

**The ‘Great 0% ads scam’**

**– when 43months 0% isn’t 43 months 0%**

A MoneySavingExpert.com report on market detriment arising from 0% credit card promotions for ‘up to’ a specified number of months.

**About MoneySavingExpert.com**

MoneySavingExpert.com is the UK’s biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top 10 social networking communities.

During February 2017 MoneySavingExpert had 14.7 million users visiting the site, 25.7 million times, and looking at over 68.5 million pages. Over 12 million people have opted to receive our free weekly email and more than 1.6 million users have registered on the forum.

**Summary**

If you see a credit card advertised as 0% 43 months, you would reasonably expect one of two outcomes: to be accepted for a 43 month zero percent card, or to be rejected. Around 5 years ago, that was largely the case, but now the majority of the major brands on the market are rate for risk on their zero percent length.

Yet, unlike APRs, which are also rate for risk, MoneySavingExpert.com has found there is no specific regulation underpinning this. This means there are a number of potential serious faults:

* Unlike APRs, there is no regulation on how many people must get the advertised rate.
* Providers are not advertising that these rates are ‘up to’.
* ‘Up to’ rates are only referred to in the small print.
* There’s no delineation of the different lengths of deals consumers will get.
* Providers are not explaining why consumers might not get the advertised rate.
* There’s no explanation that downselling still impacts consumers’ credit files.
* There’s no warning that consumers could be offered an APR credit card instead.

We believe this is anti-consumer, lacking clarity and consistency across the market. It does not allow consumers to make an adequate choice when choosing which product to pick.

In many ways, for consumers who run the market right and use zero percent cards to never pay interest, the APR is irrelevant because they will never pay it. The zero percent *length* is absolutely crucial and we believe it certainly deserves the same level of regulation.

Regulation needs to be tightened up both on how rate for risk is communicated and how it is operated when it is used on zero percent length. We strongly urge the FCA to consider our recommendations in its upcoming work to implement its Credit Card Market Study.

**Mind the regulatory gap**

The Financial Conduct Authority (FCA) regulates the credit card sector, but does not have specific rules governing credit card ‘up to’ offers. The FCA has confirmed that this statement is correct:

*“There are no specific FCA rules on what proportion of applicants must receive an advertised ‘up to’ offer for balance transfers, purchases or money transfers on credit cards. The rules require these offers to be ‘clear, fair and not misleading’ but there are no rules on what that means in terms of the number of people who must be given the advertised ‘up to’ offer.*”[[1]](#footnote-1)

***The APR rule isn’t applicable***

Despite the FCA confirming that there are no specific regulations of ‘up to’ offers, during our research many card providers told us that ‘of course’ 51% of applicants will get the advertised ‘up to’ period. This suggests a concerning lack of understanding of the regulation among providers.

The FCA’s Representative APR rule does stipulate that 51% of applicants should be expected to get the advertised rate,[[2]](#footnote-2) but this applies *only* to the APR – not to the length of the introductory ‘up to’ offer.[[3]](#footnote-3)

***ASA rules are not specific for these promotions***

The Advertising Standards Authority (ASA) also does not have a specific rule on this type of promotion. General ASA guidelines suggest that at least 10% of people need to be able to access an advertised offer, but in this case that would be extremely low and unlikely to meet FCA requirements to treat customers fairly.

**More of the best deals are ‘up to’ promotions**

The proportion of credit card debt which is interest free is bigger than ever[[4]](#footnote-4), and these deals are becoming more prevalent and available to consumers. MoneySavingExpert.com has been telling consumers about them since at least 2013, and has been drawing attention to this rate for risk caveat in its headlines since 5 May 2015.

The best deals on the market are becoming ‘up to’ offers. In May 2015, a third (33%) of providers in the relevant MSE guides had an ‘up to’ card. In January 2017, this figure had grown to more than half (56%).

Moreover, recently, several big brands have begun offering ‘up to’ promotions. In the past two years, Tesco Bank and AA have both started using rate for risk. NUBA, which launched in October 2016 and is owned by MBNA, has always used rate for risk on its 0% lengths.

**More top brands now use ‘up to’ offers**

There has been an increase in the number of the top credit card brands which use ‘up to’ offers, as shown below.

*Top credit card brands with ‘up to’ promotions[[5]](#footnote-5)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Brands offering ‘up to’ offers** | | | |
| **2011** | **2013** | **2015** | **2017** |
| None[[6]](#footnote-6) | Barclaycard | MBNA | MBNA/Nuba |
|  | Halifax/Lloyds TSB/Bank of Scotland | Barclaycard | Barclaycard |
|  |  | Halifax/Lloyds/Bank of Scotland | Halifax/Lloyds/Bank of Scotland |
|  |  |  | Tesco Bank |
|  |  |  | TSB |
|  |  |  | AA |

**Even providers agree, these deals are the norm**

MoneySavingExpert.com approached lenders to ask them when they started limiting their offers in this way. None gave a precise date, but the responses we received support the view that this practice is becoming increasingly established in the market.

