with basic demographic information such as age and income.

Statement data covered credit card use, including interest paid and the number and value of transactions. Product data covered key product information, including advertised Annual Percentage Rates (APRs) and the range of credit limits offered.

Firms also provided information on how they applied the remedies via an implementation survey. This included a list of all consumers they identified as being in persistent debt and records of when they sent relevant letters to account holders.

Seven firms also self-reported their implementation cost data via a survey.

To account for the effects of inflation, we adjusted our figures using the consumer price index (CPI). All monetary figures in our results are in 2026 prices.

Customer-level data sampling

For the customer-level data, the 10 lenders in our sample were selected to provide a broadly representative picture of the credit card market, rather than a true random sample. We chose these firms to reflect differences in size and market segment (for

example, prime and subprime), and to ensure coverage of lenders with a higher prevalence of persistent debt.

This approach provides broad market coverage, but the sample may not fully represent all credit card users or lender types. The selection also reflected practical considerations, including data availability and firms' ability to engage with the data request.

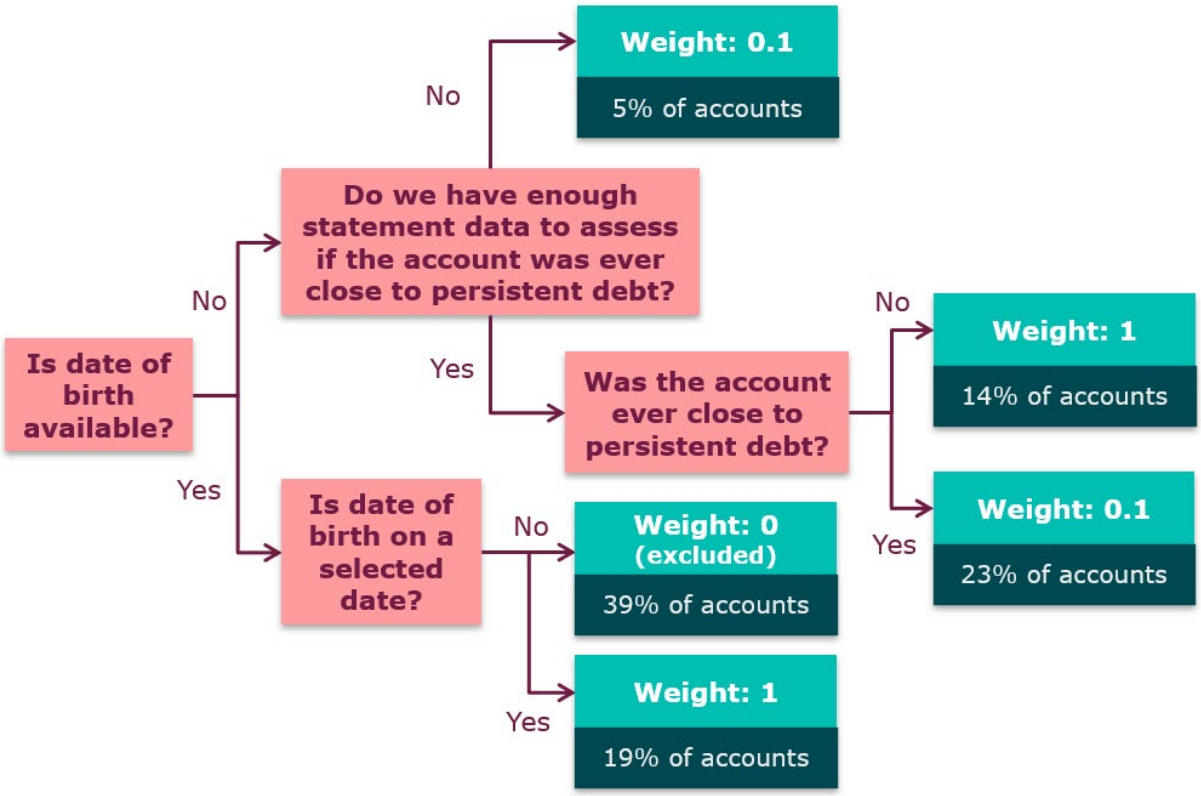
Selected lenders submitted data on 2 groups of consumers. First, they provided a 10% quasi-random sample of all consumers, selected using the day of the month on which their birthday fell. Second, they submitted information on all consumers in persistent debt. We estimate that the combined sample covers around 10% of the credit card market during the evaluation period.

For market-level statistics and graphs comparing accounts in persistent debt with other accounts, the comparison group is based on the 10% quasi-random sample. Some firms could not provide applicants' dates of birth, so we could not always determine whether accounts were included through the quasi-random sample or because they were in persistent debt.

For these accounts, we checked whether the consumer had been in, or close to, persistent debt. If so, we weighted the observation by 0.1 to reflect that we sampled all accounts in persistent debt but only 10% of other customers. Where accounts were never close to persistent debt, we assumed they were part of the quasi-random sample and assigned a weight of 1. Where accounts lacked both date of birth information and sufficient statement data to establish whether they were close to persistent debt, we assumed they were not submitted as part of the persistent debt sample and weighted them by 0.1.

After applying these weights, the sample contains a weighted average of 4.8 million accounts each month. The weighted sample grows steadily through most of the evaluation period, from 3.8 million accounts in June 2018 to 5 million by March 2023.

Figure 3: How we handled missing information



Data limitations

Our data is subject to important limitations that affect how the results should be interpreted.

First, missing consumer information affected our customer-level sampling methodology. We had to make assumptions about accounts with missing information, which may affect how representative the sample is.

Second, some accounts did not have enough information to determine whether they are in persistent debt. For these accounts and months, we assume they are not in persistent debt. Because persistent debt is defined over an 18-month period, we can only classify an account as being in persistent debt where at least 18 consecutive months' worth of statement data are available.

Third, because we selected lenders across different market segments, including those serving many customers in persistent debt, the sample may not be fully representative even though it covers a large share of the market.

Fourth, the data contains irregularities and abrupt fluctuations. Persistent debt can only be assessed where complete 18-month statement histories are available. Missing statements mean some accounts cannot be classified as being in persistent debt, which can cause apparent jumps in the recorded number of accounts in persistent debt as data availability changes. Readers should interpret early-period results with particular caution.

Fifth, there is an unexpected fluctuation in the number of accounts in July 2019, driven by data problems at one large lender. Results for this month are therefore less reliable.

Resolving these data limitations consistently across lenders and products creates significant methodological and practical challenges. These issues may affect the results, so we treat them as indicative rather than precise. But the fact that the main findings were consistent gives us confidence that our conclusions are going in the right direction.

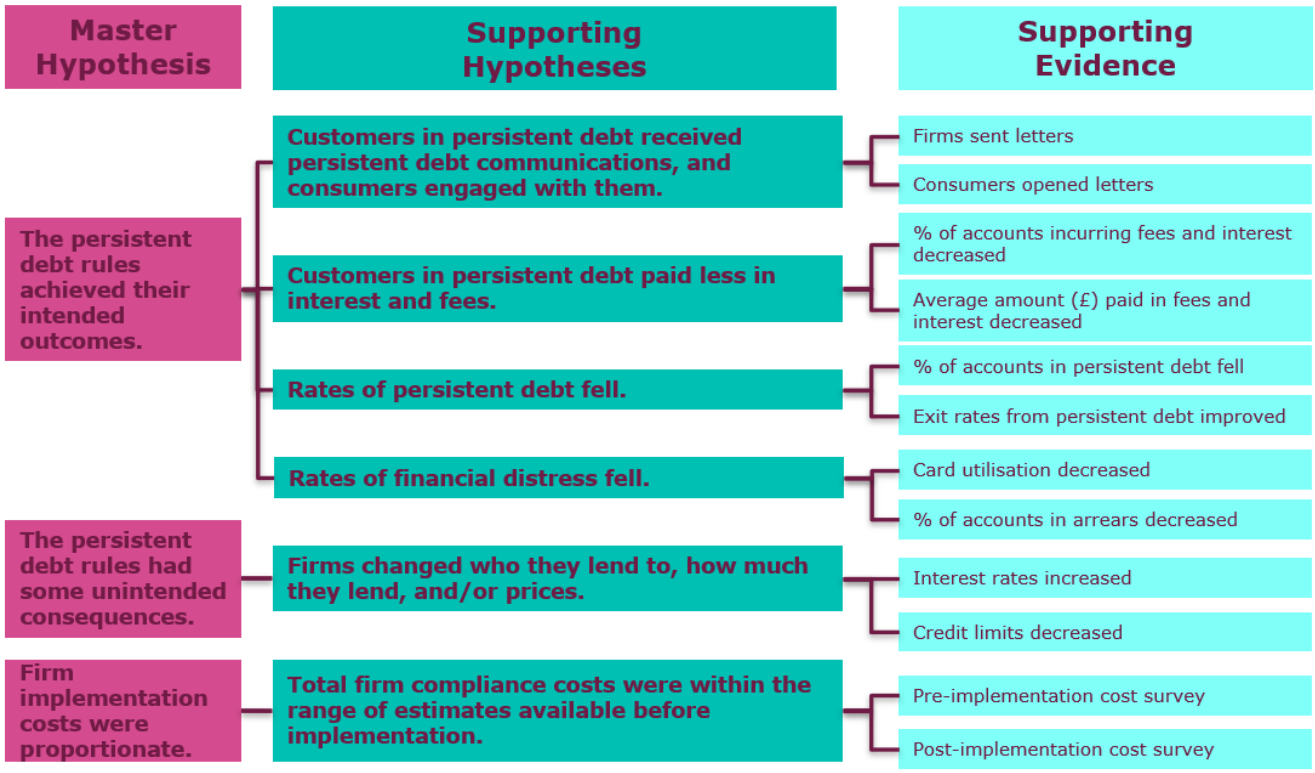
The cost data was self-reported, and firms did not provide supporting evidence. Not all firms reported cost data, so we also make assumptions about how representative the available data is.

Evaluation approach

Methodology

We use a mixed methods approach to evaluate the intervention, combining quantitative analysis and qualitative evidence from firm communications. We take a hypothesis based approach, with the key outcomes set out in the hypothesis tree in Figure 4.

Figure 4: Hypothesis tree



We tested hypotheses and used descriptive analysis to assess how outcomes evolved over time. This let us track trends in key variables, including persistent debt, interest and fees, and indicators associated with financial difficulty. Descriptive statistics show overall trends and changes after the intervention, but they cannot determine whether the intervention caused those changes.

The Covid-19 pandemic, the cost of living crisis and higher interest rates from 2022 all took place over the evaluation period. They affected key outcome variables and different

consumer groups in different ways. For example, some consumers were able to pay down debt and increase savings because their expenditure fell during lockdowns. Others may have been furloughed or lost income, increasing their need to borrow. These events are important context when interpreting the results.

The credit card market was also subject to other regulatory changes between 2018 and 2023 from the FCA and other regulatory bodies. These changes, such as customers being given more control over credit-limit increases, are outside the scope of this evaluation, but they form part of the policy context and may have affected consumer outcomes.

For these reasons and other limitations, our findings should not be interpreted as a definitive assessment of the persistent debt remedies. Instead, the evaluation focuses on trends in consumer outcomes following persistent debt identification and communications, particularly after PD18 letters. Due to data limitations, we were unable to analyse specific market segments, such as subprime cards.

Qualitative analysis

We conducted qualitative analysis of firms' implementation of the remedies to explore some of the mechanisms underlying changes in outcomes. Firms completed a survey on their experiences and submitted versions of the letters they sent to account holders in persistent debt. We analyse these in the Implementation: Survey Results section. We used EAST, a behavioural framework developed by the Behavioural Insights Team, to guide the analysis. Under this framework, a policy is more likely to change consumers' behaviour if it is Easy, Attractive, Social and Timely.

3 Market trends

This section describes trends in the credit card market from 2017 to 2023, including account numbers, balances, minimum repayments and the prevalence of persistent debt. It also outlines the wider economic and regulatory developments since the remedies were introduced, providing important context for the evaluation.

Market overview

Table 2 shows market statistics at the end of each financial year from April 2018 to April 2023. In April 2018, there were 34m active credit card accounts in the UK. By 2023, this had risen to 37m. Account numbers rose, but total balances fell. Between April 2020 and April 2021, credit card lending had contracted, with the amount owed in outstanding balances falling from £62bn to £53bn. The proportion of accounts bearing interest fell from 55% in 2018 to 50% in 2023.

