The UK Cards Association is the authoritative source for sector-wide trends and metrics for the card payments market. Published data includes monthly Card Expenditure Statistics (CES) and Debit Cards Reports, and quarterly Market Trends reports. Alongside this, the publication UK Plastic Cards provides an annual top line summary of how many cards are held and where money gets spent, both in the high street and online.

Publications are available by contacting: press@ukcards-ffauk.org.uk
For more information please visit our website: www.theukcardsassociation.org.uk
The UK Cards Association is the trade body for the card payments industry. The Association represents the card issuers and acquirers that facilitate the use of the UK's 56 million credit cards and 88 million debit cards, spending on which accounts for 33% of GDP. We represent our members to policy-makers, regulators, media and other stakeholders, helping to shape legal and regulatory developments; promote industry best practice; facilitate fraud prevention; and deliver collective innovation in ways which look to ensure improved outcomes for consumers and retailers.

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Statement from the Chair, Melanie Johnson

Card payments make an important contribution to the economy, with domestic spending on all payment cards accounting for 33%* of UK GDP during 2012. We know that consumers value their payment cards and the extra protections they afford in comparison to cash, as well as the role that credit cards play in helping people manage and plan their financial commitments. Demonstrating the scale of activity, 74%** of all spending in the UK retail sector was made using plastic cards in 2012. The role our industry plays in the lives of cardholders demands high levels of service and standards.

Even as the economy recovers, we recognise continuing concerns about the cost of living and household debt. While credit card debt makes up only 4% of total personal borrowing in the UK, as a responsible industry we want to ensure that the small minority of cardholders who experience difficulties receive tailored support. Furthermore, helping cardholders to manage their borrowing and repayment options is crucial, and the new consumer CardCosts website we launched this year is the latest in a series of measures to enhance transparency.

The regulatory landscape around cards is changing radically, and we want to do all we can to inform and educate policy-makers so that the interests of cardholders are protected. We have been at the centre of plans to shape the new consumer credit regime as oversight transfers to the Financial Conduct Authority (FCA). Alongside this, the government is enacting legislation to create a new Payment Services Regulator (PSR) which will introduce a new utility-style competition-focused approach. We are providing evidence and insights to help ensure that regulation evolves in a way that is proportionate, and which protects the efficacy of the card payments system.

Alongside these domestic developments, a critical debate is underway in Europe, with the Commission’s proposals to cap interchange fees threatening increased costs for cardholders, particularly those with credit cards.

The UK is the biggest card payments market in the EU, accounting for over 30% of all EU card spending, and 73% of the EU credit card market, so the outcomes are especially important for British consumers. As the proposals move through the scrutiny phase we are doing all we can to highlight the risks to cardholders and retailers, while offering an alternative regulatory approach.

In view of all of this, maintaining and strengthening the reputation of the industry is crucial. Public confidence is built slowly, over time, on the basis of a well-established record of serving consumers. It can be lost far more quickly, as other industries have found. This means that we can’t be complacent and constantly need to demonstrate the responsibility we show as an industry, engaging openly with our partners – from government and regulators, to the consumer lobby and debt charities, domestically and internationally. Providing a united voice for industry is the crucial role that UK Cards plays – and this will be increasingly important as we move towards the general election.

To that end, I’m grateful to all of our members for their continued engagement, and also to our committed team of staff. I look forward to reporting on developments as these debates unfold during 2014.

* The 4 quarters to Q3 2013, CES and ONS GDP figures – Series YBHA

** 12 months to November 2013, CES and ONS Retail Sales Figures – Series J5A3
Message from the Managing Director, 
Graham Peacop

During 2013 we have been strengthening our capacity and evolving as a trade association, while also developing more clearly our value proposition to members. A major priority has been to conduct a strategic review, during which we worked with members to map out the likely future for card and card-like payments, and the role our members, and UK Cards, will play.

The pace of technology is moving quickly, and current and future developments will shake up the market. Across the industry we have a wealth of experience on issues ranging from fraud prevention to consumer protection, but we will need to innovate in the interests of cardholders to stay relevant – finding new ways that cards and card-like payments can enhance their daily interactions as consumers and citizens.

An example is our contribution this year to helping Transport for London (TFL) roll out contactless payments across the London transport system. This extends the convenience of contactless cards to a new audience, and offers lessons for transit operators around the world.

Building on the role of Near Field Communications (NFC) in contactless payments, we are excited about the role of the smartphone as an enabler of card-like payments. This has underpinned our work in creating the NFC Steering Board to facilitate a national acceptance infrastructure for NFC. The Steering Board is one of the biggest multi-sector collaborations the UK has seen in recent years, and there has been real progress, including a Point of Interaction (POI) Etiquette that is the cornerstone of a common ‘customer journey’. Of course, collaborative innovation, by its nature, requires resilience, particularly as new ground is being broken, and all parties need to have courage as we explore how to build on those foundations.