The AA couldn’t give an exact date, but said it has downsold since July 2015, if not longer (when its cards began to be issued by Bank of Ireland).

Tesco Bank said that it introduced risk based durations across its credit cards in 2016. It said that it makes it very clear to customers that the interest period that they will receive is dependent on their individual circumstances.

Post Office said it has always downsold on its balance transfer card, which launched in October 2015. It added that it doesn’t downsell on any of its other cards.

TSB could not confirm when it started offering these deals, but said that this “is standard practice in the industry, and allows a wider range of customers access to a credit card... it’s certainly not a recent thing for either TSB or the market."

Lloyds Banking Group (including Lloyds, Halifax and Bank of Scotland) said “this is possible across all cards and it’s a long-standing practice across the industry as opposed to something we’ve started doing recently.”

**Consumers are being let down**

The websites of the major providers that now offer ‘up to’ promotions are presenting these deals in a variety of ways, with different levels of clarity.[[7]](#footnote-7) Specific problems we found across the various providers’ websites are:

* The fact that applicants might not get the headline promotion is buried in the detail in the small print.
* No explanation of why consumers might not get the headline promotion.
* Inconsistent prominence of the ‘up to’ element of these deals (even on different pages of the same provider’s site).
* No explanation of the impact on consumers’ credit files if they have a hard application for credit (although one provider (MBNA) does insist on a soft credit search first).
* No warning that applicants could be rejected for a 0% deal but offered a card with a higher APR.

**Recommendations to treat consumers fairly**

The FCA should regulate credit card ‘up to’ promotions on purchases, balance transfers or money transfers, to protect consumers. The FCA’s work to implement its Credit Card Market Study provides an opportunity to look at this and, we hope, take action.

Given the dominance of these deals across the market, and growth in big brands offering them, regulatory action is needed to ensure that consumers are treated fairly.

The current situation is inconsistent and leaves consumers in the dark about what they might be offered and why. Currently, consumers are not given enough information to make well-informed decisions.

**Recommendations for the operation of ‘up to’ promotions**

***‘Up to’ card promotions should be typical***

The UK has always regulated on typical rates. It is only since EU regulation that representative rates have been used, therefore as this is a UK regulatory issue, rates should be typical. This would mean it is absolutely clear to consumers that 66% of applicants should get the headline offer.[[8]](#footnote-8)

***0% should mean 0%***

Applicants for zero percent credit cards are trying to avoid paying interest. Consumers who apply for a 0% deal should never be offered a credit card with a higher APR. Consumers in this position will have acquired a credit search footprint – making if more difficult for them to get a zero percent deal elsewhere.

**Recommendations for the communication of ‘up to’ promotions**

***Providers must tell consumers when a card is an ‘up to’ promotion***

This must be in the main advertising, with equivalent prominence to the Representative APR.

***Language must be standardised***

If the consumer could get less than the advertised number of months, it must be advertised as an ‘up to’ card. Consumers should also be told that the ‘up to’ length depends on their credit scores.

***The shorter length options must be described***

Where consumers might not get the full length 0% deal, they must be told what they might get instead.

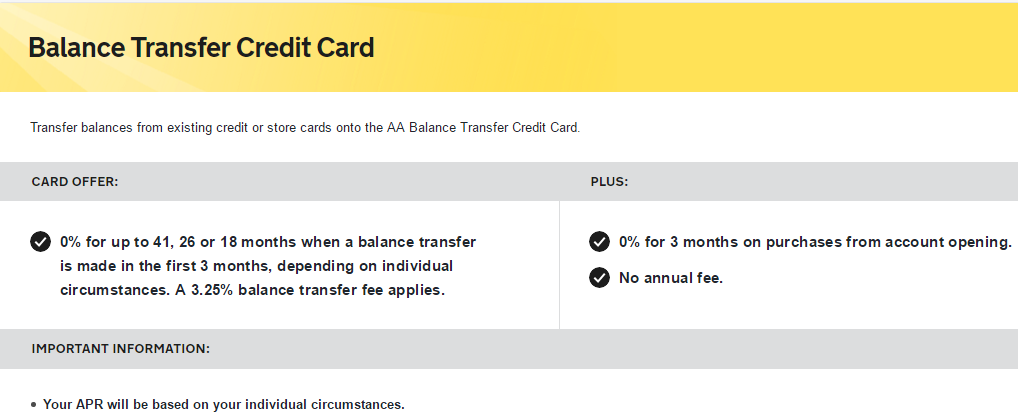
***Credit file impact should be explained to consumers***

Providers must explain how credit searches interact with 0% deals. For example, if a hard credit search is conducted but the consumer is not offered the headline deal, they should know in advance that this could affect other applications for credit.