Table 2: Summary statistics, April 2018 – April 2023

Statistics	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023
Number of active accounts (m)	34	38	36	34	35	37
Outstanding balances (£bn)	67	66	62	53	57	61
Percentage bearing interest (%)	55%	55%	56%	54%	51%	50%
Number of transactions (m)	261	301	164	259	322	325
Value of Transactions (£bn)	16	17	9	14	18	18

*Source: UK Finance (*2019, 2020, 2021, 2022, 2023, 2024*).*

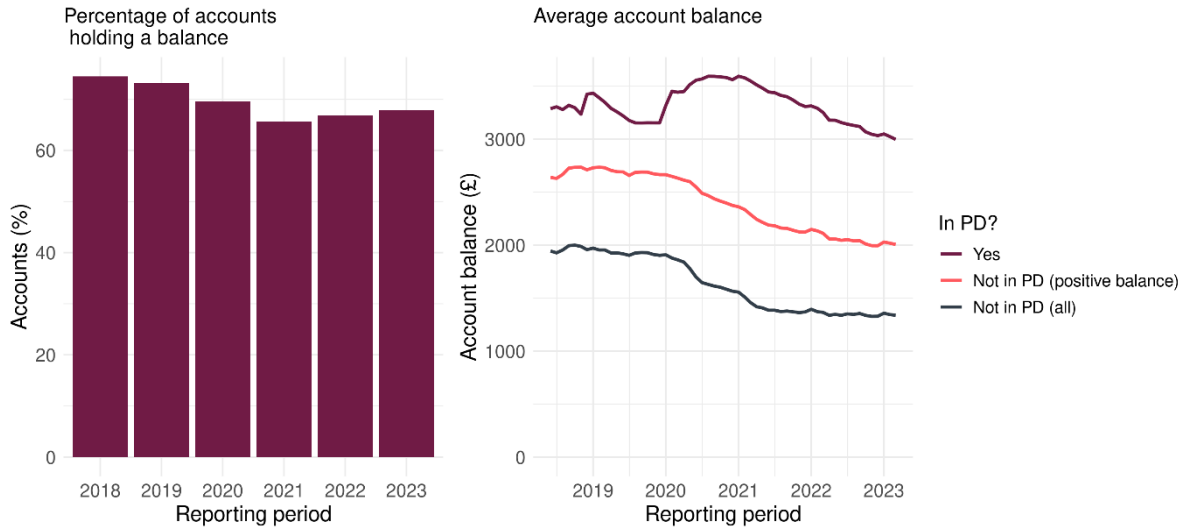
The credit card market changed over this period because of wider economic conditions and policy changes, as well as the persistent debt remedies. These summary statistics therefore reflect the effects of the Covid-19 pandemic, high inflation, rising interest rates, growth in Buy Now Pay Later products, other FCA interventions and the persistent debt remedies.

Account balances

Between mid-2018 and March 2023, average closing balances fell for customers both in and not in persistent debt (Figure 5). For accounts not in persistent debt, average balances fell most sharply after the onset of the pandemic. The average proportion of accounts holding a balance has also fallen, although there has been an uptick since 2021.

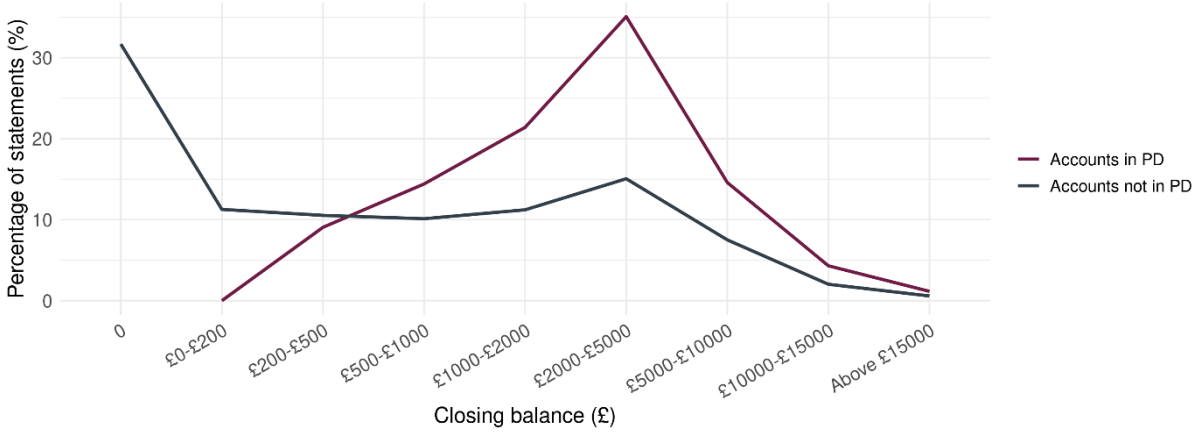
For accounts in persistent debt, average closing balances rose in early 2020 before falling again from 2021. This may reflect different effects of the pandemic across consumer groups, with some account holders able to pay down debt during lockdowns. Those in persistent debt continue to have much higher balances than other account holders.

Figure 5: Average closing balance descriptive statistics



Since the CCMS, the distribution of account balances has changed little within each persistent debt status. In Figure 6, we replicate Figure 8 from CP17/10 using all statements in our sample from the evaluation period. The distribution is broadly unchanged from the market study: 35% of accounts in persistent debt show closing balances of £2,000 to £5,000, with some consumers holding balances above £5,000, and a larger group holding balances below £2,000. By contrast, most statements from accounts not in persistent debt show closing balances below £500.

Figure 6: Distribution of closing balance, by persistent debt status

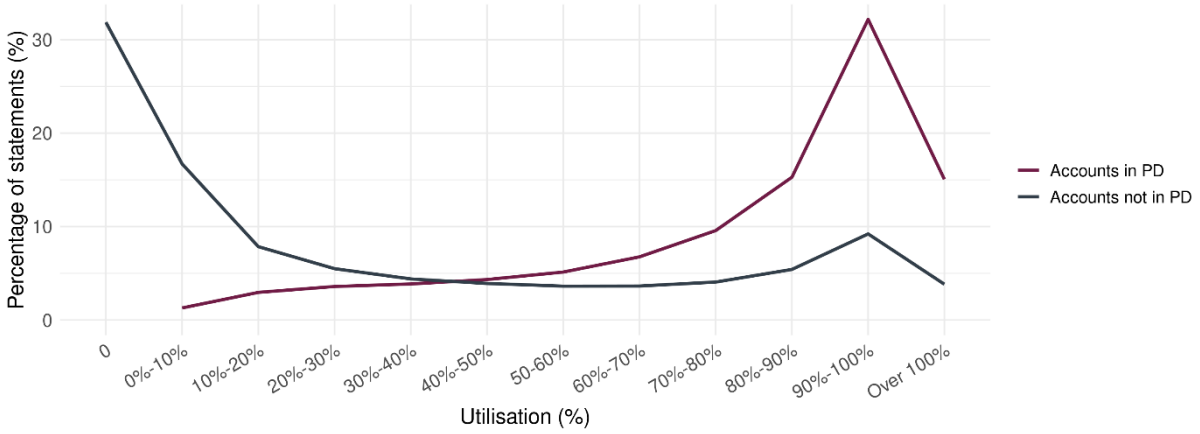


Note: Distribution across all statements, 2017-2023. For each group (PD vs. not in PD), percentages show the share of that group's statements falling within each balance range. For example, if the PD line shows 35% at £2,000-£5,000, then 35% of statements from accounts in PD had balances in this range.

Account utilisation

Credit card utilisation also appears to have remained similarly distributed since the remedies were introduced. Figure 7 reproduces the second panel of Figure 8 from CP17/10, using all statements from our sample throughout the evaluation period. Both account types show an uptick at 90% to 100% utilisation, but this is much more pronounced for accounts in persistent debt. This is similar to the results from the CCMS. However, compared with the CCMS, a larger proportion of accounts not in persistent debt appear to have higher utilisation.

Figure 7: Distribution of utilisation, by persistent debt status



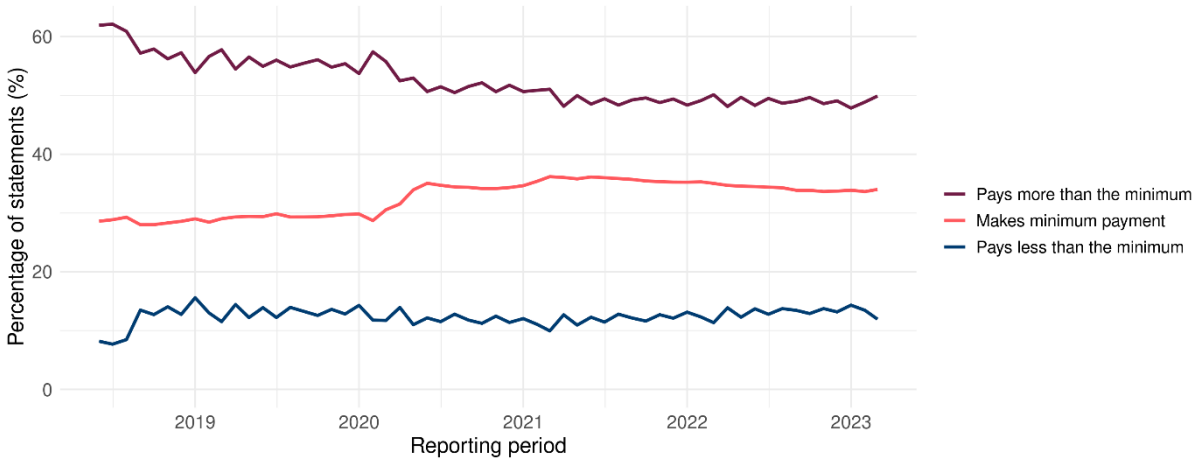
Note: Distribution across all statements, 2017-2023. For each group (PD vs. not in PD), percentages show the share of that group's statements falling within each utilisation range. Utilisation = balance/credit limit and can exceed 100% when fees or interest push balances above limits.

The proportion of accounts paying the minimum repayment rose during the evaluation period. Figure 8 includes all accounts in our sample, including accounts that were never in persistent debt. Most accounts pay at least the minimum repayment, while just over one in 10 pay less than the minimum each month on average. Among accounts paying more than the minimum, the average statement repayment was £100 above the minimum. Among accounts paying less than the minimum, the average shortfall was £16.

This matters because consumers who make only low minimum repayments are more likely to remain in debt for longer and face high borrowing costs. We can assess changes in repayment behaviour after customers are identified as being in persistent debt, but this should not be interpreted as evidence that persistent debt communications alone overcome the tendency to treat the minimum repayment as the default amount.

Although more accounts have paid the minimum repayment since the pandemic, this has not necessarily translated into higher persistent debt, as later sections show. This may reflect changes to firms' minimum repayment policies and other interventions to support consumers.

Figure 8: Percentage of accounts paying above, below, or equal to the minimum payment



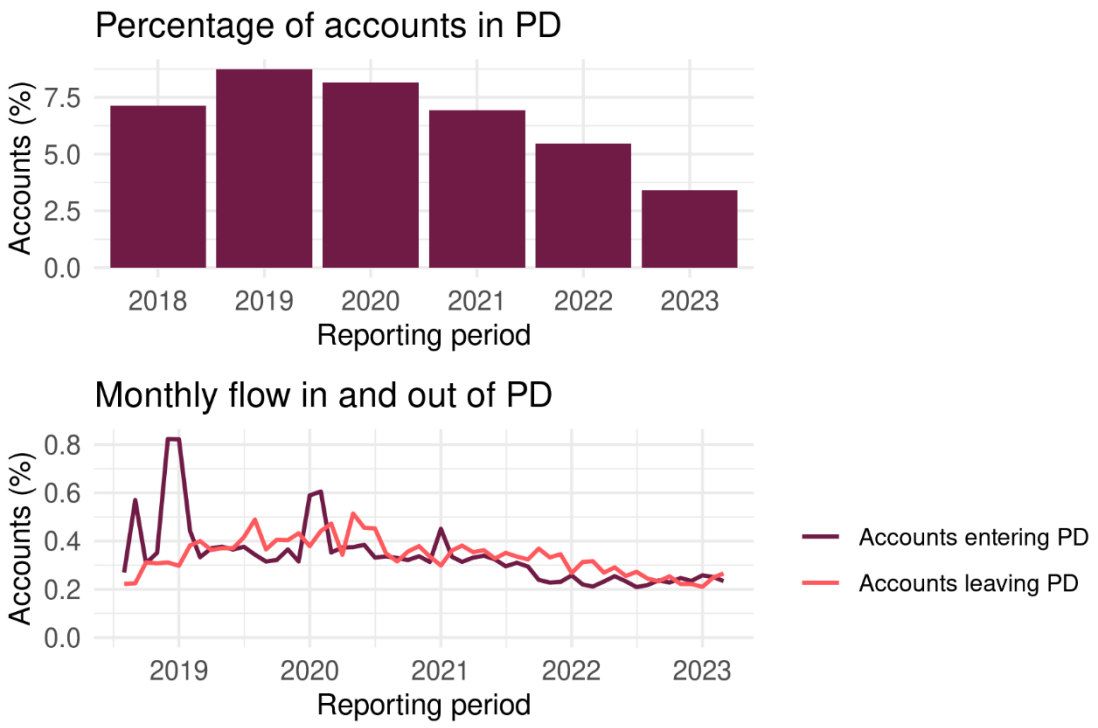
4 Outcomes

This section examines the key outcomes outlined in CP17/10. We first show that the number of accounts in persistent debt has fallen over time. We then assess how outcomes have changed for accounts both in and not in persistent debt and consider the mechanisms that may have driven those changes.