We continue to be proud of the progress of Financial Fraud Action UK (FFA UK), which has led the fight against financial fraud for many years. Its integrated approach of consumer education, intelligence-sharing and enforcement demonstrates the best collaborative values of the industry. The challenge going forward will be to ensure a constant synergy between our fraud prevention and innovation agendas, as new payment channels create different risks as well as opportunities. The high levels of security and consumer protection currently offered by card payments must be carefully preserved as the industry moves into the future.

Across all of these issues, our new communications function has created a step change in advocacy, with spokespeople bringing insights and evidence to many debates in the media, from security of contactless cards, to debt support and consumer protection. We have developed an EU public affairs capability that has facilitated collaboration with many European partner organisations, through which we can effectively deliver well-balanced argument on behalf of our issuing and acquiring members.

The next year will be another pivotal period for the industry, as the regulatory framework settles into shape, determining the environment for our members’ businesses for many years to come. Channelling the collective voice of the industry has never been so important.
2013 A year at a glance

JAN

• Dedicated press office launches, servicing UK Cards and Financial Fraud Action (FFA UK). Over the course of the year, the press office would go on to handle 670 enquiries and conduct over 200 TV and radio interviews on behalf of the industry.

FEB

• UK Cards holds detailed discussions with the Financial Conduct Authority (FCA) to ensure a proportionate regulatory regime for consumer credit, as responsibilities move from the Office of Fair Trading (OFT).

MAR

• National awareness campaign launches to dissuade prospective ‘money mules’, with a particular focus on students and new entrants to the UK.
• UK Cards and members collaborate with HM Treasury to deliver a system of faster settlement from acquirers, giving small businesses the option to receive funds from card payments earlier.

APR

• Detailed presentation to the Home Affairs Select Committee as part of its enquiry into e-crime, educating MPs on the impact of the industry’s work in ensuring consumers can transact safely online.
• Hosting of a multi-stakeholder event focusing on credit card borrowing, attended by members, as well as the Personal Finance Research Centre, debt advice agencies and other consumer representatives.

MAY

• Drop-in surgery on responsible lending held at the Scottish Parliament, giving MSPs an insight into constituency borrowing and repayment figures, held in partnership with Money Advice Scotland.

JUN

• The CardCosts website launches (www.cardcosts.org.uk) to provide tailored information to consumers on the actual costs of their credit card borrowing. The website was praised by Jo Swinson MP, the Minister for Consumer Affairs and also by Which?

JUL

• The NFC Steering Board delivers the ‘Point of Interaction Etiquette’, as a key element of the end-to-end ‘customer journey’ for NFC.

AUG

• A national consumer awareness campaign on ‘Vishing’ secures almost 350 pieces of coverage across radio, TV and print media.

SEPT

• Lord Hunt of Wirral, Chairman of the Lending Standards Board, praises the record of the industry on consumer protection during his remarks to the UK Cards annual reception.
• Agreement is reached with HM Revenue and Customs on the shape of an annual data collection exercise, designed to support government in ensuring the right amount of tax is collected from businesses.

OCT

• UK Cards rolls out the key stage of an EU-wide influencing campaign, focusing on the detrimental impact on consumers of the Commission’s proposals to cap interchange fees.
• Home Secretary Theresa May praises the Dedicated Cheque and Plastic Crime Unit (DCPCU) model in a key speech on crime prevention, citing the unit’s 94% conviction rate as being an example for other sectors.

NOV

• UK Cards delivers an NFC demonstration to 40 MPs and researchers during a Westminster credit card surgery, which also demonstrated the industry’s record on responsible lending.
• Provision of additional guidance for Service personnel applying for and using credit – including the large numbers of personnel returning from Germany – delivered in partnership with the Ministry of Defence.

DEC

• UK Cards works with Transport for London (TFL) to shape the pilot for acceptance of contactless cards on the wider London transport network.
• The campaign ‘Out of Your Hands’ launches to raise awareness amongst young people of the need to stay safe online. Materials included a range of teaching resources channelled through schools.
• DCPCU disrupts a major Romanian organised criminal network behind ATM crime (Operation Sandhaven).
The industry trends and metrics

Card usage

DEBIT CARDS

At 90.5 million in November 2013, there were more debit cards in circulation than ever before.

Credit and charge cards

Conversely, the number of credit and charge cards has fallen from a peak of 70.5 million in 2005 to 57.9 million in November 2013.*

Debit cards

75% of all spending in the UK retail sector is made using debit cards in circulation.