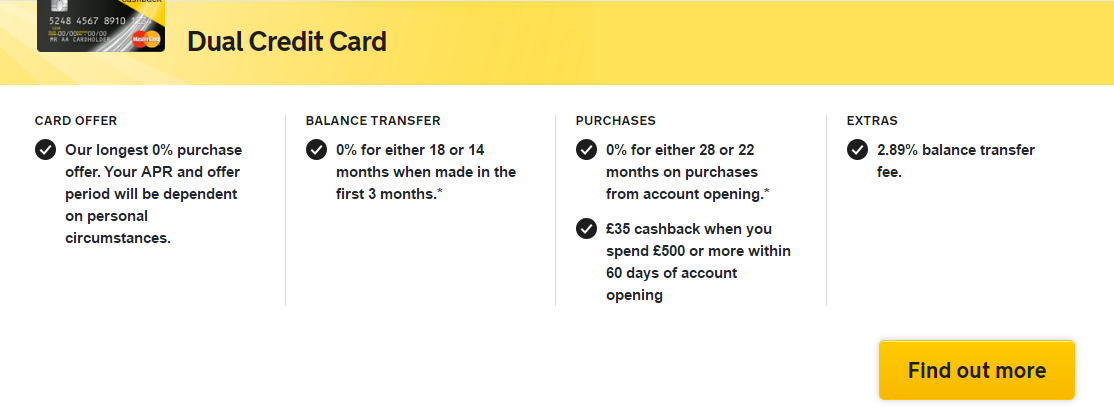
**Appendix: How credit card companies advertise downsells**

**The AA**

* Makes it clear upfront some will receive fewer months at 0%.
* Says what the alternative offer is.
* Says straight below that the offer and APR given is dependent on personal circumstances.
* Also says on the main credit card landing page that applicants may get fewer 0% months.
* Summary boxes state downsell information.



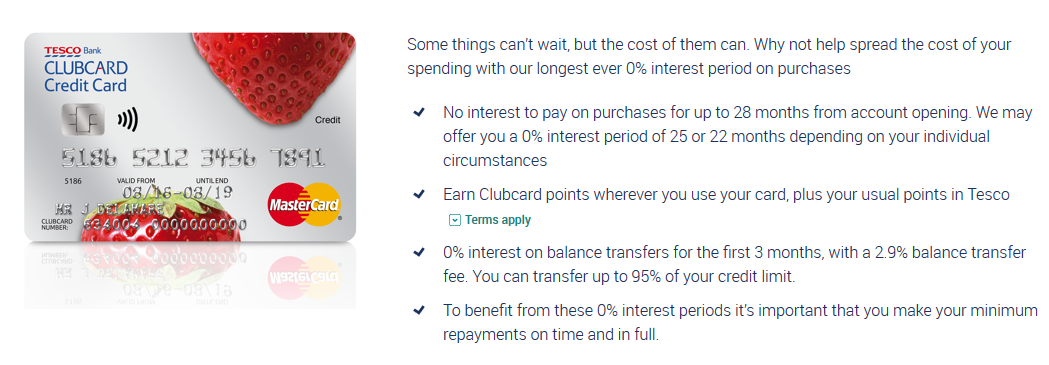
Source: <http://www.theaa.com/credit-card-deals/balance-transfer> [15 Feb 2017]



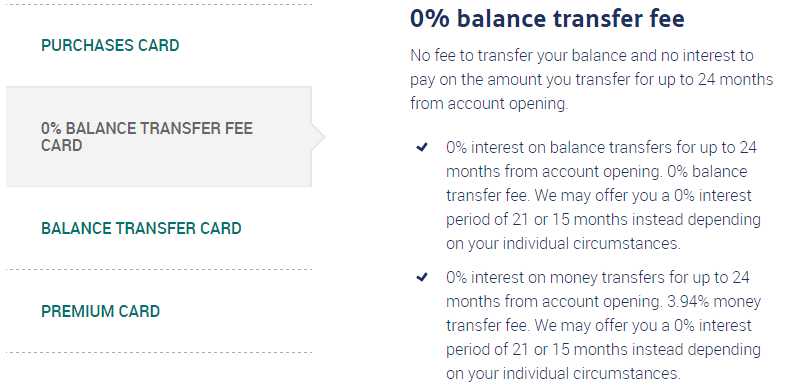
Source: <http://www.theaa.com/credit-card-deals> [15 Feb 2017]

**Tesco Bank**

* Makes it clear upfront some will receive fewer months at 0%.
* Says what the alternative offer is.
* Says straight below that the offer and APR given is dependent on personal circumstances.
* This is the same on both the [main credit card landing page](http://www.tescobank.com/credit-cards/) and the individual card pages.
* Summary boxes state downsell information.