Accounts in persistent debt

The share of credit card accounts in persistent debt fell from 7% in 2018 to 3% in 2023. Figure 9 shows the average annual share of accounts in persistent debt, and the monthly share moving into or out of persistent debt. The number of accounts in persistent debt rose between 2018 and 2019, before eventually falling from 2020 onwards.

Figure 9: Customers in persistent debt



Note: The top panel shows the percentage of accounts classified as being in persistent debt in each year. The bottom panel shows monthly flows into and out of persistent debt: the percentage of all accounts that newly entered PD (began meeting the persistent debt definition) or exited PD (stopped meeting the definition) in each month. 2018 and 2023 only represent partial years.

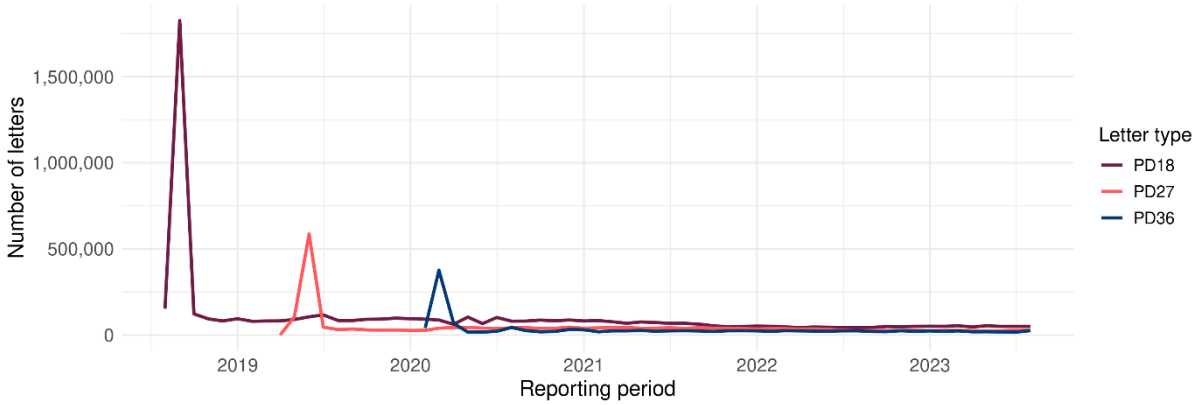
The bottom panel of Figure 9 shows a relatively high degree of churn. Around 0.3% of all accounts enter persistent debt each month, with a similar share leaving. This is high relative to the average share of accounts in persistent debt in each month, at around

4%. If our figures are representative, this implies that around 100,000 accounts enter and leave persistent debt each month.

Compared with our expectations set out in CP17/10, the decline in accounts in persistent debt took longer than 2 years to reach 50% of the original total, possibly reflecting the effect of macroeconomic events. However, our data suggests the share of accounts in persistent debt reached a steady state towards the end of 2022, with a relatively constant flow of accounts moving into and out of persistent debt.

The remedies required firms to send customers communications at 18, 27 and 36 months of being in persistent debt. Figure 10 shows the number of letters sent by lenders for each month in our sample. There is a large spike in PD18 letters sent in September 2018, when firms became compliant and contacted customers already in persistent debt. After this, the number of letters sent remained steady, with spikes as customers reached PD27 and PD36 at 9-month intervals after receiving their initial letters.

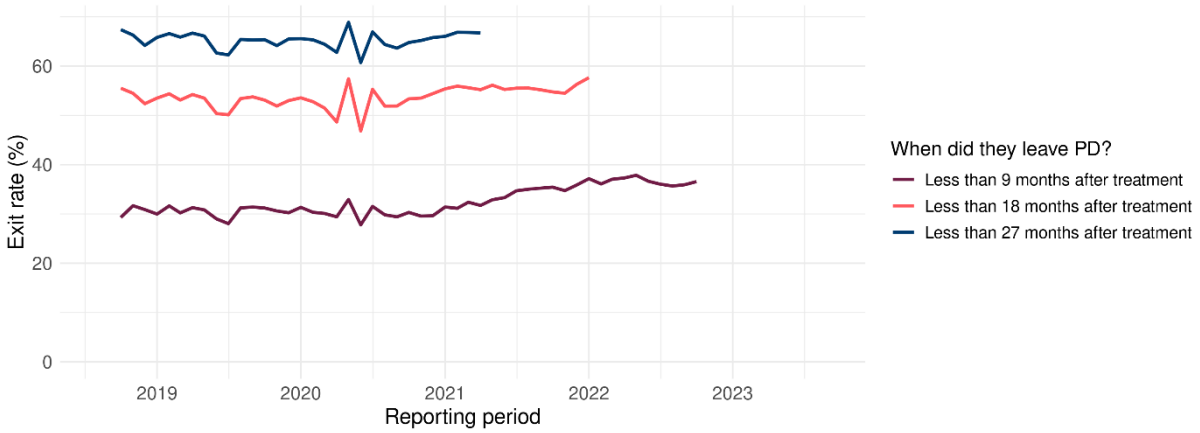
Figure 10: Number of PD letters sent each month



Of consumers who received a PD18 letter, 63% did not receive a PD27 letter, suggesting that most consumers who enter persistent debt leave it after the initial intervention. Of those who received a PD27 letter, 55% later received a PD36 letter. This points to a subset of customers in more serious financial difficulty, for whom leaving persistent debt may be harder. For these consumers, the persistent debt remedies may be insufficient on their own, because the main barrier to faster repayment may be affordability rather than awareness or engagement.

We explore exits from persistent debt further in Figure 11. This shows the exit rate: the proportion of consumers who received a PD18 letter and later left persistent debt. Exit rates appear to rise for consumers who received a PD18 letter after December 2020, which may indicate that some used Covid-19 lockdowns as an opportunity to pay down debt. Overall, 32% of treated consumers left persistent debt within 9 months, 53% within 18 months, and 65% within 27 months.

Figure 11: Exit rates over time



Note: Exit rate is the percentage of accounts that left PD within the specified period after receiving their first PD18 letter. For each treatment cohort (month of first letter), the figure shows the share that exited PD within 9, 18, or 27 months.

Overview of other outcomes and mechanisms

This section describes how other outcomes evolved, including debt, interest, fees and indicators associated with financial difficulty. We also consider how consumers and firms responded to the intervention to understand the mechanisms that may have driven changes in outcomes.

We treat indicators associated with financial difficulty as background context, given the strong influence of wider macroeconomic conditions during the evaluation period. Table 3 summarises how other outcomes changed over the evaluation period for accounts in and not in persistent debt. We found that:

- The total cost of borrowing, including interest and fees, fell by around £10 per month on average for people in persistent debt.
- Firms adjusted minimum repayments and credit limits, with average credit limits falling by around £120 for those in persistent debt.

Table 3: Outcomes in the first versus final year of our sample, mean and standard error

	First 12 months			Last 12 months		
	Market	**No PD**	**In PD**	**Market**	**No PD**	**In PD**
Outcomes: Consumer debt, interest and fees						
Account balance (£)	2,055 (1,035)	1,983 (1,020)	3,323 (7,437)	1,406 (486)	1,351 (466)	3,106 (7,834)
Total interest (£)	19 (0.13)	17 (0.1)	60 (2.98)	13 (0.06)	11 (0.05)	53 (2.73)

Fees (£)	3 (0.01)	3 (0.01)	4 (0.03)	2 (<0.01)	2 (<0.01)	1 (0.01)
Outcomes: indicators of financial distress						
Utilisation (%)	39 (1.34)	35 (1.32)	89 (4.79)	32 (0.34)	30 (0.32)	75 (5.35)
Percentage of accounts:						
in arrears	4 (0.01)	3 (0.01)	20 (0.42)	5 (0.01)	4 (0.01)	18 (0.43)
charged off	0.6 (<0.01)	0.4 (<0.01)	4 (0.04)	4 (0.01)	4 (0.01)	7 (0.1)
Firm response						
Minimum repayment (£)	51 (1)	44 (0.8)	175 (27)	53 (1)	50 (1)	139 (23)
Interest Rate (%)	21 (0.07)	21 (0.07)	26 (0.4)	23 (0.07)	23 (0.08)	28 (0.5)
Credit limit (£)	5,585 (7,347)	5,741 (8,143)	3,903 (11,530)	4,563 (4,405)	4,595 (4,568)	3,782 (14,254)
Consumer response						
Repayment amount (£)	331 (49)	344 (54)	104 (11)	297 (37)	304 (39)	100 (16)
Value of transactions (£)	143 (19)	150 (21)	16 (3)	141 (17)	146 (18)	8 (2)
Number of transactions	5 (0.01)	5 (0.01)	2 (<0.01)	5 (0.01)	5 (0.01)	2 (0.01)
Percentage of accounts that:						
have Direct Debit set up	36 (0.3)	36 (0.3)	37 (1)	30 (0.2)	30 (0.2)	41 (2)

Interest and fees

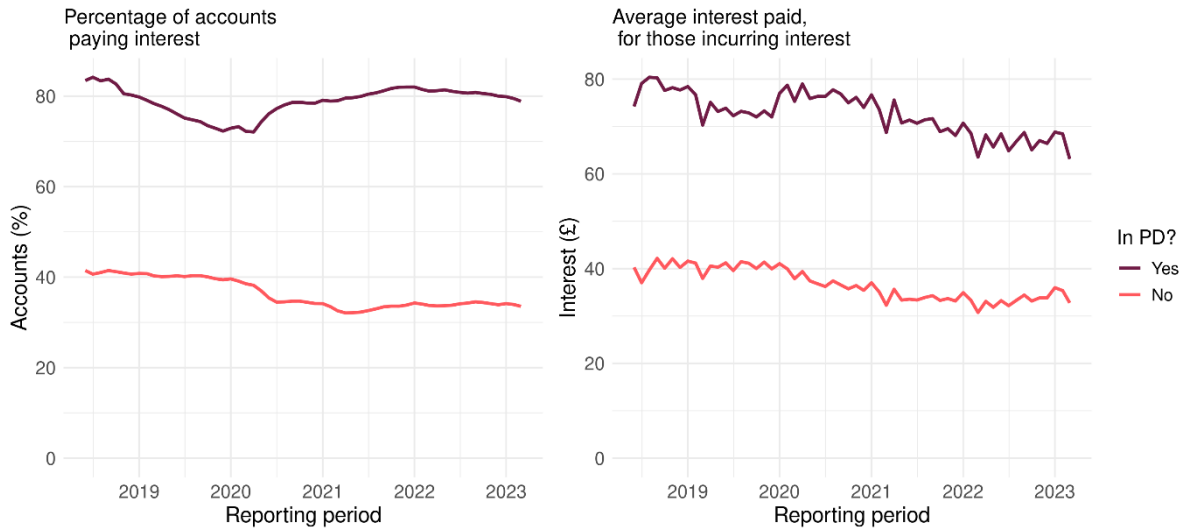
This section covers the main outcome monetised in the CBA. We do not attempt to calculate a comparable monetised benefit of the intervention in this evaluation because we cannot attribute the changes we observe to the remedies introduced. The remedies

were designed to encourage consumers to repay their debts more quickly which, all else equal, should reduce the amount they pay in interest and fees. We find that the total cost of borrowing for people in persistent debt fell by £10 per month on average.

The left-hand panel of Figure 12 shows the proportion of accounts accruing interest, by persistent debt status. The proportion of accounts in persistent debt paying interest each month remained relatively stable, at around 80%. There was a fall leading up to 2020, but the figure began to rise again after the first lockdown. While, by definition, all accounts in persistent debt have a balance of at least £200, some of these accounts may avoid interest due to, for example, promotional 0%-interest periods. By contrast, the proportion of accounts not in persistent debt paying interest fell by around 7 percentage points over the period.

