

Payment facts



▶ Helpful information from the UK payments association

Plastic cards

Plastic cards are the UK's favourite way to pay. Spending on plastic cards overtook cash in 2004 and has continued growing ever since. Plastic cards allow us to pay for goods and services virtually anywhere in the world, easily and conveniently, and provide a more secure alternative to cash and cheques.



Debit Cards

When you use your debit card the money you spend is taken directly from your current account. As long as you have enough money in your account you can use your debit card to buy things in person, over the phone, by mail order and over the internet. It also enables you to withdraw money direct from your account, and may have a cheque guarantee and cash machine function.

Credit Cards

A credit card allows you to pay for goods and services with credit up to a limit agreed with your card issuer. You have to pay back what you borrow - the costs, terms and conditions will vary from card to card and interest is normally charged.

Charity/Affinity Cards

Some credit cards are issued on behalf of charities and other organisations like football clubs and universities. For this type of card the card issuer usually makes a donation to the charity or organisation when the card is issued or each time that the card is used — at no additional cost to you.

Charge Cards

These are similar to credit cards. They allow you to pay for goods and services on interest-free credit but whatever you borrow must be paid in full at the end of a specified period, usually every month or you may incur fees. Cardholders may be charged an annual fee.

Store Cards

Store cards are a type of credit card. They can be used in fewer places, often only in the individual shop or chain that issued it. Interest rates on these cards tend to be higher than on standard credit cards and credit limits tend to be lower. However, many shops provide special offers to their cardholders.

Standard features on a plastic card

Card design

Whilst the industry sets technical standards – like flexibility, flammability, toxicity (some people are allergic to some plastics) - the actual design is up to your card issuer. It can be as straightforward or unusual as they like.

Chip

The chip or microchip, embedded into a debit or credit card, provides highly secure processing capabilities to carry out the card transaction, and that includes verifying that the correct PIN has been used. In addition to holding the same personal data as that on the magnetic stripe (i.e. cardholder name, card number and expiry date), the chip provides additional security features to safeguard against counterfeiting. The four digits of your PIN (personal identification number) are not held as a set of numbers on the chip.

Card number

Generally 16 digits but can be up to 19 – this identifies your account, with the first six digits comprising what is known as the BIN (Bank Identification Number) and this identifies your card issuer and the card scheme.

Your name

The cardholder's name is displayed at the bottom of the card.

Card scheme logo

This tells you which card scheme will be responsible for clearing payments and, where the symbol is displayed, which retailers will accept your card.



Hologram

An additional security feature to identify that the card is genuine.

Expiry date

Along with the card number the card's expiry date is essential to process a card payment.

Standard features on a plastic card cont'd



Magnetic Stripe

The magnetic stripe holds some of the same information as the chip. As practically all UK cards have a chip on them, the magnetic stripe now holds a small flag to specify that the card has a chip on it to assist in fraud prevention. The magnetic stripe is remaining on cards so that you can still use your card abroad in countries that have yet to implement chip and PIN.

Card Security Code (CSC)

This three digit number on the signature strip gives the retailer another way to check that you actually have the physical card in your possession when you use your card to buy something on the phone or internet. (If you hold an American Express card, this will be four digits on the front of your card).

Key statistics

- In 2006 there were 142.8 million payment cards in issue – 68.3 million debit cards, 74.5 million credit and charge cards
- 65% of all retail spending in 2006 was on plastic cards
- £320.8 billion was spent on plastic cards in the UK in 2006
- The total value of plastic card payments received by UK merchants, retailers and service providers has more than trebled in the last ten years.
- One fifth of all spending on credit cards and a third of debit card purchases were for food and drink mostly in supermarkets. The average spend in this sector is £35.61 on a credit card and £30.49 on a debit card.
- In 2006 we lost £428million to fraudsters – a big figure but £11.4 million less than in 2005. It is important to note, however, that plastic card fraud losses against total turnover stands at 0.095% in 2006 – significantly less than the 0.141% figure in 2004.

History

The first plastic card wasn't plastic at all. Cards started life on the other side of the Atlantic as 'metal money' in 1914 when the US Western Union started providing metal cards that gave free payment privileges to preferred customers.

Since then, cards have gone from strength to strength with more people taking up the 'flexible friend' and new features, like cashback, being introduced. Concerns grew about rising fraud and card security during the 90s. This led to the introduction of chip and PIN in 2003 – the biggest consumer



The first proper plastic card was a charge card issued by American Express in 1958. It was 1963 before this made it over to Britain and was swiftly followed by the 'Barclaycard', the UK's first credit card launched on 29 June 1966.

change to the way we pay since decimalisation. The final switch over to chip and PIN happened on Valentine's Day 2006.



Future developments

2006 saw new 'smart card' technology introduced into the world of card payments – opening up a whole new range of possibilities:

- Replacing cash – cash is still king for payments under £5. However, the introduction of contactless cards could change all that – the future could see an increase in the number of card payments for small purchases such as newspapers and sandwiches as these cards are launched throughout the UK in the forthcoming year.
- Prepaid cards – a whole range of new prepaid cards are coming onto the market which allow temporary workers to receive wages electronically or younger people to use these cards to make purchases online.
- Cards that do more – in the near future you could be carrying just one card in your wallet. It's likely that card companies will have the technology to put your debit and credit cards or new loyalty or gift schemes onto a single card.

For more information

This payment fact guide is available in digital format from the APACS website - www.apacs.org.uk. Useful information and advice about card fraud prevention can be found at www.cardwatch.org.uk. Useful information and advice to help banking users stay safe online can be found at www.banksafeonline.org.uk. To contact the APACS Information Office please call T: 0870 420 3208 or email apacs@fourcommunications.com.