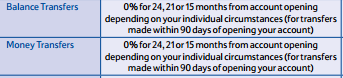


Source: <http://www.tescobank.com/credit-cards/purchases/index.html> [15 Feb 2017]



Source: <http://www.tescobank.com/credit-cards/> [15 Feb 2017]

**Summary box:**

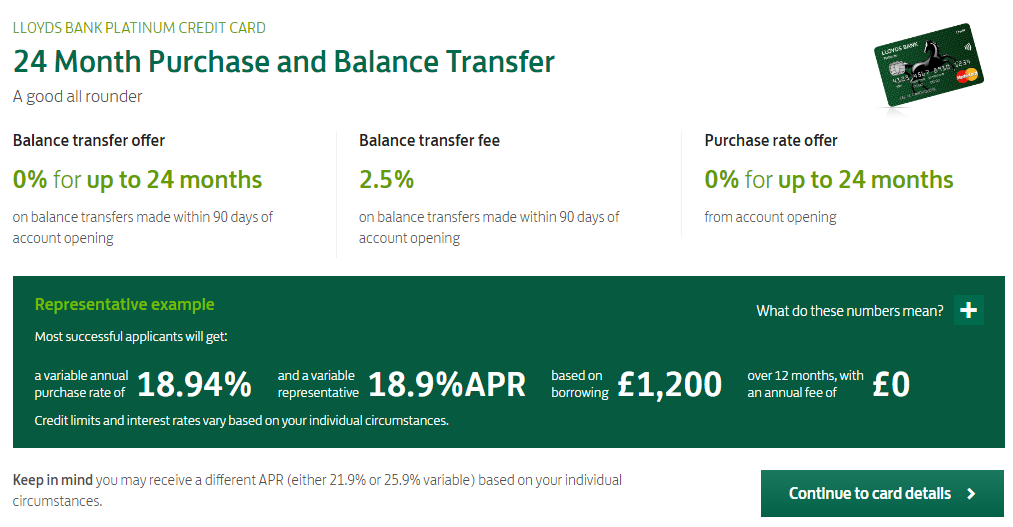


Source: <http://www.tescobank.com/assets/sections/credit-cards/pdf/tesco-bank-cc-nobtfee-summary-box.pdf> [15 Feb 2017]

**Lloyds Bank**

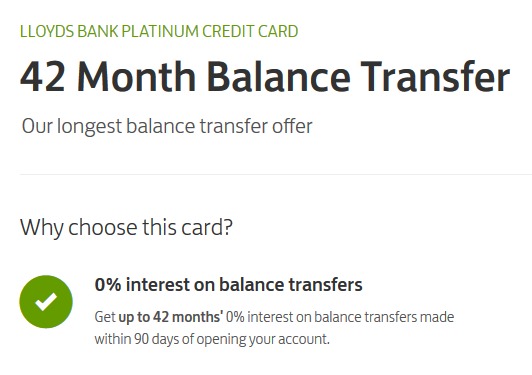
* Says its card is an ‘up to’ though not in its headline (but immediately after).
* Explains in the smaller print below what its alternative offer is.
* Says that you need to “qualify” for the top offer, but doesn’t mention the criteria (eg personal circumstances) on product-specific landing pages.
* Summary boxes state downsell information.

**Main Lloyds credit card landing pages:**



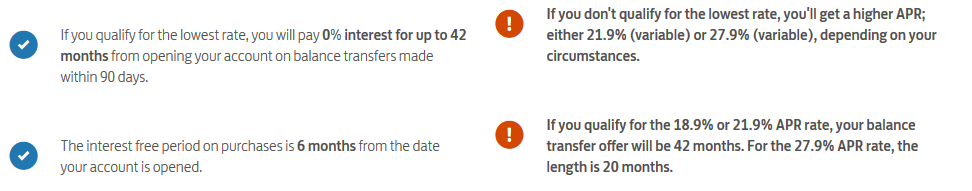
Source: <https://www.lloydsbank.com/credit-cards.asp> [15 Feb 2017]

**Product-specific landing page:**



Source: <https://www.lloydsbank.com/credit-cards/platinum-long-balance-transfer.asp> [15 Feb 2017]

