

# Uninvited credit limit increases push people further into debt

Consumer borrowing is growing quickly. In the last 12 months consumers have taken on £15 billion of debt, including £3.5 billion of new credit card debt.

Citizens Advice sees the impact on people when they take on unaffordable debts. One cause of problem debt is credit card lenders providing uninvited credit limit increases to people in financial difficulty.

We asked 2,000 people whether they had received a credit limit increase without their permission, how large this was, and what effect it had on their spending habits.<sup>1</sup>



We found that one fifth of all credit card holders received an uninvited credit increase last year.



One third of people who received a credit limit increase increased their spending afterwards.



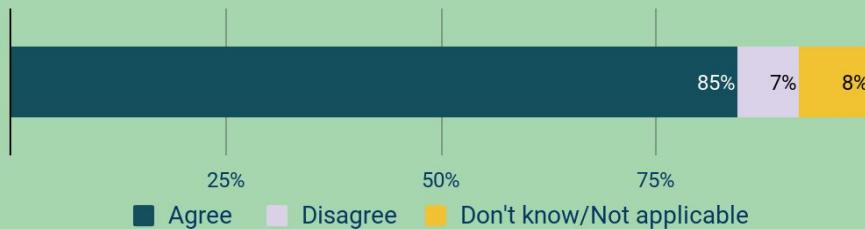
This figure rises to 48% amongst people who found their debts to be a heavy burden.

**citizens  
advice**

## Credit card limit increases should require a customer's consent.

85% of our respondents agreed providers should always ask for permission before increasing someone's credit limit.

### Credit card providers should always ask permission before increasing someone's credit limit on their credit card.



## Most credit limit increases are uninvited

In the last 12 months, 28% of credit card holders (8.4 million people) received a credit limit increase.

Three quarters of credit limit increases last year were uninvited. Nearly 6 million people received a credit limit increase last year without asking for it.

On average, these increases provided **£1,481** of uninvited credit, with one in ten people receiving increases of more than £3,000.

Increasing people's credit limits significantly increases the likelihood that people will spend that money, especially where people might already be facing a difficult financial situation. Last year 32% of credit card holders who were worried they couldn't repay their debts received a credit limit increase, compared to 23% of those who were confident.

These figures show that credit card companies are not only lending too freely, but putting individuals at risk by lending to people who are unable to pay down their debts.

## Credit card debt is the most common form of debt



41% of credit card holders don't always pay off their credit card.



35% of credit card holders found debt to be a heavy burden.



The average amount of credit card debt is £1,023.



One in 10 people held more than £3,000 of credit card debt in their largest account.

## Case Study



After being approached by a credit card company in the street, one of our clients decided to sign up with a £500 limit.

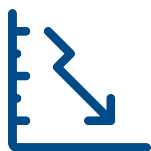
Over the next two years her limit was increased to £3,500, despite the fact that she receives ESA and is on a low income. With the money available, our client found it too easy to use the card every month and reached her credit card limit through gradual overspending.

After missing one of her monthly repayments, the worry of bailiffs knocking at her door became too much for her. She came to Citizens Advice and is now considering a Debt Relief Order.

## Credit limit increases are disproportionate to people's incomes



Only a third (33%) of those who received an unsolicited credit limit increase have had an increase in their income in the previous year.



Even amongst the 30% of people whose income had increased, the average increase was £2,033. The average increase in uninvited credit represents 75% of that income increase.

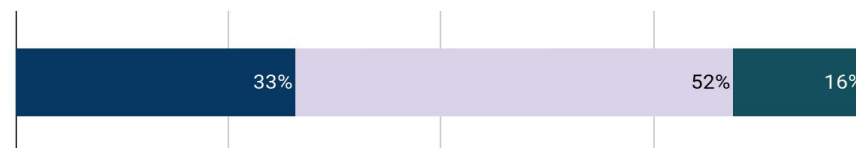


Furthermore, the increase in uninvited credit provided the opportunity for customers to more than double the existing average balance of £1,033. Speeding up the rate at which people acquire debt.

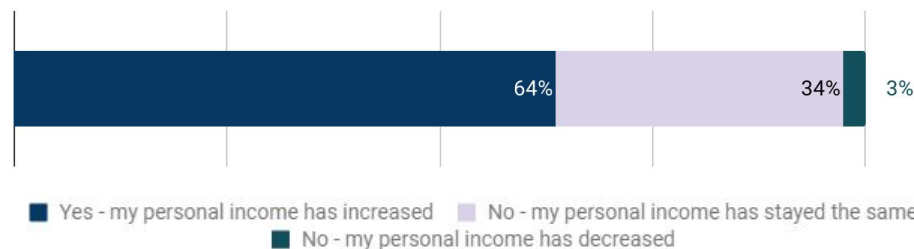
## People who actively manage their credit limits are better placed to borrow

Our research shows that people who request credit limit extensions tend to be in a better position financially, than those who receive uninvited limit increases.

### Income increase for people receiving uninvited credit increases



### Income increase for people receiving requested credit increases



## People receiving uninvited credit limit increases are often struggling financially



Two in five of those who received an unsolicited increase felt their debts to be a heavy burden.