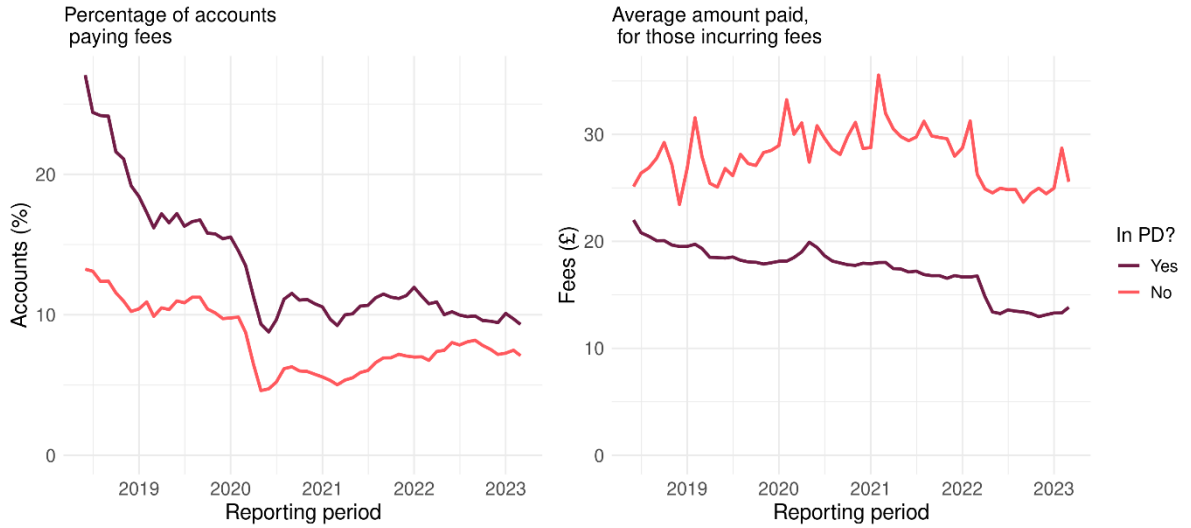
The average amount that consumers pay in interest has fallen. The right-hand panel of Figure 12 shows the average monthly interest paid by accounts that accrued interest during the evaluation period. For accounts in persistent debt, this fell from £74 per month on average to £63 by March 2023. For accounts not in persistent debt, average monthly interest was more stable, falling by £7. This reduction in average interest paid occurred while account interest rates and the Bank of England base rate increased.

Figure 12: Average interest, by persistent debt status



Fees show a different pattern. The left panel in Figure 13 shows the proportion of accounts that owed fees, by persistent debt status. For accounts in persistent debt, this fell from over 3 in 10 accounts at the start of the evaluation period to around 1 in 10. By 2023, the figure is almost as low as accounts not in persistent debt. Among accounts in persistent debt that paid fees, the average monthly amount paid fell by around £8 during the evaluation period. Accounts not in persistent debt tend to pay fees less often, but when they do, the amounts paid tend to be higher.

Figure 13: Average fees paid, by persistent debt status



Firm response

This section describes trends in firms' responses, including minimum repayment amounts, interest rates and credit limits.

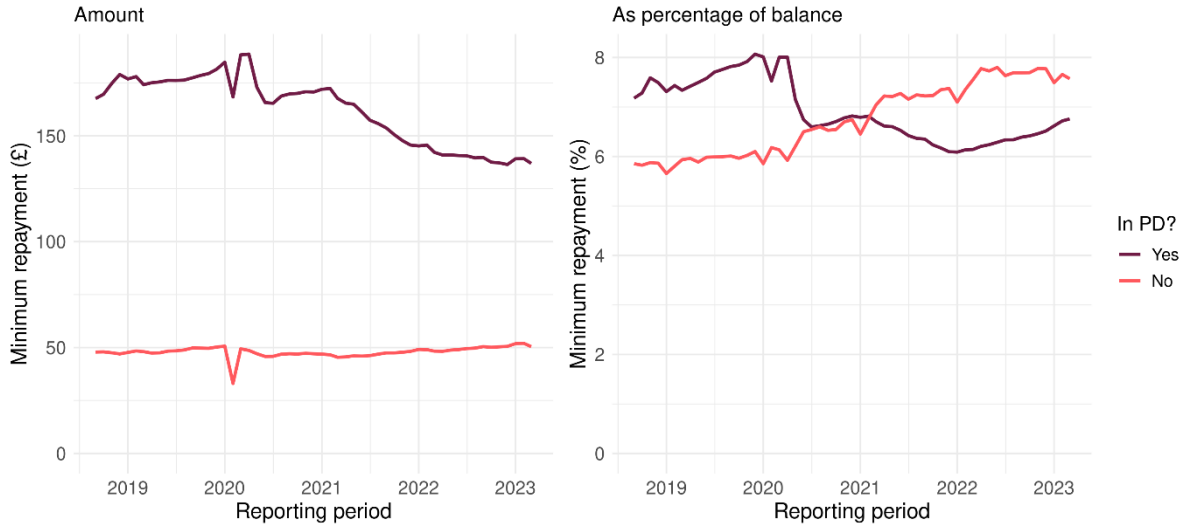
Most firms in our sample altered their approach to minimum repayments, which may help reduce persistent debt.

Since the intervention, firms have increased minimum repayments as a share of balances for customers not in persistent debt and reduced credit limits. For customers in persistent debt, average minimum repayment amounts fell. We do not observe a clear pattern in interest rates.

Figure 14 shows that, for accounts in persistent debt, minimum repayments increased slightly up to 2020, both in absolute terms and as a share of the account balance. Both then fell in early 2020, possibly reflecting policy changes during the pandemic.

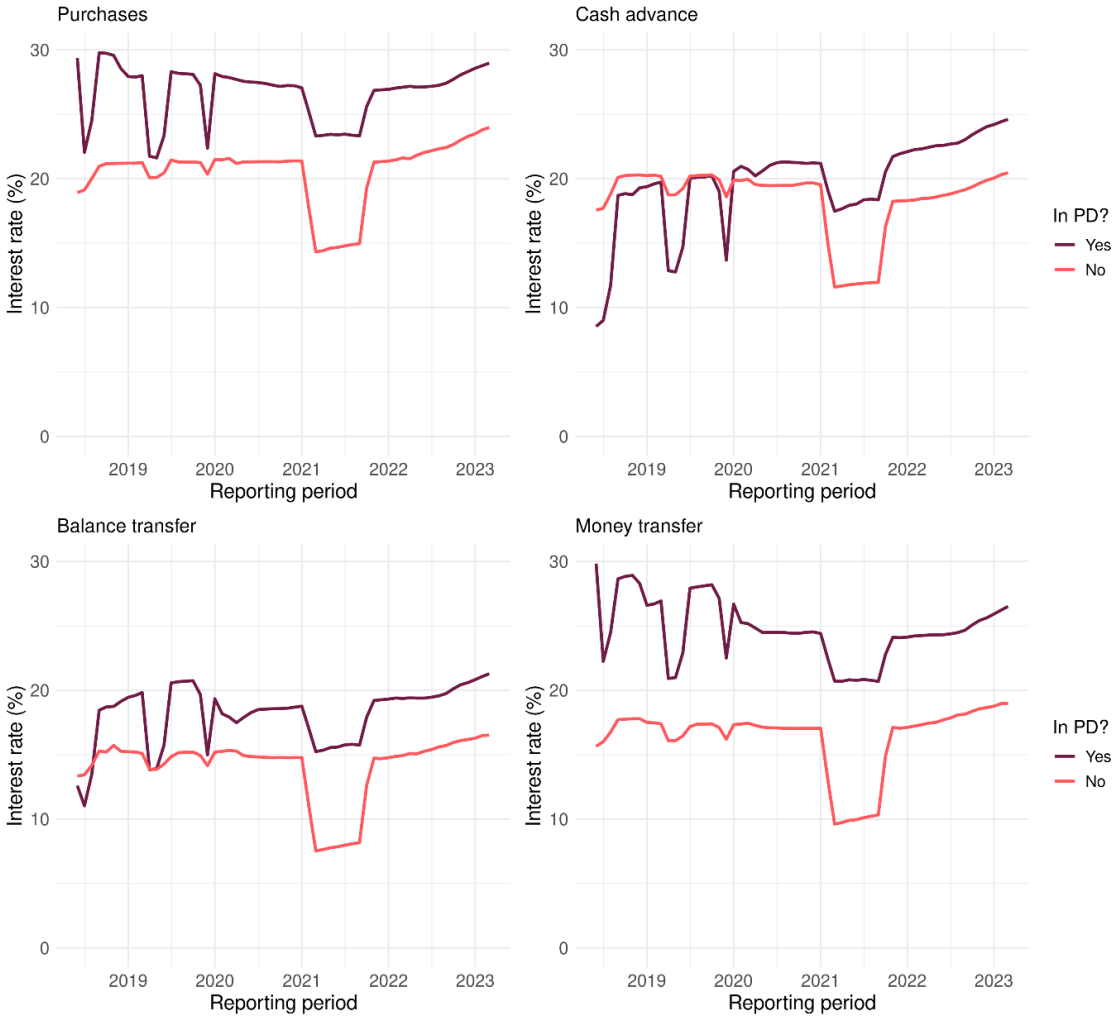
By contrast, minimum repayments as a share of account balances appear to have risen for accounts not in persistent debt. This may reflect a preventative approach. Firms may have increased minimum repayments as a share of balances to reduce the risk of consumers entering persistent debt, although the pattern may also reflect lower account balances. Consumers in persistent debt may have difficulty affording higher repayments, which could explain why firms did not increase minimum repayments for these account holders.

Figure 14: Minimum repayment, by persistent debt status



Interest rates for consumers in persistent debt generally remained above those for other account holders. Figure 15 shows interest rates have risen across all transaction types since 2022, consistent with wider economic trends.

Figure 15: Interest rates, by persistent debt status and type



Note: The figure shows average interest rates charged on four different transaction types. 'Purchases' refers to standard credit card purchases of goods and services. 'Cash advance' applies when cardholders withdraw cash using their credit card. 'Balance transfer' is the rate charged on balances moved from another credit card. 'Money transfer' applies when funds are transferred from the credit card to a bank account.

Consumer response

This section describes trends in consumer behaviour, including repayment amounts, spending and use of direct debit.

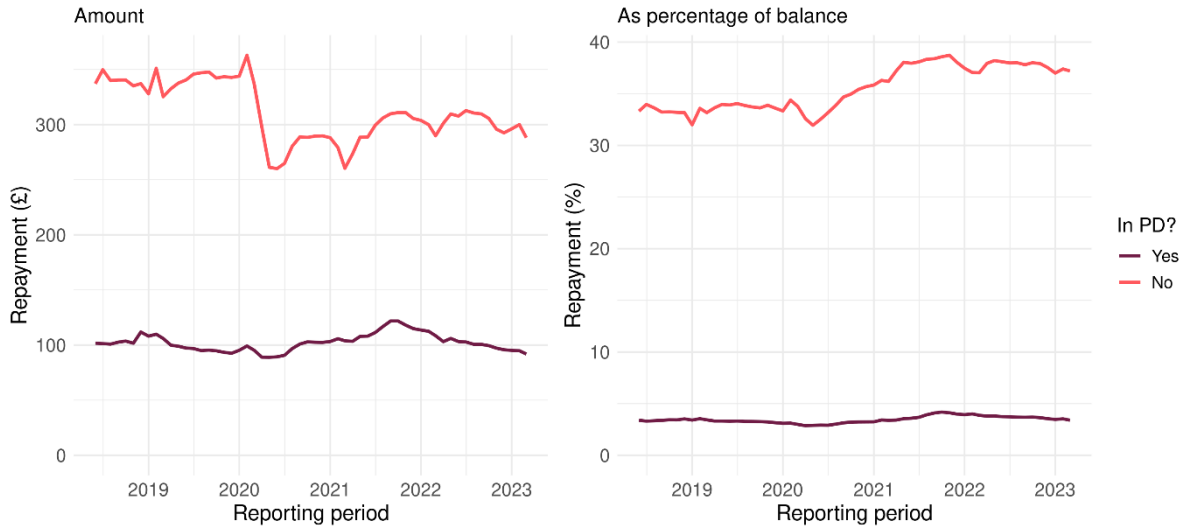
Our evidence suggests that consumers' repayment behaviour changed after the persistent debt remedies were introduced, although patterns vary across measures.

Figure 16 shows average repayment amounts and repayments as a proportion of closing balance. For customers in persistent debt, average repayments have fluctuated over the evaluation period but have remained broadly stable as a share of outstanding balances at around 3.5%. However, analysis of accounts immediately after receiving a PD18 letter suggests that more than half increased their repayments after the intervention.

Average repayments increased for 58% of accounts in the 6 months after receiving a PD18 letter, compared with the 6 months before.

For other consumers, the average repayment amount fell but increased as a share of the overall balance. A steep fall in repayment amount coincides with the beginning of the pandemic, likely reflecting lower spending during this period.

Figure 16: Average repayment, by persistent debt status



Customers in persistent debt are more likely to underpay and less likely to make the exact minimum repayment.

Between 2018 and 2023, around 15% of accounts in persistent debt paid the minimum repayment in a typical month, compared with 32% of other accounts. However, 42% of accounts in persistent debt paid less than the minimum repayment, compared with only 12% of other accounts. Overall, customers in persistent debt were less likely to overpay relative to the minimum repayment requirement (43% versus 54%).

