

A Consumer's Perspective

By Ray Hilditch

My story is not, perhaps, typical, though I suspect it is not terribly unusual. As a middle manager working in an international business environment, I use credit cards regularly and frequently. The usual variety of purchases and hotel bills feature heavily. Airline tickets, foreign currency and overseas car hire are also fairly common items. Theatre tickets, champagne and fresh flowers are less frequent purchases, but are recommended for restoring good domestic relations after long trips overseas. A haggis from Inverness and a hubble-bubble pipe from Cairo are probably the most unusual items to appear on recent statements!

Over the 1980's I accumulated a large number of credit cards and store cards. My bank in Scotland (though I now live in London) provided a brace of both gold and silver varieties. Another well known charge card "did very nicely" for a while. My flexible friend was extremely friendly until the card was misused by an employee at a local pub; the company showed another side to its character then. By 1990, I was counting the cost of maintaining such a portfolio of cards. High interest rates and annual charges for the operation of each card were taking their toll. Some gold cards were charging up to £70 each for annual renewal - and insisting that all statements were paid by direct debit within 14 days. Moreover, an increasing number of retail outlets and service providers were not accepting certain cards.

It was time to take stock of the situation. By that time, I had accumulated no fewer than 16 cards: some of them were not being used from month to month; I attempted to reassess my requirements. I decided I needed both a classic Visa card and a Gold Card. Different statement dates on the two cards allow the user to spread the payment load. The higher credit limit on the Gold Card is also extremely useful, for example, when overseas car hire companies and hotels "book" a sizeable part of the credit limit until the transaction is completed. Frankly, the status which a Gold Card confers on the user is also significant in certain international situations.

Choosing the Co-operative Cards

Identifying the criteria was, however, only the beginning of the search process. Even when the choice is limited to Visa cards, it is still truly bewildering. There are more than 20 U.K. Classic Visa cards available and an almost equal number of Gold Visa cards. My normal habit is to settle the balance in full on the due payment date each month. I therefore lean towards a card which makes no annual charge. On the other hand, since larger purchases - holidays, Christmas gifts, furniture and electrical goods - are

sometimes spread out over several months, the APR is also of some importance. In both these respects the Co-operative Bank Classic and Gold Visa cards are fairly attractive. The Gold Visa is particularly unusual in this regard. I do not know of another Gold Card which made a guaranteed promise of no annual renewal charge for life - a feature of the Co-op Gold Card in 1990. This certainly made a significant impact on my decision.

A very different aspect of the activities of the Co-op Bank prompted my decision to adopt the Classic Visa Card. In fact, it was my wife who was the catalyst in this respect. As a member of the Royal Society for the Protection of Birds, she drew my attention to the donations which the Co-op Bank generously makes to the charity, related to card usage. A donation is made upon joining; thereafter 25p is contributed for every £100 spent on the card. This apparently modest amount has benefited the RSPB, according to a press report, to the tune of almost £1m. In our own small way, both my wife and I are pleased to have "done our bit" for this very worthy cause. It's rather nice to think as we feed ourselves at the local Chinese or Indian restaurant, that indirectly we're feeding our feathered friends, too.

"Free for Life"

Recently, the Classic Visa card has also been advertising a "free for life" arrangement. The criteria, however, are tough, demanding high income and thorough checks on credit status. Whilst this is no more than prudent banking, one cannot help but notice how far divorced, philosophically, this is from the spirit of the Co-operative movement. There is, perhaps, also a corollary to "free" credit cards - that is, higher than desirable interest rates. In keeping with other banks, the Co-op Bank has been slow to lower interest rates on credit card transactions. In a recent Sunday Times survey, the APR on purchases and cash advances obtained through Co-op Visa cards was in the middle of the range of banks and other financial institutions investigated. Moreover, the period of time before interest is payable has shortened alarmingly. Again, this may be no more than good banking practice, but supporters of the Co-operative movement may have hoped for a more pioneering spirit on the part of the bank to bring down real interest rates.

Though I personally welcome the absence of an annual charge, some have argued that the outcome is that those who use the card properly, as a credit card, subsidise those who pay off their account in full each month. In effect, cardholders who need and use a credit facility subsidise people who use it simply as a convenience.

Free Gifts?

At the time of writing, the Bank has just launched a free gift scheme. If one

spends £150 per month over three months, a free gift - a lantern, holdall or T-shirt - can be claimed. This undoubtedly has its attractions, but makes the Bank take on the appearance of petrol retailer or supermarket. A straw poll of cardholders indicated a clear preference for lower interest rates, rather than such dubious promotions.

With use, however, other less quantifiable benefits and advantages have emerged. The cards are by far the most helpful way of paying for purchases and obtaining cash overseas. They have made travellers' cheques and their associated costs unnecessary. Purchases are converted at wholesale rates, often considerably better than those offered by a bureau de change. Free travel accident insurance is also a worthwhile benefit. Payment protection for a modest cost is a comforting facility. Loans at preferential rates and free financial advice are potentially useful.

Although I have not had to make use of it - indeed I hope I never will - the overseas medical and legal assistance service is very comforting. Finally, the discounts on holidays and guaranteed hotel reservation service are attractive. The latter has secured me a comfortable bed in some obscure places (Sioux Falls, South Dakota most recently), even when planes have been delayed.

That said, however, one hears other comments and observations which suggest the Bank should not become too complacent about its credit card operations. Cardholders who make frequent use of the card, especially in cash dispensers and "swipe" machines which read the magnetic stripe electronically, complain that the card does not physically stand up well to wear and tear. This may be discounted as a minor irritation, but can assume a very different proportion when the card will not function in an emergency, for example, if cash is required urgently outside normal hours.

Fellow Scots and others who have sensibly elected to enhance the quality of their lives by living in the provinces complain, too, that when things go wrong, phone calls and letters to Manchester, or the Visa processing centre in Skelmersdale, are not always dealt with as speedily or effectively as they might have wished. Again, these are minor irritations, but they invite comparison with much larger scale competitors in the Visa network and other charge and credit card arenas.

"Truly Effective - Can Do Even Better"

It is hard to imagine how I could sustain my current lifestyle without the use of credit cards. The Co-op Bank has consistently provided me with a quietly efficient support system which meets my needs in a truly effective manner.

Nevertheless, the Bank is operating in a highly competitive, oligopolistic market. It needs to be constantly alert to the demands of customers in that market place, where price and service are the key notes to continued success.

The Author

RAYMOND HILDITCH took his first degree and his M.B.A. in the Business School of the University of Strathclyde. For 10 years to 1992 he was head of the Business Division of Richmond College, the American International University in London. He is now Associate Provost at the Huron University campus in London.

In Passing

A New Way to Pay Old Debts

Title of Philip Massinger's Play

To the Memory of Thomas Hanse

Lord thy grace is free

Why not for me?

And the Lord answered and said

Because thy debts ain't paid.

Epitaph attributed to Coggeshall, Essex