FCA FINANCIAL CONDUCT AUTHORITY

Helping customers in persistent debt

Making low repayments on credit card debt over a long period can be very expensive . Our credit card market study analysis estimated that **more than 3 million credit card holders** – with a total of **4 million accounts** – were in persistent debt

Under our definition, this means that the customer has paid more in interest and charges than they have repaid of their borrowing over an 18 month period.

These customers pay on average **around £2.50 in interest and charges for every £1 repaid.**

The real cost of making minimum repayments

Example 1:

A customer who borrows £3,000 on a credit card with an APR of 19%, and only makes **minimum repayments –** starting at £74 per month and reducing over time – would typically take **27 years and 7 months** to pay it off (assuming no further spending on the card).

Interest paid: £4,192

Example 2:

If the customer **fixed their repayments at £74 per month** rather than only making minimum repayments, they would pay it off in **5 years and 2 months.**

Interest paid: £1,576

Example 3:

If they **set their monthly repayment at £108 per month,** they would pay their balance off in **3 years.**

Interest paid: £879

Our rules

Our rules are intended to rebalance incentives so that both **firms and customers are encouraged to avoid credit card debt becoming persistent, and customers who cannot afford to repay more quickly are given help.**

Find out more at fca.org.uk/credit-card-market-study