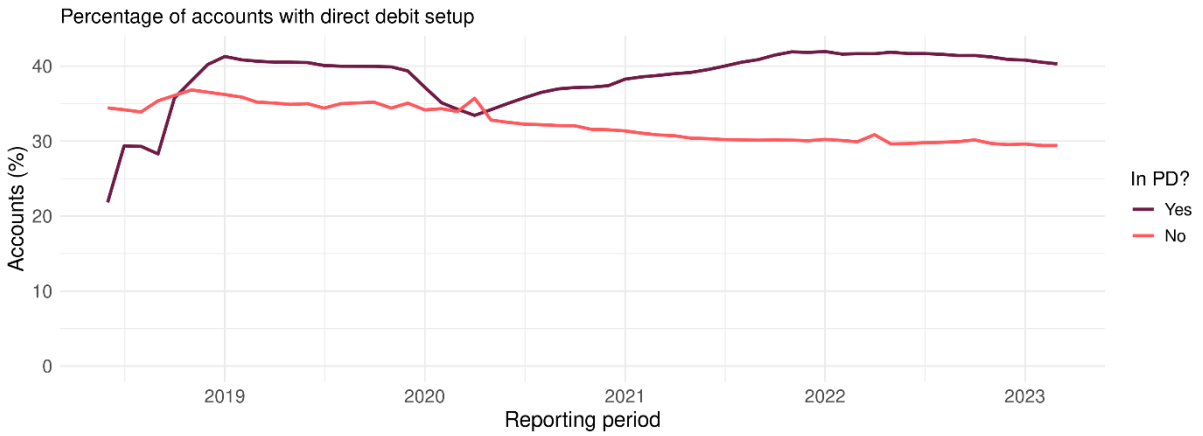
These patterns mean the repayment results should be interpreted carefully. The evidence suggests that some customers increase their repayments after receiving the 18 month persistent debt communication. However, this does not mean that the communications alone have addressed all the factors that can lead customers to make low repayments. Some customers may be unable to afford higher repayments, while others may continue to focus on the minimum payment shown on their statement.

Consumers in persistent debt also make fewer transactions than other consumers. The value of their transactions is around £120 lower each month. This may reflect being close to their credit limits, which may leave them unable to make larger transactions.

For consumers not in persistent debt, both the volume and value of transactions fell sharply during the first and third national lockdowns in England. These falls are less pronounced for consumers in persistent debt. This is likely because transactions were already very low for these consumers, who made an average of 2 transactions per month before the pandemic.

Figure 17 shows changes in the proportion of consumers with a Direct Debit set up. For most of the market, this proportion appears to have fallen. However, the proportion of accounts in persistent debt with a Direct Debit set up increased, and since early 2020, this proportion has increased by more than 5 percentage points. By early 2023, around 41% of accounts in persistent debt had a Direct Debit set up, compared with around 30% of other accounts. Direct Debit may help consumers make regular repayments and avoid arrears.

Figure 17: Proportion of accounts that have Direct Debits set up, by persistent debt status



Outcomes 6 months after receiving a PD18 letter

The previous sections focused on average market-wide trends. This section focuses on the period immediately after customers received a PD18 letter. We find:

- 58% of accounts that received a PD18 letter increased their average repayments in the 6 months after receiving the letter, compared with the 6 months before.
- 67% of accounts that received a PD18 letter reduced their average debt in the 6 months after receiving the letter, compared with the 6 months before.

- Of accounts not in arrears in the 6 months before receiving a letter, 14% entered arrears in the following 6 months.
- Of accounts in arrears in the 6 months before receiving a letter, 29% were no longer in arrears in the following 6 months.
- 57% of accounts that received a PD18 letter reduced their average credit card utilisation in the 6 months after receiving the letter, compared with the 6 months before.
- Of accounts that received a PD18 letter before February 2022, 44% later received a PD27 letter and 23% later received a PD36 letter.

5 Implementation: survey results

This section explains how firms implemented the remedies. We examine the strategies firms used to influence consumer behaviour, the obstacles they faced, and the reported effects on firms and consumers. We also discuss earlier intervention and voluntary measures.

Our analysis draws on survey responses from 17 credit card issuers.

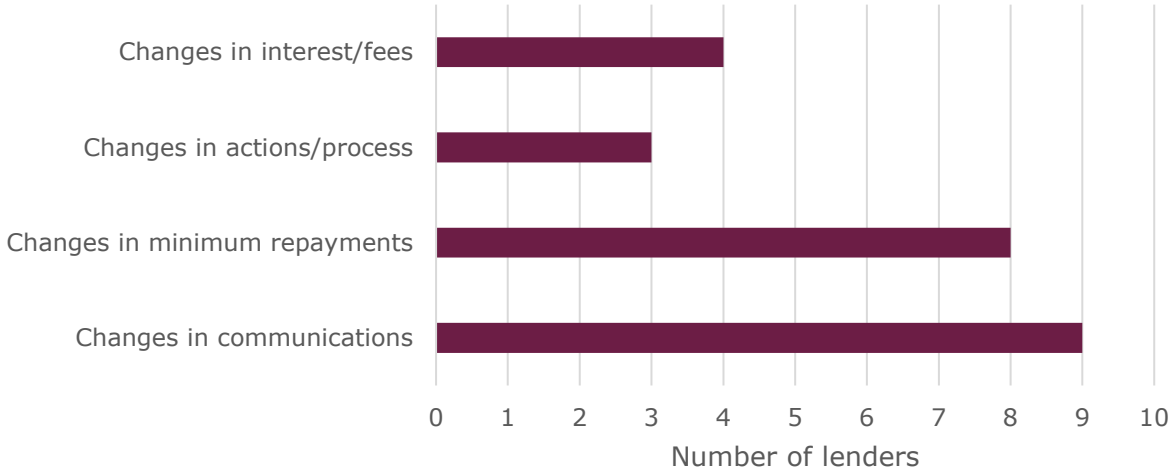
Firms' experiences of implementation

Most firms send communications to customers at 3 key milestones: PD18, PD27 and PD36. Some firms make additional interventions, such as contacting customers who consistently make the minimum repayment, restricting credit-limit increases or increasing minimum repayments. Others intervene earlier, for example at PD12 or as early as 4 months after account opening. Some firms encourage faster repayment by suggesting higher repayment amounts or prompting customers to set up a Direct Debit.

Firms used a variety of methods to support customers in persistent debt

Most firms did not have a systematic approach before the interventions, although some were already contacting customers who consistently made minimum repayments. Since the persistent debt measures were implemented, many firms have updated their strategies, as shown in Figure 18.

Figure 18: Changes in strategy since the persistent debt regulations were introduced



Question: Have there been any changes to your strategy since the PD regulations were introduced? If so, please say what they are and the date they came into effect.
Base: 17 lenders

Firms use a variety of channels to send persistent debt communications, including letters, email, SMS, mobile banking notifications and phone calls. Some firms use only physical letters. Since July 2024, firms have had responsibilities under the Consumer Duty (PRIN 2A.5.6 R) to ensure that communication methods support effective decision making and provide an opportunity for customers to review information and assess options.

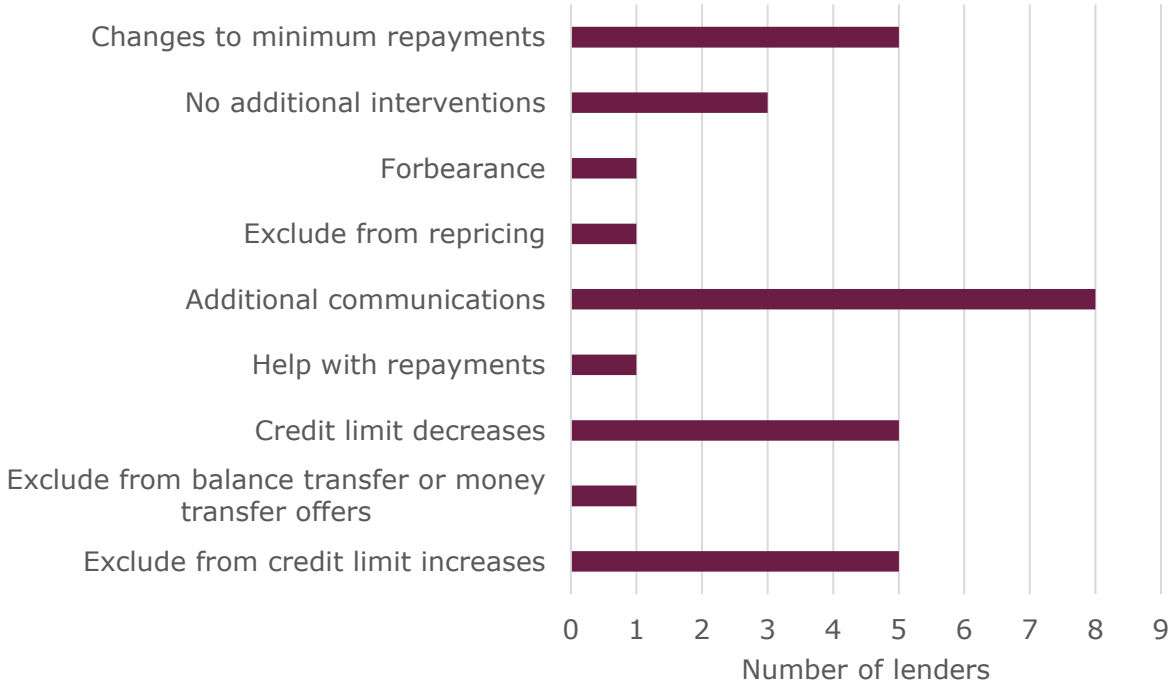
Some firms communicate earlier than required. For example, one firm sends monthly emails encouraging higher repayments to customers who appear on track to reach PD18, while another communicates weekly after PD18. One firm adds a banner to its mobile app to remind customers that their account is in persistent debt. Other firms send no additional communications beyond those required by the regulations.

Some firms noted that customer addresses were not always up to date, but said they generally used email in these cases. Some firms can see which customers have opened electronic communications; others can do so but do not monitor this, while some do not use electronic communications at all. Firms that track whether communications are opened report opening rates of around 50% to 60%.

Most firms do not automatically send PD27 letters to all customers who received a PD18 letter. Firms may not send a communication if the customer no longer meets the persistent debt definition. Other firms still send a letter, but it may differ from the one sent to customers who remain in persistent debt at PD27.

Firms take a range of additional steps to support customers in persistent debt beyond those required by the regulations. These are shown in Figure 19. The most common actions include additional communications and credit limit decreases.

Figure 19: Additional interventions to support customers in persistent debt

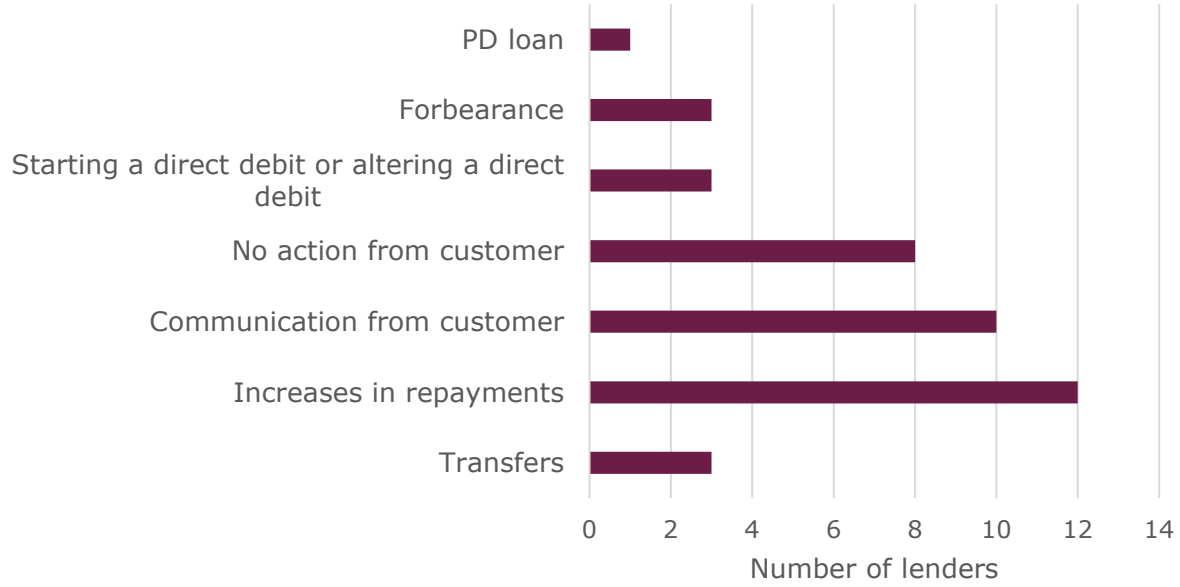


Survey question: Do you intervene to support customers in persistent debt beyond the required PD18 and PD27 communications? E.g. changes to minimum repayments, credit limits, additional communications.

Base: 17 lenders

Figure 20 shows that the most common response firms observe from customers receiving persistent debt communications is an increase in repayments. However, responses vary.