Credit and charge cards

Conversely, the number of credit and charge cards has fallen from a peak of 70.5 million in 2005 to 57.9 million in November 2013.*

Level of churn

- 20% of consumers switched their credit card issuer
- 17% of consumers switched their electricity supplier
- 15% of consumers switched their gas supplier
- 11% of consumers switched their mobile supplier

Online spending

- £41.2 billion in 2008
- £68.4 billion in 2012

- 66.1% increase
- 23% decrease

Fraud on online spending

- £182 million in 2008
- £340 million in 2012

- 23% decrease

Contactless cards

- 94 million transactions during 2013, treble the number during 2012.

- Over 7,700,000 journeys

The UK accounts for over 30% of all EU card spending.

Debit & credit

EU card spending

Over 70% of credit cards in the EU are held by British consumers.

* British Bankers Association figures, Debit Card Report.
Borrowing and repayment

CREDIT CARD BORROWINGS

Outstanding borrowing on credit cards has fallen from a monthly average of £67.4 billion in 2005 to £57.4 billion at the end of 2013.

This accounts for just 3.9% of the UK’s total personal borrowing of £1.42 trillion.

40% of outstanding balances are paid off in full each month or at 0% interest.

1.43 trillion UK total personal borrowing

40% 4%

89% Mortgages account for 89% only

Only 3.7% make the minimum repayment on their cards for 12 consecutive months, a figure which falls to 2.3% for 24 months.

Fraud prevention

2012 high street fraud losses totalled £54.5 million

A fall of 75% since 2004 and the rollout of chip and pin

Dedicated cheque and plastic crime unit achieved since 2002

£450 million in savings from reduced fraud (current levels per week at £800,000)

Upheld a conviction rate of 94%

* In November 2013 (Bank of England)
Tipping point for Contactless Cards

This year has seen the tipping point for contactless payments in the UK, and especially in London. Building on the momentum achieved during 2012 through the use of contactless at the London Olympics, a number of major retailers have now introduced contactless payments, including Marks & Spencer, Boots, Aldi, Lidl, Starbucks and Costcutter. Projections indicate our acquirer members will have accepted 94 million contactless transactions by the end of the year, which is well over treble the total number made during 2012, and which accounts for some £609 million of spending by cardholders. These transactions were made through 39 million contactless cards in issue, a figure which is up 26% on the number of cards in issue at the end of 2012.
The changing face of card payments

The payments sector in the UK is fast-moving. Recent evolution in the card payments market has seen the development of new forms of card-like payments, as well as new applications of contactless payments on the transport system.

Last year saw a huge growth in the provision of digital services throughout the business world. There is no doubt the internet has changed the way card and card like payments have developed, with these new digital services becoming increasingly used by both issuers and acquirers. The almost universal availability of internet, wireless and radio communications networks at relatively low cost means that all manner of devices can now connect to each other. Consumers can interact with their bank or a retailer at any time they choose through their own devices. These new digital services include:

- Card acceptance products, particular for internet payments, which can now be delivered to merchants through ‘Cloud’ services
- Improvements to consumer authentication services using digital identities as part of the verification process, such as device biometrics
- New ways of connecting a ‘card’ to a retailer’s system to carry out a transaction, by using digital bar and QR codes, Bluetooth, WiFi and NFC

The UK: Europe’s ‘e-commerce’ giant

The UK is Europe’s leading retail economy, and is currently growing at 18% per annum*, with 38 million adults having shopped online during 2012. Trends show that consumers have an increasing appetite for ordering goods and services over the internet, with the growth of mobile channels contributing to the rise of e-commerce. Card spending is the major driver, with £68bn spent during 2012, £5bn more than in 2011. A third (33%) of online spending is on a credit card, with many shoppers choosing to benefit from the added protection offered under section 75 of the Consumer Credit Act 1974. Consumers undertaking debit card transactions, which accounted for 46% of online purchases during 2012, also value the protections offered by the card schemes under chargeback processes. The total number of consumer internet purchases made by debit and credit card rose to just over 900m in 2012, or 10% of all card payments.

Contactless cards and Transport for London

TfL continues to roll out contactless technology across its transit network. The first stage involved single fares on the bus network from December 2012, with over 7 million journeys taken and over 440,000 unique contactless cards used since. This represents a major extension of contactless acceptance, and has been made possible by contributions from across the industry, particularly from our acquirer members. The next stage, in 2014, involves the more complex implementation of variable fares across the train and underground networks. UK Cards has provided a forum for cross-industry discussion with its members, card schemes (American Express, MasterCard and Visa) and TfL to develop the necessary infrastructure and to identify and resolve any issues.