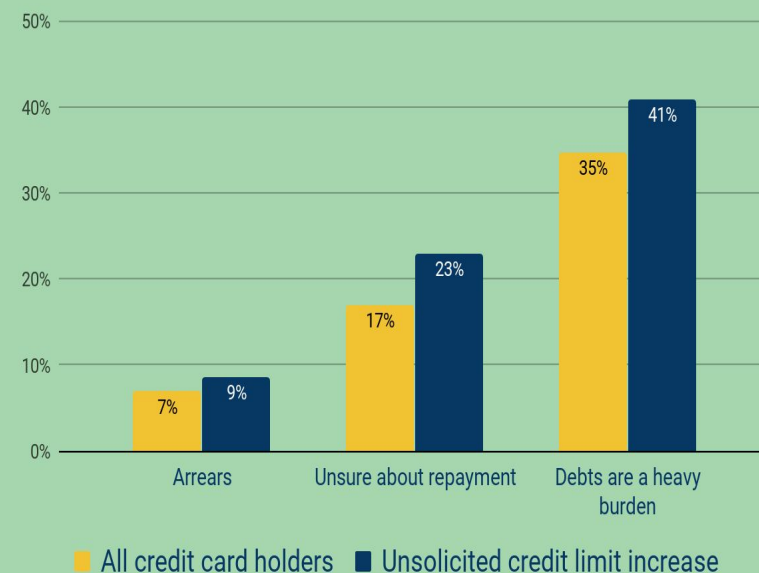


One quarter of people who received an unsolicited increase showed signs of financial distress.



People who receive unsolicited credit limit increases are 30% more likely to feel that debts are negatively impacting their mental health.

## People who receive unsolicited credit limit increases are more likely to be struggling than other credit card customers



## Credit card limit increases drive spending

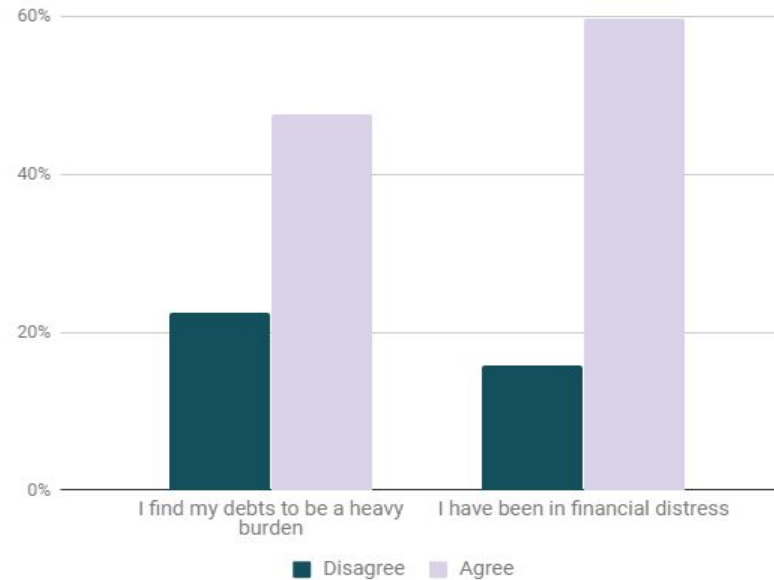
Around one third of all respondents increased their spending having received a credit limit increase.

This proportion was significantly higher amongst people who were already struggling to manage their financial situation. These people are more likely to rely on credit to pay for essentials.

Amongst people who felt their debts to be a heavy burden, 48% had increased their spending.

This figure rises to 59% amongst people who show signs of financial distress, such as taking out a payday loan, using doorstep lenders or cutting back on food to stay on top of their finances.

Proportion of people who have increased their spending following a credit limit increase.



## It's the right time to make credit cards safe

The rapid growth of credit card borrowing is happening in a wider context of stretched personal finances.

When household budgets are tight it's important people can borrow safely and stay on top of their finances.

Our previous research, *Stuck in Debt* found that credit card borrowers were more likely to get into financial difficulty and were more likely to get trapped in long-term problem debt.

Unlike most forms of borrowing credit cards don't have structured repayments meaning people can stay in debt for a long time.

People who struggle with their debts are also profitable. As a result lenders keep people in debt by providing uninvited credit.

The Financial Conduct Authority (FCA) has agreed with credit card providers that they will start asking new customers for their consent before raising limits, and give them the option to carry on receiving uninvited increases. Existing customers will be given the option to ask their lender to require their consent.

With three quarters of credit limit increases initiated by credit card companies and low demand from customers, Citizens Advice is concerned that credit card companies aren't being required to ask permission from all customers before raising limits. The best way to give consumers control over their finances is to make sure they give their consent for any increase.

### Our recommendation

Credit card companies should be banned from giving people unsolicited credit card limit increases so people aren't put at risk of taking on debts they can't pay back.

### Notes

1. Citizens Advice worked with ComRes to carry out an online survey of 2033 GB adults between 8 and 9 November 2017. 1332 have credit cards. People were asked about their experiences of finances and debt in the 12 months to November. Full data tables can be found at [www.comresglobal.com](http://www.comresglobal.com)
2. The minimum base size of statistics is 50 respondents in this data.