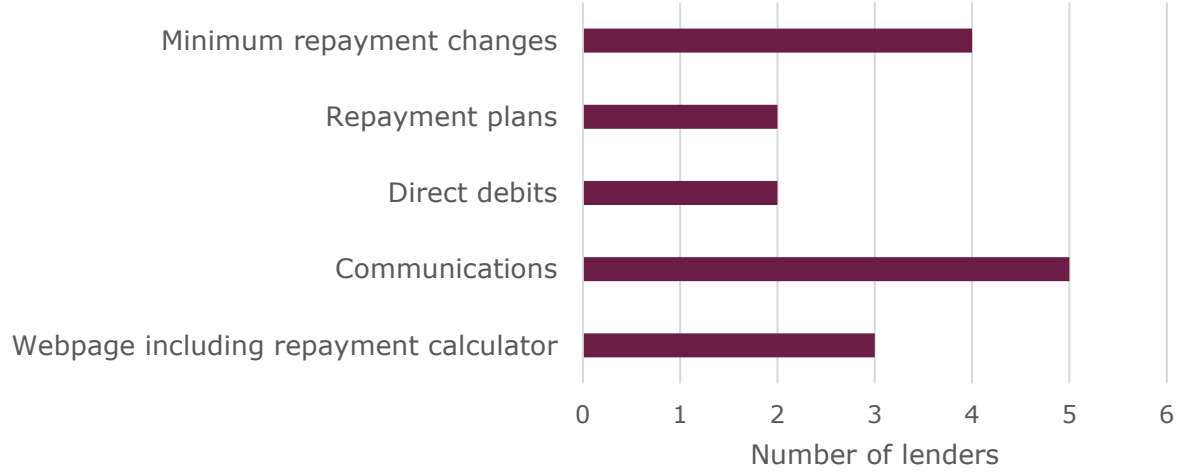
Figure 20: Customer responses to persistent debt communications



Survey question: What are the alternative ways you see customers responding to PD communications in your experience?
Base: 17 lenders

Firms identify communications as the most effective tool for managing persistent debt, particularly where they can speak directly to customers. Other firms said repayment calculators and changes to minimum repayments were useful, as shown in Figure 21.

Figure 21: Most helpful tools for managing persistent debt

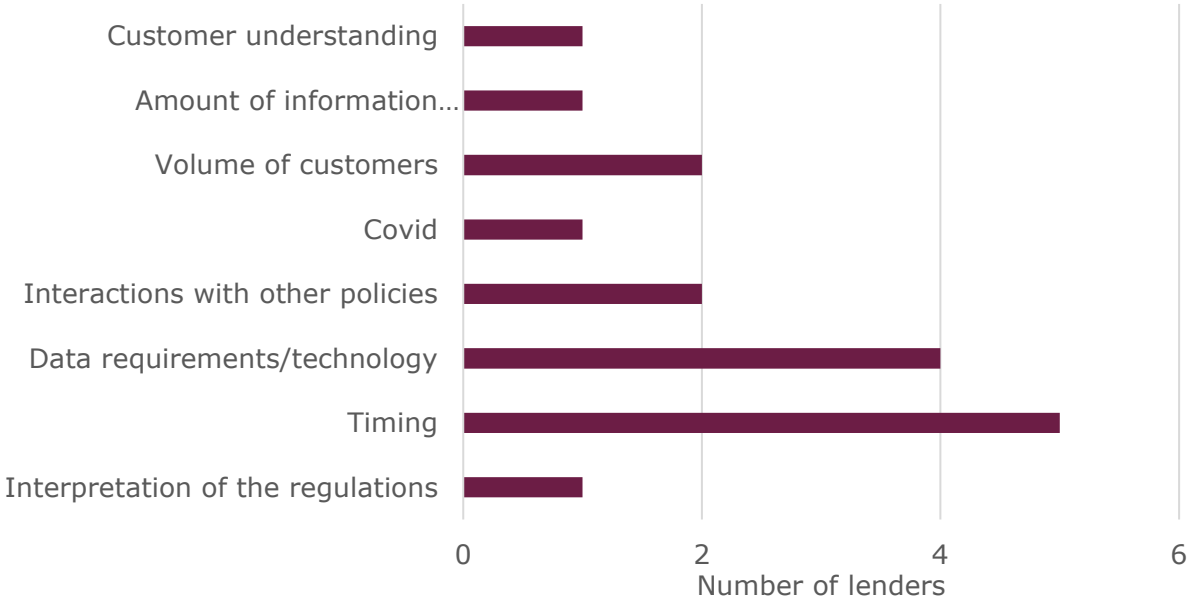


Survey question: In your experience, what tools have you found most helpful for managing PD? Why?
Base: 17 lenders

Timing and customer engagement were key challenges

The most common implementation issue reported by firms was timing. Firms typically had to contact a large stock of customers already in persistent debt at implementation. Figure 22 shows the implementation issues reported by lenders.

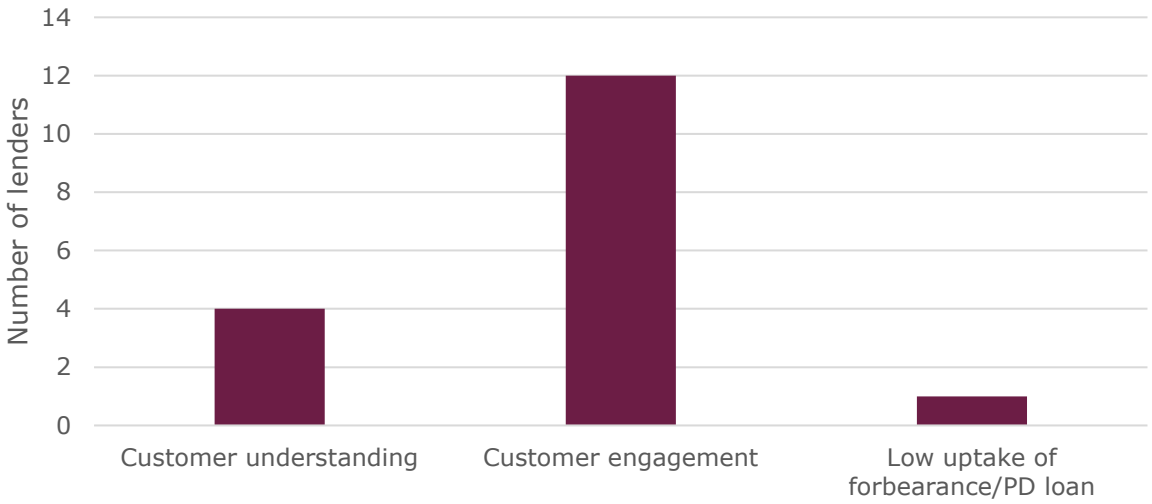
Figure 22: Implementation issues reported by lenders



Survey question: Were there any implementation challenges?
Base: 17 lenders

Firms reported that the biggest challenge in supporting customers in persistent debt was customer engagement (Figure 23). Another issue was customer understanding. For example, some customers believed they should not need to take further action if they were meeting their contractual requirements.

Figure 23: Challenges to supporting customers in persistent debt



Survey question: What are the major challenges with regards to supporting PD customers in your experience?
Base: 17 lenders

The following firm quotes explain customer engagement issues in more detail:

'[A major challenge is] trying to engage customers reluctant to change behaviour, particularly those who are happy with the level of repayments they are making. For example, we can see there are customers who are in PD but have higher savings balances, but they are comfortable with how they are managing their products.'

'[Another challenge is] trying to engage customers who do not wish to engage in higher payments, perhaps because they do not see it necessarily as a problem for them (as above) or perhaps it is a concern, but they do not want to take us up on our support for us to help them.'

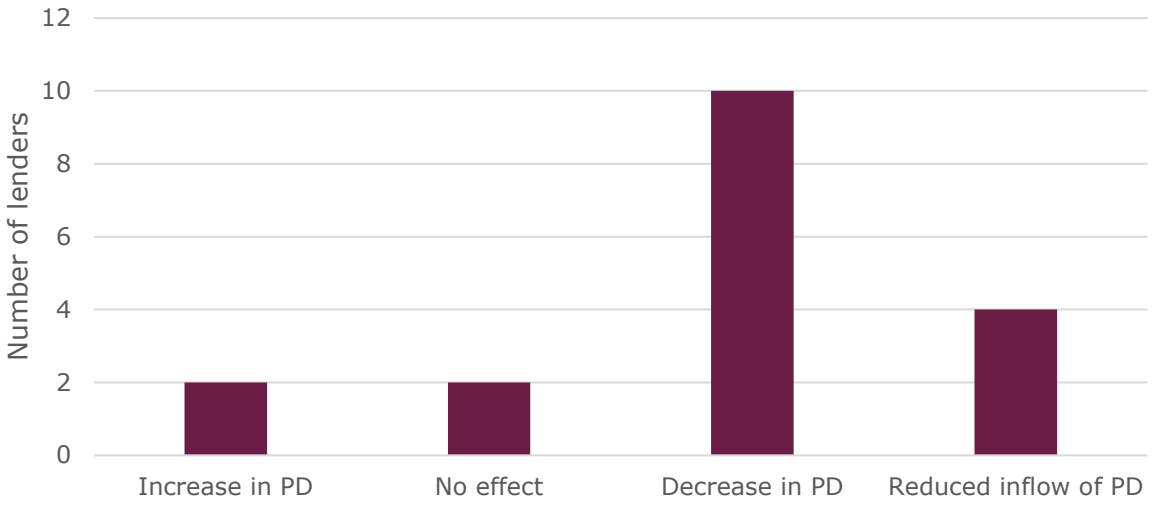
'In our experience many customers in PD can afford higher repayments (evidenced through immaterial changes to delinquency rates following minimum payment changes), the most difficult challenge is encouraging customers to make higher repayments.'

'Customers in PD have become used to only making minimum payments, often relying on automated Direct Debits to keep their account in good order. Despite us showing customers the longer-term benefits of paying more, it has been difficult to influence some customers to change this behaviour where higher payments are voluntary.'

Firms report lower numbers in persistent debt, but also lower revenue

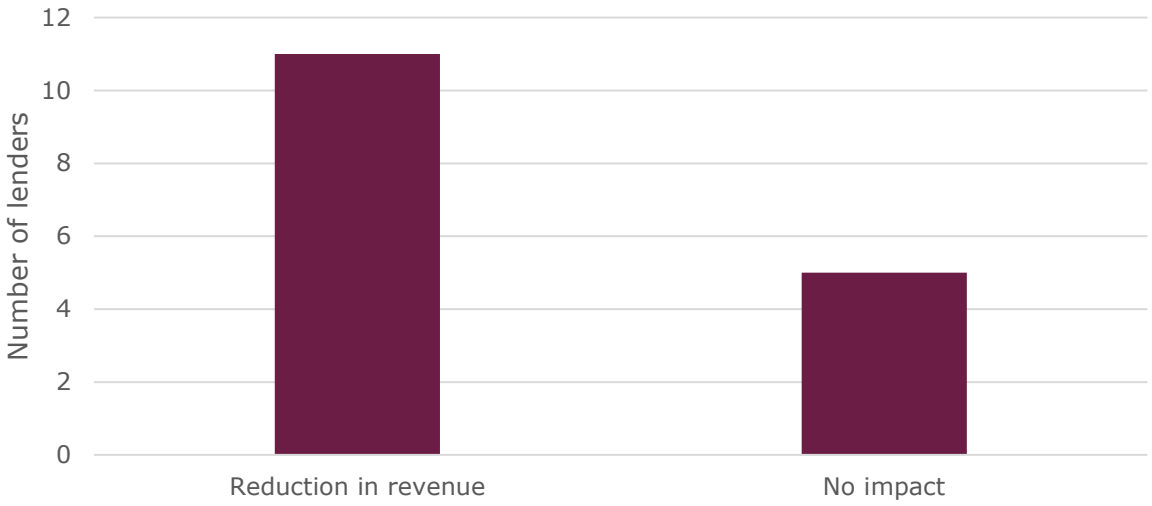
Firms generally reported decreases in the number of customers in persistent debt (Figure 24). However, they noted that wider economic changes are likely to have contributed to these trends. At the same time, revenue from credit card products has fallen (Figure 25), although most firms reported that the change was small or negligible.

Figure 24: Reported trends in persistent debt



Survey question: The number of customers in persistent debt? How?
Base: 17 lenders

Figure 25: Reported effect of persistent debt interventions on credit card revenue



Survey question: The revenue from your credit card products? How?
Base: 17 lenders

Some firm-level evidence suggests that persistent debt communications may have increased exit rates from persistent debt and reduced revenue per account. However, this evidence is not consistently available across firms and should not be interpreted as a market-wide conclusion.

Persistent debt communications

Firms provided copies of the letters they sent to consumers. This subsection analyses those letters. We use the Easy, Attractive, Social and Timely (EAST) framework to guide our analysis.