Security of new card payment methods

As new forms of payments emerge, the industry needs to safeguard the security of consumers. The advent of smartphones has generated a range of mobile banking apps, but with these opportunities come risks, particularly as the mobile device has a different set of vulnerabilities and service arrangements. New card reader devices now allow smartphones and tablets to be used as Chip & PIN terminals, extending card acceptance to new groups, including small businesses. As new technologies like this emerge, UK Cards will support our members as they analyse the changing risks including through working with the academic community, where appropriate, to ensure consumers are protected.

Realising the potential of NFC-enabled mobile payments

As well as enabling fast and convenient payments through contactless cards, Near Field Communication (NFC) offers many other potential ways for consumers to use their mobile device – including transport and event ticketing, loyalty vouchers and couponing, proof of age and other identification. To unlock the potential of the technology, UK Cards has facilitated the work of the NFC Steering Board (NFC-SB). The group brings together card issuers and acquirers, retailers, transit operators, mobile network operators, loyalty and reward companies, Government and other bodies interested in developing a national NFC infrastructure.

Progress has included the creation a range of best practice guidelines which set out a standard method for consumers to use NFC including a ‘Point of Interaction Etiquette’. This will ensure a common set of behaviours wherever NFC is used, and is a crucial part of introducing the technology to retailers and consumers. UK Cards will continue to provide this unique cross-industry forum where interested parties can come together to make progress.

* http://imrg.org/
“A big part of managing financial problems and debt is knowing how to avoid them, and well informed consumers make better choices and spending decisions. That is why I am pleased that The UK Cards Association and Bristol University have launched the CardCosts website today, which I’m confident will be a welcome aid to consumers seeking more information on credit cards.”

Jo Swinson MP
Minister for Consumer Affairs

To enhance transparency for consumers, UK Cards launched the CardCosts website, which helps cardholders understand the cost of their repayments and experiment with different options. The website was developed alongside the Personal Finance Research Centre (PFRC) at the University of Bristol. Upon its launch, it was praised by Jo Swinson MP, the Minister for Consumer Affairs, who welcomed its alignment with the government’s own vision on consumer empowerment.

CardCosts is the latest in a series of enhancements to transparency and responsible lending delivered by the industry over many years. Other examples have included the introduction of summary boxes, a contact process to provide guidance for cardholders who are frequently making only the minimum payment, and also the delivery of annual credit card statements.

Partnerships across the third sector
We are proud of our long-standing partnership with the debt advice sector, both in terms of our individual relationships with key charities, and also the collective work we do together through our regular forum, which is designed to exchange information on consumer debt issues. Alongside this, UK Cards continues to support the work of the Citizens Advice-led Addressing Financial Difficulties (AFD) group, which brings together credit companies, government departments, utility companies, debt charities and other parties.

In April, UK Cards hosted a range of stakeholders, alongside our members, in a forum focusing on trends in credit card borrowing—which was designed to explore the support available for those who have problems with debt. Yvonne Fovargue MP, Chair of the All Party Parliamentary Group on Debt & Personal Finance, welcomed the event, which provided a platform to discuss the positive impact of initiatives delivered over recent years, and how cardholders experiencing difficulties can be encouraged to seek help at the earliest opportunity.

Supporting Service personnel
Working with the Ministry of Defence, UK Cards has developed tailored help and guidance for Service personnel who are applying for and managing credit, including specific advice for the large numbers of personnel returning from Germany over the next 12-18 months.

Which? Money’s verdict on the CardCosts calculator:
“Working out exactly how much your credit card costs you can be a tricky business, so this calculator is a really useful tool. Above all, its flexibility sets it apart from similar calculators.”
Helping consumers to manage their borrowing

The card payments industry is committed to responsible lending and transparency, to help consumers manage the borrowing on their credit cards, and to support those who are at risk of financial difficulties.

CardCosts

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Examples of the UK and EU parliamentarians engaged with over the course of 2013

1 Adrian Bailey MP
2 Willie Bain MP
3 Mark Durkan MP
4 Christopher Leslie MP
5 Martin Vickers MP
6 Ed Balls MP
7 Sari Essayah MEP
8 Sajid Javid MP
9 Justin Tomlinson MP
10 Steve Barclay MP
11 Christopher Evans MP
12 Pauline Latham MP
13 Stephen Mosley MP
14 Sharon Bowles MEP
15 Yvonne Fovargue MP
16 Nigel Mills MP
17 Andrew Stunell MP
18 Russell Brown MP
19 Patricia Glass MP
20 Oliver Letwin MP
21 Laura Sandys MP
22 Lord Browne of Madingley
23 Julie Hilling MP
24 Emma Lewell-Buck MP
25 John Pugh MP
26 Ann Coffey MP
27 Margaret Hodge MP
28 Andy Love MP
29 Chi Onwurah MP
30 Jim Dobbin MP
31 Lord Hunt of Wirral
32 Kenny MacAskill MSP
33 Ian Murray MP
34 Gemma Doyle MP
35 Cathy Jamieson MP
36 Michael McCann MP

Images courtesy of Dods.
Shaping public policy

UK Cards works hard to shape the public policy environment for the benefit of our members and their customers. To do this, we engage and inform a wide range of stakeholders that have an interest in card payments, both in the UK and increasingly in Europe.