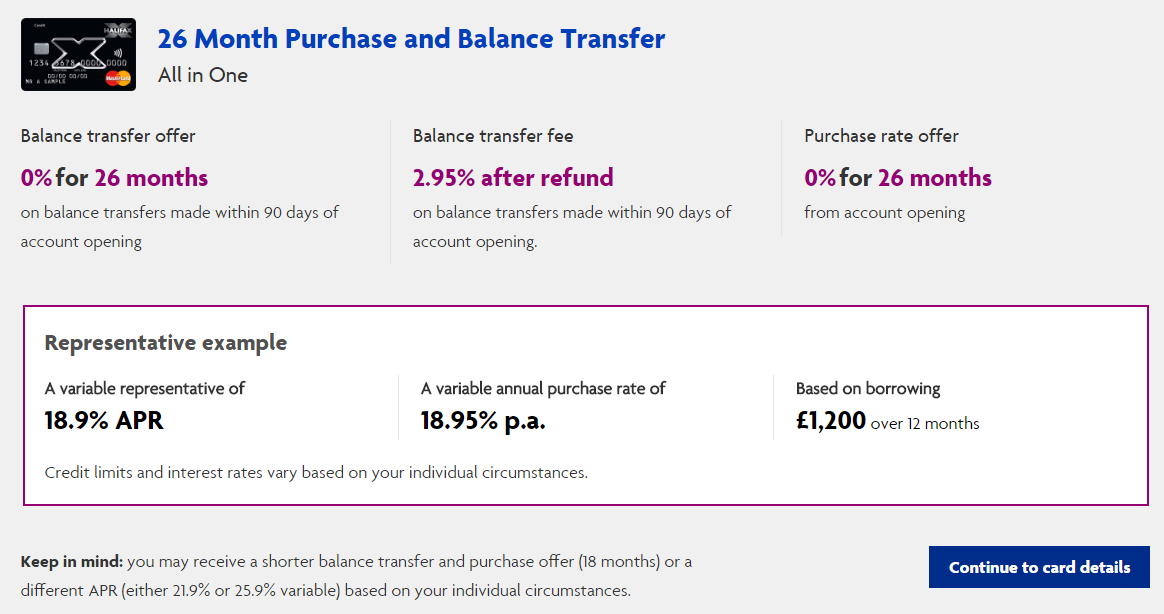
**Further down card landing page…**



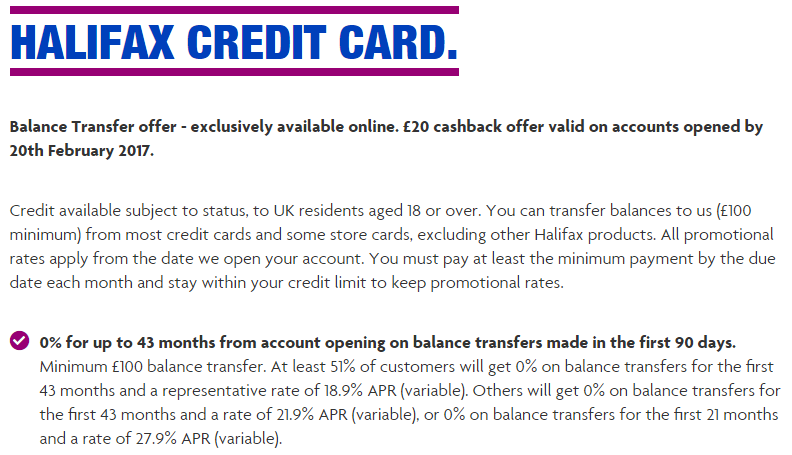
Source: <https://www.lloydsbank.com/credit-cards/platinum-long-balance-transfer.asp> [15 Feb 2017]

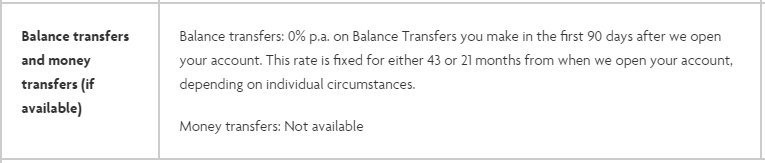
**Halifax**

* The main credit card landing page mostly says if a card is ‘up to’, though not in the headline (and not for the 26/26 all-rounder card (see image below).
* On product-specific landing pages, it says its offer is ‘up to’ in the first thing seen about the number of months.
* Says directly below what the alternative offer is, and that at least 51% will get headline.
* Doesn’t explain why some might get less on product landing pages, but does on main page.
* Summary box states downsell information.



Source: <http://www.halifax.co.uk/creditcards/> [15 Feb 2017]

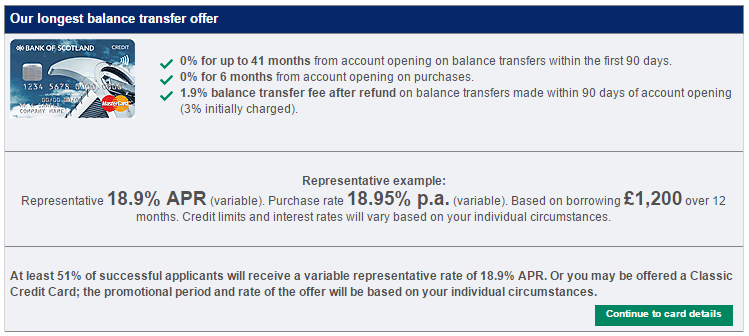




<https://www.halifax.co.uk/creditcards/longest-balance-transfer-card/> 15 Feb 2017