The content and tone of communications matter because customers in persistent debt may already be experiencing financial difficulty. This highlights the importance of communications that prompt repayment while providing a clear route to support where repayment is unaffordable.

We analysed 173 letters from the 17 firms that completed our survey, including 53 PD18 letters, 40 PD27 letters and 28 PD36 letters. We also reviewed additional communications, including encouragement letters for consumers who were 'on track' and alerts sent outside the timings required by the policy.

Firms made repayment easy

Firms used a range of mechanisms to make repayment easier for consumers. A few firms automatically increased minimum repayment amounts for certain consumers. This increased the default amount consumers paid each month, while allowing them to opt out of higher payments.

More firms tried to reduce the hassle of repayment by encouraging consumers to set up Direct Debits, to automate payments rather than requiring consumers to act each month. For example, one lender explained the steps consumers could take to turn on Direct

Debits. Other firms reduced hassle by providing step-by-step guidance on payment methods, reducing the time consumers need to spend finding instructions.

Almost all firms also took steps to simplify consumers' decision-making. Some firms offered guidance on the amount account holders should repay. This included signposting to repayment calculators, suggesting tailored repayment amounts, or providing rules of thumb, such as paying at least double the interest accrued.

Some sent different letters depending on an individual's specific situation, which allowed them to offer more streamlined advice. A few firms also illustrated the time and interest cost associated with different repayment plans, making it easier for consumers to compare options.

Attractive messaging highlighted key information

The letters used design features to highlight key information and messages. Most commonly, firms addressed letters directly to account holders by name. Most letters were also signed by a specific individual.

Headings are important because they draw immediate attention to the message. Recipients may use headings to decide whether to read the text that follows. We noticed that letter headings were sometimes vague, alluding to 'important information', an 'update' about the account, or 'new debt repayment rules'. These headings may fail to capture consumers' attention, reducing engagement.

Other letters used headings to highlight the benefits of changing behaviour. For example, one drew attention to the fact that consumers could 'save more later', while another read 'How increased repayments could benefit you'. Letter headings were often more urgent or serious in later communications, reflecting the greater consequences of remaining in persistent debt for longer.

Other design elements also drew attention to key information. For example, letters often used bright boxes to highlight contact information or tips for setting up a Direct Debit. Phone numbers were often shown in bold. A few firms used icons to illustrate the effects of persistent debt, which can draw attention and support understanding.

Some firms placed greater emphasis on the negative effects of persistent debt than others. Many firms used large or bold text to highlight the costs of prolonged credit card debt. Others used tables with different scenarios. This may draw attention to the costs of persistent debt, but too many examples or details may confuse consumers and reduce engagement.

Most firms did not use specific techniques to draw attention to the possibility of account closure. Instead, information about it was usually embedded within a section on the consequences of remaining in persistent debt. The heading for this section often had a non-urgent tone, such as 'What happens next'. This may avoid alarming account holders, but it may also mean they miss important information.

Firms also used incentives to make behaviour change more attractive. Most commonly, they highlighted the negative effects of remaining in persistent debt. For example, many firms used scenarios to illustrate the cost of credit card borrowing. Some letters showed how much a hypothetical consumer could end up paying in interest. Others gave account holders personalised figures showing how much they had paid in fees and interest. Firms

sometimes included drawbacks to remaining in persistent debt beyond those we required them to communicate, such as the impact on credit score.

Some letters also included positive incentives. Some firms sent encouraging letters to customers who were on track to leave persistent debt. This could create an 'endowed progress' effect, where people feel more motivated because they perceive that they are closer to their final goal. One PD36 letter offered the possibility of lower interest rates for customers who contacted the lender. Other PD36 letters offered incentives for faster repayment plans, such as retaining the credit card.

Targeting behavioural biases could have strengthened engagement

Very few letters contained social elements. One letter used a personal example to illustrate how to leave persistent debt and the benefits of doing so. Some firms also invited consumers to commit to increasing their monthly repayments, including over the phone or in repayment initiatives.

Firms could make greater use of social strategies to encourage behaviour change. Examples could include using social norms, such as 'x% of people make their payments on time'. Firms could also use personal stories to convey information about persistent debt. Firms could also encourage customers earlier in the persistent debt journey to call them and commit to higher monthly repayments.

Communications were timely

Firms often included information to help customers plan. Repayment calculators, for example, help customers understand how long it may take to repay their debt. One PD18 letter suggested making higher repayments for the next 9 months. PD36 letters frequently explained how long different repayment options might take, how large repayments would be, and how much interest customers might incur.

Firms also tended to focus on immediate costs and benefits. As discussed above, they placed greater emphasis on interest costs than on longer-term consequences, such as account closure.

Firms often sent more letters as customers approached PD36. Account holders may be more receptive as they approach PD36, partly because the consequences of remaining in persistent debt, such as account closure, become more immediate and salient.

Communications also appear to become more urgent as customers approach PD36, with greater emphasis on the more serious consequences of remaining in persistent debt, such as account closure. However, sending too many communications close together risks disengaging or demotivating customers if they feel that leaving persistent debt before PD36 is unachievable.

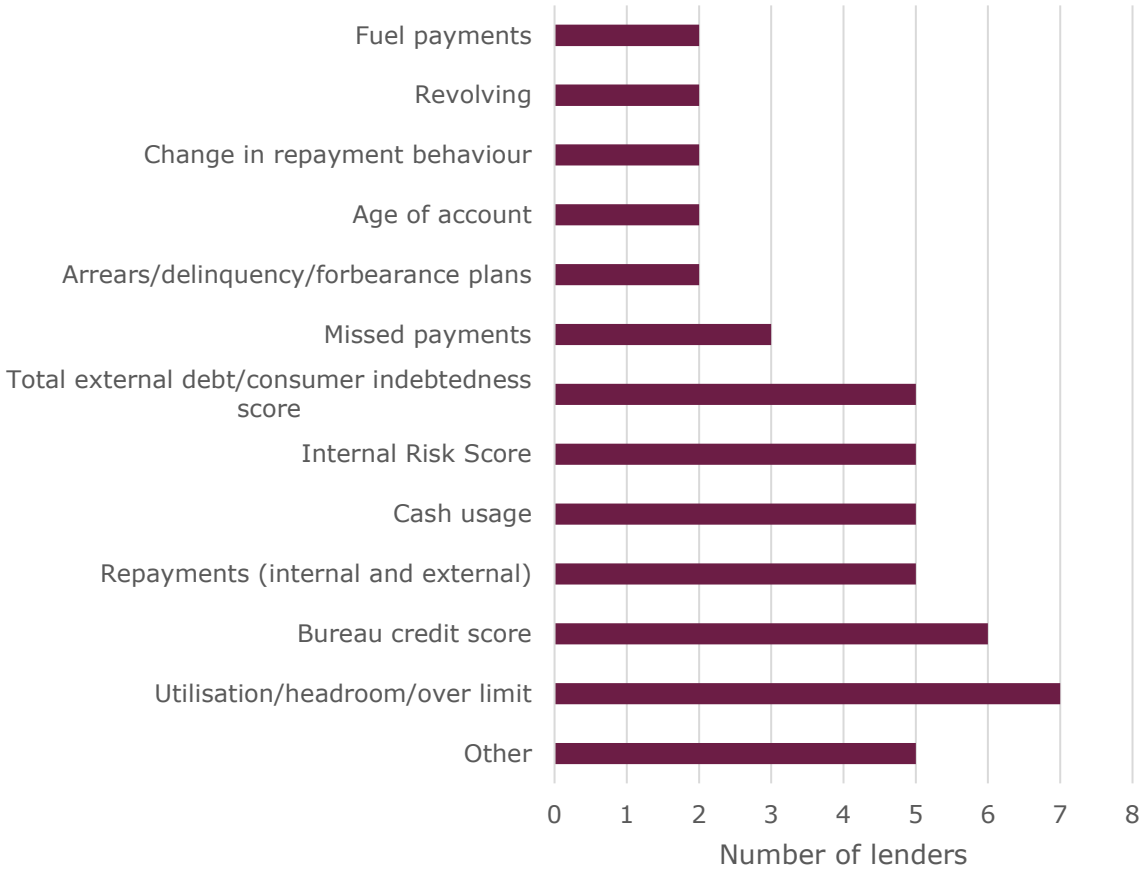
A few firms intervened before customers reached PD18 where they considered minimum repayments too low.

Earlier intervention and voluntary measures

Earlier intervention

Firms use a wide range of metrics and modelling techniques to monitor for signs of possible or actual financial difficulty. The most cited predictors of financial difficulty are metrics relating to proximity to credit limit, followed by risk scores and cash usage (Figure 26).

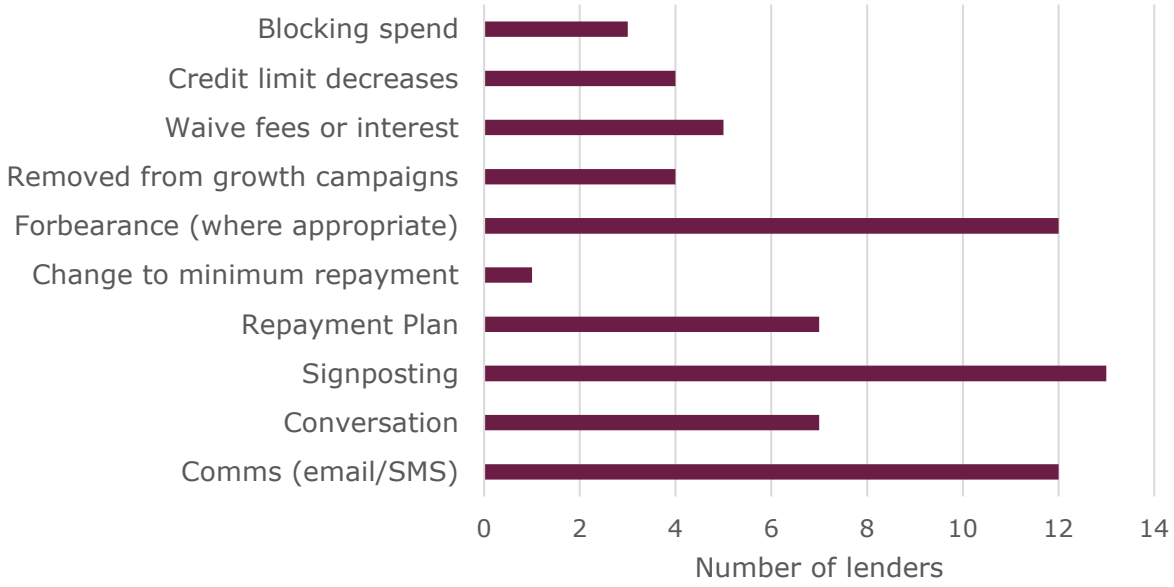
Figure 26: Primary monitoring metrics for financial difficulty



Firms take a variety of approaches to support customers in financial difficulty. These range from light-touch options, such as signposting support, to stronger interventions, such as reducing credit limits and blocking spending (Figure 27).

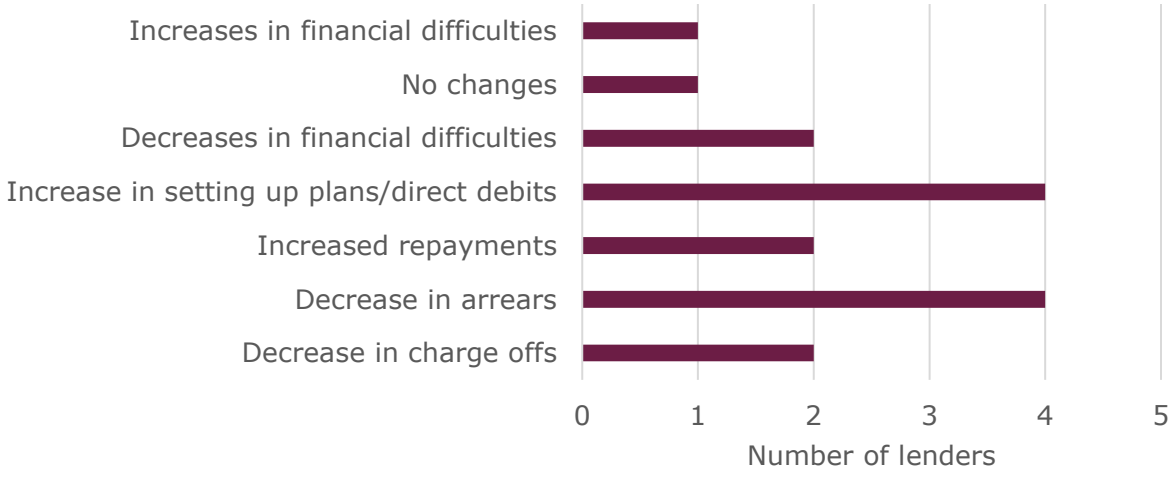
These earlier intervention arrangements are important because they can apply before a customer reaches the persistent debt milestones. This is particularly relevant because waiting until PD18, PD27 or PD36 may be too late for some customers.