Shaping effective regulation

The last year has seen an unprecedented amount of regulatory change. To ensure that the evolving framework is effective and proportionate, UK Cards has been engaging at the highest levels within the UK Government and the European Commission, and across the regulators, to ensure that these changes deliver the best outcomes for businesses and consumers. Specific work has focused on shaping the following reforms:

• The new Payment Systems Regulator (PSR), which is to be introduced in April 2015, covering all active retail payment systems. The PSR will operate under the Financial Conduct Authority (FCA), and ushers in a new utility-style, competition-focused regulatory approach.

• The transfer of oversight for the consumer credit regime to the FCA from the Office of Fair Trading (OFT). UK Cards has been engaging closely with HM Treasury and the Department for Business, Innovation and Skills (BIS) to ensure a managed transfer, specifically highlighting what we consider to be the risks for consumers and businesses of the short transition period of 6 months after April 2014.

• The European Commission’s proposals to cap the level of interchange fees that can be applied to card transactions.

The proposals on interchange fees are of considerable importance for members. In view of this, UK Cards has developed a European public affairs capacity to make the case that these proposals run counter to the interests of consumers. If the savings are passed on by retailers, consumers will save only 5p on a £48 transaction, but evidence from countries where caps have been applied suggests that savings tend not to be passed on at all. Meanwhile, cardholders are likely to face higher interest rates and the potential for new fees. As a result, we are concerned that consumers may be forced to turn to more expensive and less appropriate forms of borrowing.

Domestically, UK Cards has been in extensive dialogue with HM Treasury to provide evidence and insights to shape the UK position at European Council. A key concern that we have raised is the lack of Member State impact assessments. We have therefore developed our own comprehensive impact analysis using industry data for HM Treasury to draw on.

The proposal is currently being considered by the European Parliament, and we have briefed committee members drawn from all political groups, while joining up with like-minded trade associations in other Member States.
Midata

We have worked to ensure that the industry has a voice in the shaping of the government’s midata programme, which aims to give consumers more access to their personal data in a portable, electronic format. Card issuers already allow customers to download transactional details in a variety of machine-readable formats. Based on our audit, over 94% of credit and debit card accounts have access to this data. We feel that the industry has a good story to tell and can serve as an exemplar of the principles that government is seeking to embed.

Ensuring effective claims-handling

UK Cards has played a role in ensuring that Claims Management Companies (CMCs) are properly regulated in the interests of consumers. The industry is committed to ensuring claims are paid to consumers quickly and fairly, but as part of a fair system CMCs need to ensure due diligence when they take on claims. Following calls from UK Cards and others, the Ministry of Justice is strengthening regulation across a number of fronts, including through tackling mishandling and non-compliant marketing, as well policing the ban on referral fees and preventing unsolicited text messages and calls to consumers.

Assisting HMRC on tax returns

UK Cards has reached agreement with HM Revenue & Customs (HMRC) on the role the industry should play in sharing card payment data. HMRC estimates that the information provided could help reduce fraud by over £50 million per year, and the importance of the project for government is underlined by the fact that legislation has been introduced to facilitate such an exchange.

Safeguarding children from adult images

The card payments industry has engaged in efforts to protect children from online pornography, a subject that has attracted significant political and media attention. Working with the Authority for Television on Demand (ATVOD) and a range of other stakeholders across the UK’s diverse payments industry, we are exploring how, with the introduction of the appropriate statutory underpinning, it may be possible to restrict payments to websites which do not provide the necessary age verification. This is challenging, as most of the websites in question are hosted outside of the UK and where much of the material is free of charge, but the industry will continue to support efforts in this important area.
Contributing to formal consultations is a core component of the work of a trade association. Key consultations contributed to during 2013 include the following:

Department for Business, Innovation & Skills
- On the draft Consumer Rights Bill

FSA/FCA
- On the detailed approach to the regulation of consumer credit and the draft rulebook
- On the fees and levies 2014/15 (with a particular focus on the new model for consumer credit)
- On Temporary Product Intervention rules
- On the high-level proposals for an FCA regime for consumer credit