**Bank of Scotland**

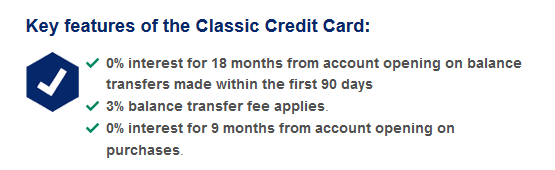
* Says its offer is ‘up to’ in the first mention of the number of months on its main credit card landing page and product-specific pages.
* On product landing pages, says directly below what the alternative offer is, and that at least 51% will get the headline deal.
* Consumers need to click out to see what the offer on the Classic Card is (18 months, 3% fee).
* Summary boxes don’t say downsell periods, but do say it’s an ‘up to’.



Source: <https://www.bankofscotland.co.uk/creditcards/> [15 Feb 2017]

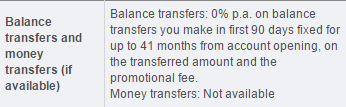


Source: <https://www.bankofscotland.co.uk/creditcards/longest-balance-transfer-card/> [15 Feb 2017]



Source: <https://www.bankofscotland.co.uk/creditcards/classic-credit-card/default.asp> [15 Feb 2017]

**Summary box:**

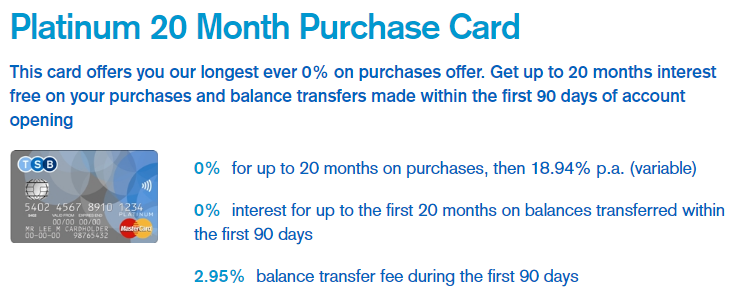


Source: <https://www.bankofscotland.co.uk/creditcards/longest-balance-transfer-card/> [15 Feb 2017]

**TSB**

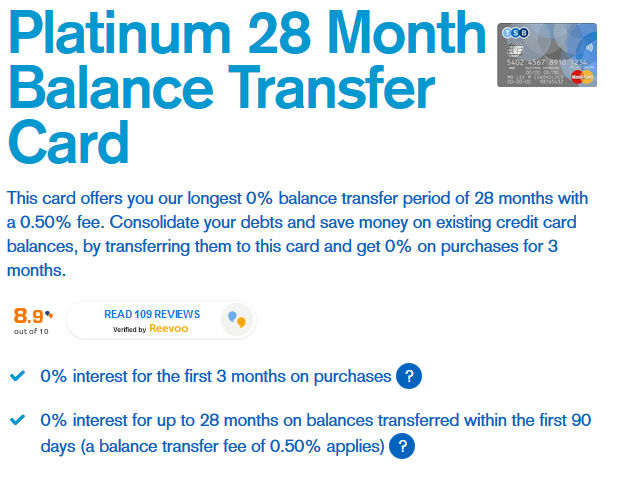
* The main credit card landing page headline doesn’t say ‘up to’ but the text below it does.
* On product-specific pages, it doesn’t say its offer is up to in either the headline text or the text directly under it.
* The second bullet of detail says it’s up to 28 months.
* It doesn’t say what the other offer(s) are – consumers need to go to the summary box to find out. It also doesn’t say why some people might get fewer months.

**Main credit card landing page:**



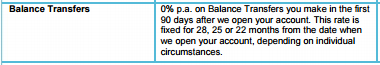
Source: <http://www.tsb.co.uk/credit-cards/> [15 Feb 2017]

**Card landing page:**



Source: <http://www.tsb.co.uk/credit-cards/balance-transfers/platinum-28-months-balance-transfer-card/> [15 Feb 2017]

**Summary box:**

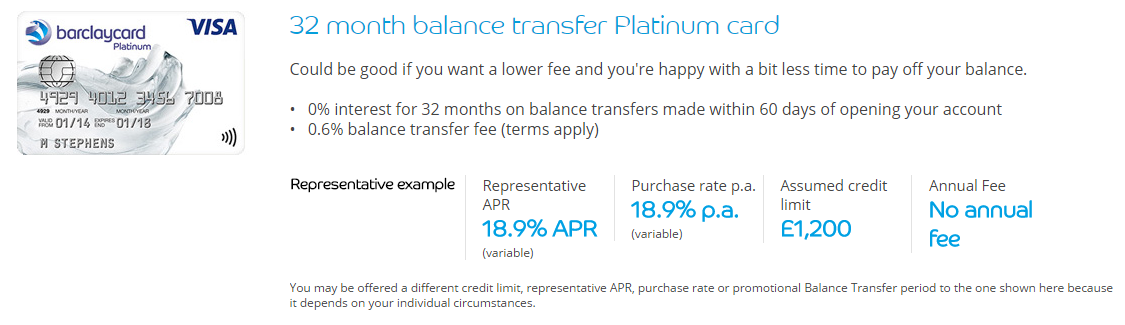


Source: <http://www.tsb.co.uk/credit-card/28-month-summary.pdf> [15 Feb 2017]