Figure 27: Actions taken when customers are identified as being in actual or possible financial difficulty



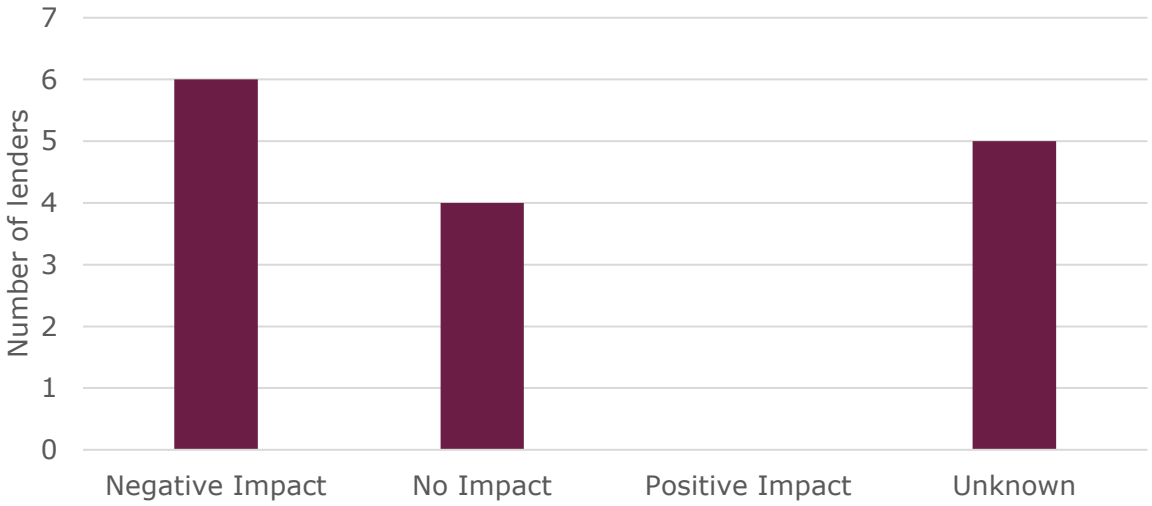
Most firms reported positive changes from earlier intervention, including reductions in arrears and financial difficulty (Figure 28). However, most noted that the macroeconomic environment and Covid-19 make it difficult to assess how far observed trends can be attributed to the policy.

Figure 28: Reported outcomes after earlier intervention



If customers repay debts faster, firms would be expected to receive less revenue from interest, fees and charges. As shown in Figure 29, some firms reported lower revenue, but most said the effect was minimal.

Figure 29: Reported credit card revenues after earlier intervention



Voluntary measures

Credit limit increases

Most firms reported proactively offering credit-limit increases to customers who meet their criteria, which usually include affordability checks. Firms use a variety of indicators to exclude customers showing signs of unaffordable borrowing. Some explicitly use persistent debt as an indicator, but most use a range of affordability indicators, such as risk scores, utilisation and residual income. Only one lender reported offering credit limit increases to customers in persistent debt, and only where customers showed signs of being on track to leave it. Several firms reported excluding customers from credit limit increases once they reached PD12.

Most customers can choose between automatic credit limit increases and opt-in increases. Firms may also grant credit limit increases to customers who request them directly. Acceptance rates for automatic increases are high, at around 95%. For opt-in increases, acceptance rates range from 10% to 60%. The average acceptance rate is around 60%.

When customers are granted a credit limit increase, spending generally increases, but repayments also increase. If affordability checks are effective, this should not lead to increased financial difficulty.

Creditworthiness and credit limit increase practices remain relevant to the wider flow of customers into persistent debt. Firms must assess a customer's creditworthiness before significantly increasing a credit limit, and customers can decline or opt out of credit limit increases. This evaluation does not assess how those requirements are operating across the market.

Minimum repayments

Many firms reported responding to the persistent debt interventions by changing minimum repayments to reduce the risk of customers entering persistent debt.

Interest, fees and charges

Firms have generally removed or capped fees over time to support customers.

6 Analysis of implementation costs

We used a firm survey to publish initial implementation-cost estimates in CP17/10. CP17/43 then published two revised estimates: one using previously omitted data from two firms, and one based on UK Finance data. Our final pre-intervention cost estimates are based on one-off costs from the UK Finance survey in CP17/43 and ongoing cost estimates from CP17/43, which include the two additional firms' data. As discussed in CP17/43, we use these estimates because firms had more opportunity to consider the detail of the proposed rules. The CBA from CP17/43 was then used in PS18/4. Table 4 summarises the different cost estimates.

We asked firms to provide post-implementation information on the costs of implementing the remedies. This allows us to assess our cost estimates, improve future CBAs, and consider policy design and proportionality.

Estimated costs

Seven firms provided compliance cost information, covering approximately 43% of accounts in the credit card market. We weighted the cost information by each firm's estimated market share to scale costs to the full market, and calculate average costs.

This analysis assumes that the firms providing cost information are representative of the market. However, costs vary substantially across firms, depending on factors such as economies of scale and the share of customers in persistent debt.

Firms' self-reported post-implementation one-off costs were within the range of UK Finance estimates, which were considered an upper bound at the time. This highlights the importance of considering the full range of implementation costs at the CBA stage. These costs were substantially higher than our initial estimates in CP17/10. The main reasons for this difference are:

- the scope of costs included in the estimate
- firms underestimating one-off costs before seeing the details of the policy proposal

CP17/43 discusses this difference in more detail.

Firms' self-reported post-implementation ongoing costs were slightly lower than the CBA estimates. We consider the CBA estimate to be broadly accurate, given the changes in the sample of firms responding to the two surveys and the uncertainty before implementation. Overall, post-implementation costs were slightly below the range estimated in the CBA.

Table 4: CBA compliance cost estimates versus self-reported post-implementation firm compliance costs

	CBA estimates				Self-reported post-implementation firm costs
	CP17/10	CP17/43: Additional data	CP17/43: UK Finance	CP17/43 and PS18/4: Final cost estimates	
One-off	£9.5m	£9.7m to £15.9m	£93.9m to £133.4m	£93.9m to £133.4m	£109.0m
Ongoing (ten years, discounted)	£233.6m	£200.7m	No estimates provided	£200.7m	£172.6m
Total	**£243.1m**	**£210.4m to £216.6m**	**£93.9m to £133.4m**	**£294.6m to £334.1m**	**£281.6m**

Firms reported implementation difficulties due to the time available to comply with the policy, which may have contributed to higher costs. Initial cost estimates may not have fully captured this. Policy implementation timelines should be considered carefully, including potential adjustments for firm size and the expected impact of the policy.

The improvement in our CBA cost estimates shows the value of more extensive industry engagement and giving firms sufficient time to consider policy details before providing cost estimates. This typically occurs in the time between when the consultation paper is published and when the policy statement is published. Feedback suggests that implementation costs are influenced by policy details that are only available later in the policymaking process.

Firm surveys should provide detailed guidance on the scope of costs to include, to help with comparisons between firms and between pre- and post-implementation estimates. The analysis should also anticipate changes in survey composition between the CBA and evaluation stages, and consider how to adjust for them.

Estimating future policy costs is inherently uncertain. While quantified point estimates are important, the analysis should also consider the assumptions needed for those estimates to be realistic, the risk that implementation costs may be materially higher, and whether the policy remains proportionate under those scenarios.

7 Lessons learned

The lessons we have learned from this evaluation reflect the intervention and market context. They may not read across directly to similar interventions in other markets but nevertheless provide useful insights for policy design, implementation and future evaluations.

Table 5: Key lessons for policy design and implementation

#	Lesson learned	Comments
1	Identifying customers in persistent debt	In rare cases, we found firms implemented aspects of the persistent debt definition inconsistently. These related to how to treat negative transaction values (refunds) with respect to repayments and how to apply the definition where there are missing statements. Discussing these cases with FCA supervisors could enable lenders to apply the definition more consistently.
2	Sharing best practice	The policy highlights the important role firms play in achieving good customer outcomes. Firms took different approaches to supporting customers, leading to different outcomes. If firms are flexible in implementation, it may support good outcomes, and forums for sharing best practice could amplify these benefits e.g. via trade associations.
3	Customer engagement and understanding	Customer engagement and understanding remain challenging. Some customers continue to make minimum repayments over long periods, and minimum repayment amounts may act as an anchor for repayment behaviour. The remedies can prompt higher repayments where affordable, but communications alone are unlikely to resolve persistent debt where customers are in wider financial difficulty.

Table 6: Key lessons for evaluations

#	Lesson learned	Comments
4	Data management	This evaluation presented challenges relating to data quality and data management. Because the data request covered a long period, many firms struggled to provide timely and reliable data. More frequent data collection for evaluations could help firms provide accurate data and streamline the process, rather than relying on large ad hoc requests.

5	Analytical methods	Descriptive analysis provides indicative trends in consumer outcomes over the evaluation period but cannot attribute causality to the persistent debt remedies. Causal inference techniques can help isolate the effect of an intervention but require more specific data and more resource to deliver. We will consider when causal inference methods are proportionate for evaluating the direct impact of a policy intervention.
6	Improving survey design	Where we use firm surveys at both CBA and evaluation stages, we need to consider changes in survey sample composition, which can affect results. This may reflect changes in market composition or differences in which firms responded. We also found that firms' understanding of which costs to include varied considerably. We are improving our evaluation and survey guidance so that we approach these issues more consistently.

8 Conclusion

Our evaluation of the persistent debt remedies provides descriptive evidence that the key consumer outcomes improved over the evaluation period (See Table 7: Summary findings). Due to the descriptive nature of our findings, we are unable to attribute these changes solely to the intervention. These outcomes are likely to have been impacted by various confounding events during the evaluation period, such as Covid-19 and the cost-of-living crisis. The consistency in direction of our quantitative findings provides confidence that our conclusions are directionally correct, even though some data quality issues remain. A key limitation of the remedies is for consumers who cannot increase monthly repayments. For these consumers, affordability is a key issue, and additional support may be required to address wider financial difficulty.

Our analysis of firm survey responses demonstrates that firms also took voluntary actions in addition to the required persistent debt communications. Aside from communication, firms felt that minimum repayment changes were the most helpful tool for managing persistent debt. Firms taking proactive steps to support customers can help address issues of persistent debt.

Firms felt the biggest challenge to supporting customers in persistent debt was customer engagement. Our analysis of engagement letters provides insight to help firms consider how their customer communication can improve engagement and gives practical ideas for improving communication design. Since July 2024, firms have had additional obligations under the Consumer Duty. This includes monitoring of outcomes to avoid causing foreseeable harm where consumers are getting into difficulty.

Firms highlighted that their biggest challenges with implementation were the timing and technology requirements of the intervention. While firms faced some challenges, the evaluation demonstrated that firm implementation costs were broadly in line with our final pre-intervention estimates. The cost analysis highlighted some challenges with using self-reported cost estimates but also confirmed the importance of using firm and industry engagement to validate our cost estimates throughout the consultation period. Our estimates greatly improved following this engagement.

Finally, we have learned lessons that will influence policy design and implementation, as well as our approach to CBAs and evaluations in the future. Our survey findings demonstrate the way that a policy is implemented at a firm level can influence its ability to achieve the desired outcomes. Firms should test the effectiveness of their communications and learn from previous interventions to ensure these are having the desired effect. In terms of our evaluation approach, we will consider data management best practice for evaluation with a long time horizon and consider methodological improvements, such as using causal inference techniques where proportionate.

Table 7: Summary findings

Hypothesis	Supporting hypothesis	Findings
The persistent debt rules achieved their intended outcomes.	Customers in persistent debt received persistent debt communications, and consumers engaged with them.	Firms sent communications, but they were not always read, e.g. a 50-60% opening rate for electronic communications where this could be monitored.
	Customers in persistent debt paid less in interest and fees.	Interest paid and fees have both fallen for customers in persistent debt. This cannot be solely attributed to the remedies.
	Rates of persistent debt fell.	The share of accounts in persistent debt fell from 7% in 2018 to 3% by early 2023—a 4 percentage-point reduction, equivalent to around 57%. The decline took longer than the 2 years assumed in the CBA and cannot be attributed solely to the remedies.
	Rates of financial distress fell.	Some indicators associated with financial difficulty changed over the period, but these trends are heavily affected by Covid-19, the cost-of-living crisis and other market-wide factors, so we do not draw strong conclusions from them.
The persistent debt rules had some unintended consequences.	Firms changed who they lend to, how much they lend, and/or prices.	Our evaluation was unable to assess this hypothesis.
Firm implementation costs were proportionate.	Total firm compliance costs were within the range of estimates available before implementation.	Post-implementation cost estimates (£281.6m) were slightly below our final pre-intervention estimated cost range (£294.6m – £334.1m) from CP17/43 and PS18/4. The analysis covers self-reported data from seven firms representing around 43% of the market, which was scaled to represent the full market.



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