HM Treasury
- On gift aid and digital giving
- On a new approach to financial regulation
- On opening up UK payments

Financial Ombudsman Service
- On FOS plans and budget 2013/14

HMRC
- Data gathering from merchant acquires

Law Commission
- On data sharing between public bodies (in conjunction with FFA UK)

Sentencing Council
- On the draft guideline on fraud, bribery, and money laundering offences (in conjunction with FFA UK)
Preventing fraud

Safeguarding cardholders from fraud is the most basic consumer protection. For many years, UK Cards has been the primary sponsor of Financial Fraud Action UK (FFA UK), which is the name under which the financial services industry coordinates its activity on fraud prevention.

Through FFA UK, UK Cards joins up with national strategic partnerships, including the government’s Fighting Fraud Together programme, and, more recently the agenda taken up by the new National Crime Agency (NCA).

Enhancing the sharing of intelligence
Sharing intelligence on fraud, across the payments industry and with the police, can help identify patterns in offending and can lead officers to the criminals involved. This highly sensitive exchange is conducted through the central hub provided through FFA UK. The coordination that is made possible through our Fraud Intelligence Sharing System (FISS) also allows us to share insights, where appropriate, with other agencies, including the National Fraud Intelligence Bureau (NFIB) and the Cabinet Office’s Counter Fraud Checking Service.

UK Cards, through FFA UK, has extended this collaborative data-sharing work outside of our sector, in the wider national interest, joining with others who share our strategic interest in eliminating fraud. A major priority for the government, which is driven by the Cabinet Office but which has been supported by the Prime Minister, is to create a step-change in the amount of intelligence shared between the public and private sectors, with a view to coordinating joint action against fraudsters. UK Cards, through FFA UK, has led the industry’s response to this agenda by contributing to the national Intelligence Sharing Roadmap, the aim of which is to tackle criminals who work in an organised way to exploit the vulnerabilities across different systems and industries.

Law enforcement
The DCPCU is a special police unit that consists of police officers from the City of London and Metropolitan Police Service who work alongside industry fraud investigators. Established in April 2002, the unit is fully sponsored by the payments industry through UK Cards and FFA UK, which invest nearly £3.4 million per year in its operation. The DCPCU’s national remit is to identify and target the organised criminal gangs responsible for card and cheque fraud. Since its inception in 2002, the unit has:

- Achieved £450 million in savings from reduced fraud – with the current level of savings equivalent to over £800,000 per week
- Recovered approximately 700,000 counterfeit cards and compromised card numbers
- Secured 346 convictions on fraud related matters
- Upheld a conviction rate of 94%

The changing fraud landscape
Fraud losses on UK cards totalled £216.1 million between January and June 2013, showing a 17% increase from losses of £185.0 million in the equivalent period of 2012. While losses have risen against recent trends, this figure is still down 29% on the equivalent period in 2008 when fraud was at its peak (£304.2 million).

Although fraud on purchases made by cards online and over the phone saw a 23% increase to £142m compared to the first half of 2012, this needs to be seen in the context of the increase in card spending, particularly on the internet. Fraud losses for e-commerce have reduced by just under a quarter since their peak in 2008, despite a two thirds increase in online card spending over the same period.

Intelligence suggests that the increase in losses over the first half of the year owes much to a change in modus operandi amongst fraudsters. Over recent years, a number of enhanced security features have been introduced. These include Chip & PIN, online shopping protection, and more sophisticated detection processes used by banks and retailers. As fraudsters have found it harder to attack the system, they have turned to deception crimes aimed at consumers themselves. These typically seek to trick consumers into parting with their financial and personal information, including their passwords, PINs and payment cards.
Consumer education and awareness-raising

In view of the increase in deception crimes, we recognise the importance of raising awareness amongst cardholders of the simple steps that can be taken to protect themselves. To this end, our consumer awareness campaigns provide advice to key segments of the population to encourage changes in behaviour that can keep them safer.

Campaigns undertaken by UK Cards, through FFA UK, during 2013 include:

- **Money mules** – Aimed primarily at students and new entrants to the UK, this campaign reached those who are targeted by fake job adverts to illegally launder money through their bank accounts.

- **Out of Your Hands** – A partnership activity with the mobile telephone providers, which uses teaching resources to raise awareness of online risks amongst school pupils – particularly in relation to mobile devices.