**Barclaycard**

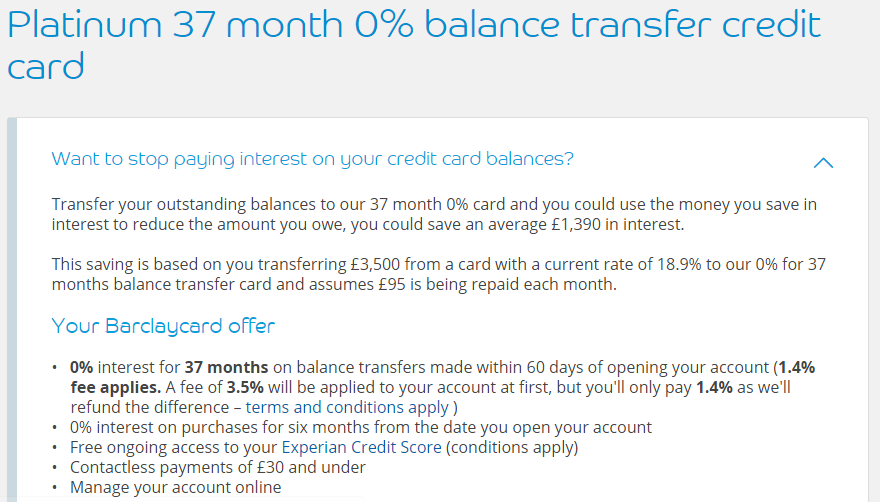
* Doesn’t say ‘up to’ anywhere or give notes in the summary box about what consumers might get.
* It does however give a message saying that consumers could be offered something different – though this message is given different prominence on different card/landing pages.
* Consumers are told that they don’t need to accept the alternative offer, but no explanation is given of the credit score impact.
* The summary box doesn’t mention any possible downsell period.

**Main credit card landing page:**

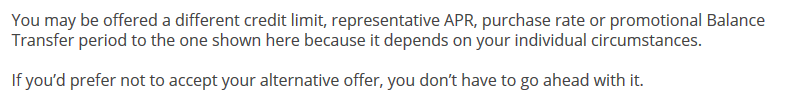


Source: <https://www.barclaycard.co.uk/personal/credit-cards> [15 Feb 2017]

**Card landing page:**



Source: <https://www.barclaycard.co.uk/personal/credit-cards/platinum-lead-balance-transfer> [15 Feb 2017]

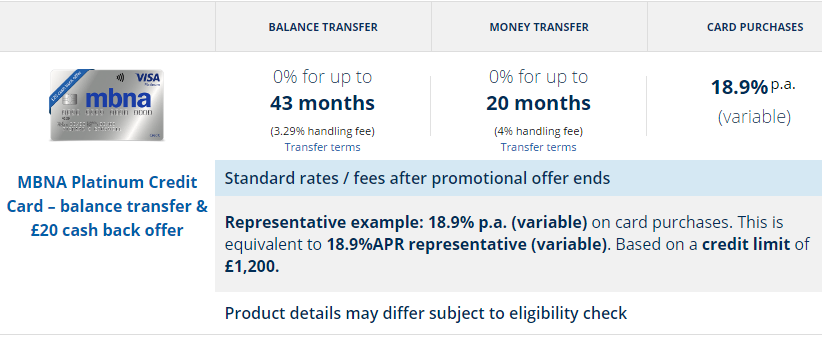


Source: <https://www.barclaycard.co.uk/personal/credit-cards/platinum-lead-balance-transfer> [15 Feb 2017]

**MBNA**

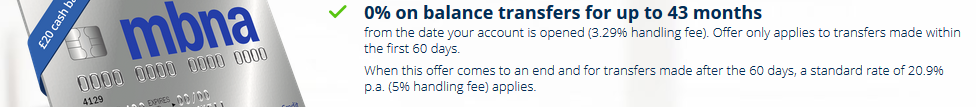
* It is clear that its offer is ‘up to’ in the first mention of the number of months that consumers see on both main card page and product pages.
* No details are given anywhere about what the other offers are. There is no summary box to find out until applicants go through the eligibility check.
* Applicants do go through a soft credit search before applying, so are aware which cards they will get (subject to ID and fraud checks) without a hard search.