- **Action on telephone scams and ‘Vishing’** – A series of PR campaigns highlighted the risk of fake calls purporting to be from bank staff, which are designed to obtain cards, PINs and personal details.
Many of you will know of the very effective Dedicated Cheque and Plastic Crime Unit, which consists of officers from the Metropolitan and City of London Police. This unit, which is funded by the banking industry, not only has a 94% conviction rate, it also gets out and about, educating bank and retail staff in prevention. I want to see more partnerships of this type, and I want to see more industry sectors – and public bodies, of course – getting involved.

Theresa May MP
Home Secretary

Examples of DCPCU operations during 2013

Operation Dombey
A bank worker from Leicester was jailed for 18 months after admitting 12 counts of fraud by abuse of position. The individual used forged and counterfeit passports to open numerous false credit card accounts using the names of 12 customers. Once the accounts were active, he altered the individuals’ details to addresses that were under the control of associates.

Operation Blyton
A bank worker was jailed for six years for stealing £135,000, and attempting to defraud a further £2.6m, through taking photos of customers’ account information with his mobile phone. Officers found that images were being passed on to fraudsters, who then used the information to make cash withdrawals at bank branches.

Operation Sandhaven
During December, officers from DCPCU executed six warrants in north London. This resulted in nine arrests of members of a Romanian organised criminal gang. A significant amount of evidence was found including skimmers in various stages of construction, cards and card rewriters, cash, and equipment used in the manufacturing process of industrial scale card skimming. Tens of thousands of card numbers were also recovered.

Fraud to turnover ratios 2002-2012

Annual fraud losses on UK-issued cards 2002-2013

* From Jan – June 2013
Media handling metrics

The press office provides a voice for the industry in the media. Over the course of the year, the unit has responded to over 670 separate enquiries from commentators, which represents an increase of 16% on the number of contacts made during 2012. Engagement with journalists has ensured that the industry speaks with one voice on important issues, including interchange fees, contactless cards and fraud prevention.

Over the course of the year the press office has secured over 1,850 pieces of media coverage, as well as having delivered over 200 broadcast interviews across TV and radio, many of which have corrected misconceptions about the industry. In order to build strong, long-term relationships, the press office has held a series of one-to-one briefings with prominent commentators.

Events in Westminster, Holyrood and Tower Bridge

We have created platforms for engagement with key policy-makers, arranging meetings or seminars with 94 Parliamentarians, as well as a number of detailed discussions with key Ministers. Complementing individual briefings, UK Cards held credit card surgeries in the Scottish Parliament and in Westminster, with the latter backed by a demonstration of NFC. These events provided MPs and MSPs with the opportunity to review the profile of borrowing in their constituencies, and underlined responsible lending practices.

This year was also notable for our first ever Annual Reception, which took place within Tower Bridge. The keynote speaker, Lord Hunt of Wirral, Chairman of the Lending Standards Board, made remarks that welcomed the industry’s work on transparency and consumer protection.
Enhancing the reputation of the industry

Communications work carried out by UK Cards seeks to inform, educate and build alliances with a range of individuals and organisations, including through engaging consumers directly on issues such as fraud prevention and how to get the most out of their cards.

Media handling metrics
The press office provides a voice for the industry in the media. Over the course of the year, the unit has responded to over 670 separate enquiries from commentators, which represents an increase of 16% on the number of contacts made during 2012. Engagement with journalists has ensured that the industry speaks with one voice on important issues, including interchange fees, contactless cards and fraud prevention.

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“I welcome further initiatives that have sought to put information and power into the hands of cardholders to control and manage their borrowing. These include the annual credit card statements, new letters sent to customers who consistently only make the minimum payment, and the new online tool you have developed as a more transparent complement to the APR.”

Lord Hunt of Wirral
Charitable giving

Charitable giving remains an important area for UK Cards, and we do all we can to marshal support on behalf of the industry for charitable appeals and individual good causes.

The Internet Watch Foundation

Since 2006, UK Cards has been proud sponsor the Internet Watch Foundation (IWF), which ensures the removal of online child sexual abuse images. The financial support given by UK Cards enables the IWF to acquire and deploy the best technology in assessing criminal content, as well as to continually build upon its expertise in removing such material.

‘Round Pound’ Initiatives

UK Cards continues to monitor the development of ‘round pound’ initiatives, such as Pennies (www.pennies.org.uk), where cardholders are able to round up their transaction to the nearest pound at merchants offering the facility, with the difference going to charitable causes.

UK Cards – with the help of Global Payments, MasterCard and Pennies – raised £800 in Parliament this year, as a result of MPs donating to MacMillan Cancer Support, Carers UK, Kids Company and the RNIB. This donation was part of a demonstration of how NFC technology can be used to make a payment through a smartphone.

Waiving of Fees

For many years, UK Cards has worked alongside the Disasters Emergency Committee (DEC) to waive card payment fees for campaigns which meet our qualifying criteria (available on our website).

During 2013, such qualifying appeals included those based on the Syria Crisis and the Philippines Typhoon.

Over the past decade the instances on which the industry has waived fees have included:

- 2003 Comic Relief; Liberia Crisis; Children in Need.
- 2004 Sports Relief; Sudan Emergency; Children in Need; Asian Tsunami.
- 2005 Comic Relief; Pakistan Earthquake.
- 2006 Sports Relief.
- 2007 Children in Need.
- 2008 Burma Cyclone; Children in Need; Congo Crisis.
- 2009 Gaza Appeal; Comic Relief; Children in Need.
- 2010 Haiti Earthquake; Sports Relief; Children in Need; Pakistan Floods.
- 2011 Comic Relief; East Africa Crisis; Children in Need.
- 2012 Sports Relief; Comic Relief; and Children in Need.
- 2013 Syria Crisis; Philippines Typhoon Appeal; and Children in Need.

“It’s always exciting to try out new inventions, especially ones that can help giving to charity easier, and I’m looking forward to seeing the many other ways this technology will be used in the future. There will always be a place for the collection tins where people can pop in their spare coins, but this new technology will hopefully make it easier for other donations to be made.”

Cathy Jamieson MP
Shadow Financial Secretary
Membership of
The UK Cards Association

Membership of The UK Cards Association is open to any organisation that issues credit, debit, charge and ATM cards in the UK under the American Express, LINK, Maestro, MasterCard and Visa schemes, or that acts as a merchant acquirer in the UK for any of these schemes.

The UK Cards Board is the industry’s most senior decision-making body and is chaired from outside the industry by an independent non-practitioner (Melanie Johnson). The Board is responsible for setting the strategic priorities for the industry, typically meeting on a quarterly basis and overseeing the work of a number of special sub-committees.

Melanie Johnson became the first non-member Chair of the Board in September 2009 following a successful career in politics as a government minister between 1999 and 2005. During her time at the then Department of Trade & Industry she undertook the first review of consumer credit legislation for more than 30 years.

Members who issue a million or more cards under the named schemes (of which half must be debit, credit or charge cards) and/or acquire at least 2.5% of total UK card purchase are entitled to a seat on the Board. Organisations that fall beneath these volume criteria are still eligible to join UK Cards. Non-Board members are represented collectively on the Board by a Nominee Director.

The UK Merchant Acquiring Market
An important feature of the UK card payments industry is the growing number of acquirer-only members as the traditional retail banks divest themselves of their merchant acquiring businesses. In recent years UK Cards has seen WorldPay join Elavon on the Board as merchant acquirer only members, with others likely to join them in the near future.

The UK Cards Association Members at 1st January 2014

<table>
<thead>
<tr>
<th>Full Board Members</th>
<th>Other Members</th>
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<tr>
<td>American Express Services Europe Ltd – Mr Colin Walsh</td>
<td>AIB Group (UK) Plc.</td>
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<td>Bank of Ireland – Mr Phil Frenis</td>
<td>Chelsea Building Society</td>
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<tr>
<td>Barclays Bank Plc. – Mr Manoj Piplani</td>
<td>C Hoare &amp; Co</td>
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<tr>
<td>Capital One Bank (Europe) Plc. – Ms Vicky Mitchell</td>
<td>Citi Bank UK</td>
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<tr>
<td>Clydesdale Bank Plc. – Mr Antony Lupton</td>
<td>Coventry Building Society</td>
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<td>Co-operative Bank Plc. – Mr David Fawell</td>
<td>Investec Bank Plc.</td>
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<tr>
<td>Elavon Financial Services Ltd – Mr Simon Haslam</td>
<td>Northern Bank Ltd*</td>
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<tr>
<td>HSBC Bank Plc. – Mr Andrew Slough</td>
<td>SAV Credit Ltd</td>
</tr>
<tr>
<td>Lloyds Bank Plc. – Mr Alan Brindley</td>
<td>Standard Chartered (Jersey) Ltd</td>
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<tr>
<td>MBNA Europe Bank Ltd – Mr Ian O’Doherty</td>
<td>Virgin Money Plc.</td>
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<td>Nationwide Building Society – Ms Anne Dalgleish</td>
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<tr>
<td>The Royal Bank of Scotland Group Ltd – Mr Steve Rubenstein</td>
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<td>Santander UK Plc. – Mr Alan Mathewson</td>
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<td>Tesco Personal Finance Plc. – Mr Wil Curley</td>
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<td>Vanquis Bank Limited – Mr Paul Rodford</td>
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<tr>
<td>WorldPay (UK) Ltd – Mr Ron Kalifa</td>
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