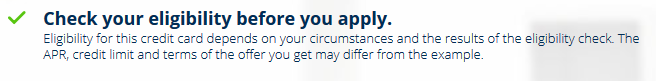
**Main landing page:**



Source: <https://www.mbna.co.uk/compare-credit-cards/balance-transfer-credit-cards/> [15 Feb 2017]

**Card page:**



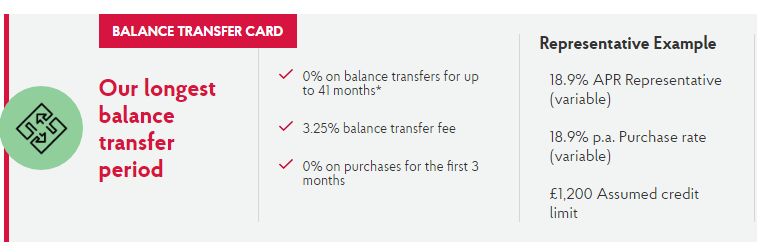


Source: <https://www.mbna.co.uk/compare-credit-cards/balance-transfer-credit-cards/mbna-platinum/> [15 Feb 2017]

**Post Office**

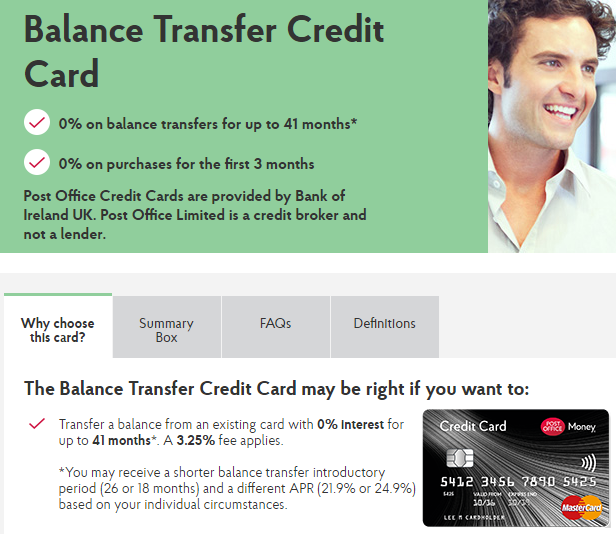
* The main card landing page says upfront whether a card is ‘up to’ though it doesn’t say what the alternate possibilities are.
* The product landing page says the offer is ‘up to’ when a duration is first mentioned.
* Details of possible downsells are given underneath the first bullet for the card, and it says it’s down to individual circumstances.
* The summary box states what the possible downsell months are.

**Main card page:**



Source: <http://www.postoffice.co.uk/credit-card> [15 Feb 2017]

**Card landing page:**



Source: <http://www.postoffice.co.uk/credit-card/balance-transfer> [15 Feb 2017]

**Summary box:**



Source: <http://www.postoffice.co.uk/dam/jcr:b9ea6b7d-a671-41c1-a04c-1ebab1f527ca/Post-Office_Summary_Box_170117.pdf> [15 Feb 2017]

1. Email communication, 24 January 2017. [↑](#footnote-ref-1)
2. The FCA Handbook uses the definition of Representative APRs as laid down in a Statutory Instrument: *“an APR at or below which the firm communicating or approving the financial promotion reasonably expects, at the date on which the promotion is communicated or approved, that credit would be provided under at least 51% of the credit agreements which will be entered into as a result of the promotion.”* <https://www.handbook.fca.org.uk/instrument/2014/FCA_2014_12.pdf> [↑](#footnote-ref-2)
3. Email communication with the FCA, 24 January 2017. [↑](#footnote-ref-3)
4. In December 2016, 44.7% of credit card balances did not incur interest – the highest it has ever been, and up from 33.9% in December 2011. BBA Monthly Statistics Release, Table 7 <https://www.bba.org.uk/download-file/?f=eyJ1cmwiOiJodHRwczpcL1wvd3d3LmJiYS5vcmcudWtcL3dwLWNvbnRlbnRcL3VwbG9hZHNcLzIwMTdcLzAxXC9Db3B5LW9mLUJCQTAxLTQ0NTQ2NS12MjQtTVNSXy1fTW9udGhseV9TdGF0aXN0aWNzX1JlbGVhc2VfVGFibGVzLnhscyIsIm5lZWRsb2dpbiI6ZmFsc2UsInVzZXIiOmZhbHNlfQ> [↑](#footnote-ref-4)
5. Data for 2013 and 2015 was taken in the month of May. Data for 2017 correct as of 20 March 2017. [↑](#footnote-ref-5)
6. MoneySavingExpert isn’t aware of ‘up to’ offers being on the market in 2011. [↑](#footnote-ref-6)
7. The full analysis can be found in the appendix. [↑](#footnote-ref-7)
8. <https://www.handbook.fca.org.uk/handbook/glossary/G3358.html> [↑](#footnote-ref-8)