

Glossary

APACS	Association for Payment Clearing Services, an association of the bodies operating the principal money transmission systems in the UK.
APR	Annual Percentage Rate of the Total Charge for Credit: a measure of the cost of credit, expressed as a yearly rate. The regulatory regime under the Consumer Credit Act 1974 (CCA) makes it a legal requirement to quote the APR in all credit agreements and in all but the simplest advertisements for consumer credit. The method for calculating the APR is set out in the Consumer Credit (Total Charge for Credit) Regulations 1980. Specific assumptions that must be made in the calculation of an APR in respect of running account credit—such as credit cards and store cards —are contained in Schedule 2 of the Consumer Credit (Advertisements) Regulations 2004.
Acquiring bank	A bank that receives credit card transactions from the merchant and makes settlement with the bank that issued the credit card; settlement is usually completed using the infrastructure of the relevant credit card scheme (eg Visa or MasterCard). See also multilateral interchange fee, merchant service charges, Visa card and MasterCard card .
Affinity card	A credit card linked to a particular organization or association such as a charity, trade union, sporting or professional organization, and made available to their members or supporters. The issuing bank pays an upfront sum per card issued, or a percentage of the amount each time the card is used for a financial transaction, or both, to the organization involved.
Active account	A term of art used across the sector but each card provider has its own definition. (And definitions can vary within a single organization, with different internal departments employing different meanings). All definitions will generally indicate that the account has been used at least once for either a purchase or for credit during a defined period of time. The definition of an 'active account' employed by the CC in this inquiry is an account used for a retail transaction within the past 12 months.
ATF	Average transaction frequency.
ATM	Automated teller machine: a cash dispenser enabling debit card and credit card holders to access their bank and credit accounts primarily for cash withdrawals. Some store cards can be used by holders to access cash via a cash dispenser.
ATV	Average transactional value.
Aura	The network identifier for retailers at which co-branded store cards , issued by the former Halifax-Cetelem Financial Services, are accepted as a means of payment.

&More	The brand name used for Marks & Spencer credit cards and store cards issued since October 2003.
BBA	British Bankers' Association.
Benefit	See retailer benefit .
CAGR	Compound annual growth rate.
CAPM	Capital asset pricing model.
CC	Competition Commission.
CCA	Consumer Credit Act 1974: regulates consumer credit agreements, including store card agreements. The Act has been under review and a Consumer Credit Bill is expected is expected to become law during 2006.
Charge card	Provides short-term credit which must be paid in full at the end of a payment cycle (usually every month). It is operated within 'closed schemes' outside the credit card interchange arrangements.
Chip and PIN	A security device for credit card transactions, requiring users to key their personal identification number (PIN) into terminals at the point of sale. PIN numbers replace a signature as the method of confirming the cardholder's identity.
Co-branded store card	See network card .
Combined programme	The term we use in this report to describe a retail credit programme that involves the offer of both a store card and an SBCC. An example is GECF's DualCard programme .
CPI	Card protection insurance: covers the cardholder against certain losses arising from the loss or theft of his/her card.
Credit card	A credit card, like a store card , provides access to a revolving line of credit. Credit cards are usable in a wide range of retailing and other outlets in the UK and internationally through a well-established market of merchant acquiring services. See also acquiring bank , multilateral interchange fee , MasterCard card , and Visa card .
Credit driver	Indicator taken into account by store card providers in setting credit limits, APRs and other policies.
CRM	Customer relations management.
Datamonitor	Business information company; published a survey, <i>UK Private Label Cards 2004</i> , in January 2004.
Debit card	Card that automatically deducts the amount of a purchase from the buyer's bank account when used in a transaction. No credit line for the cardholder attaches to the issuance of the card.

Default charge	Charge levied when consumers fail to meet their obligations, for example, by paying late, exceeding the credit limit or paying on time but with a payment that is not honoured.
Default pricing	A provision that means customers who benefit from a 0 per cent balance transfer and who fail to meet their repayments lose the 0 per cent interest-free period and the interest rate is switched to the standard rate.
Dormancy rate	The percentage of inactive accounts (see active account).
DualCard programme	The term applied internally by GECF to a retail credit programme that involves the offer both of a store card and an SBCC . We refer to such programmes as 'combined programmes'.
Duet	The network identifier for retailers and other outlets where store cards issued by Creation Financial Services are accepted as a method of payment. See network cards .
Duet network	Shops, stores and other locations where the account cards bearing the Duet sign, issued by Creation Financial Services, are accepted as a method of payment for goods and services.
Economic profits	Profits in excess of the cost of capital.
Edge card	Launched in July 2004 by GECF, retailer-branded Edge cards are hybrid store card /sales finance and credit card /sales finance products. They will be accepted across a network of retailers in due course.
FLA	Finance & Leasing Association: the major UK industry body for asset finance, consumer finance and motor finance sectors. It represents some 86 per cent of the store card sector. It operates the FLA Code of Practice and the FLA Lending Code, which form the basis of self-regulation for the store card credit industry.
FSA	Financial Services Authority; an independent, non-governmental body, given statutory powers to regulate the financial services industry in the UK. Under The Financial Services and Markets Act 2000 it has power to regulate the sale of non-investment insurance contracts to consumers.
Goldfish	Brand names for cards and other financial services provided by Lloyds TSB. The Goldfish Points Programme is an associated loyalty scheme.
Group	See the Group .
'Hit and run'	The behaviour of a customer who takes out a store card for a single purchase, receives any initial discount, pays off the balance before the end of the interest-free period and never uses the card again.
I/C	Instalment credit; alternatively Instant Credit.

ICOB	Insurance Conduct of Business Rules, introduced by the FSA in January 2005.
IMD	Insurance mediation directive.
Interchange fee	See multilateral interchange fee .
Interest driver	See revolve rate .
IRR	Internal rate of return.
LIBOR	London interbank offered rate.
Loyalty card	A card issued in the name of an individual store, or a network of retailers and service providers (such as Nectar and Premier Points), which rewards the user with discounts or benefits-earning loyalty points but does not offer credit facilities.
Marbles	Brand name of credit cards issued by HFC Bank Limited (part of the HSBC Group since March 2003).
Marketing support payment	Payments to meet costs associated with the marketing of a store card programme. These may be incurred either directly by the store card provider or incurred by the retailer and reimbursed by the store card provider.
MasterCard card	A credit card or charge card that bears the MasterCard symbol, enabling a MasterCard cardholder to obtain goods, services or cash from an organization that accepts MasterCard.
Merchant fee	A fee payable by a retailer to a store card provider for store card credit facilities (although not all contracts between retailer and card provider involve such a fee). It often takes the form of a sum expressed as a percentage of the total value of the credit sales to customers using the store card.
Merchant service charges	Charges the merchants pay to their acquiring bank in respect of credit card and debit card transactions.
Monoline provider	Financial institution specializing in the provision of one product, eg credit cards .
Multilateral interchange fee (MIF)	A fee—set at a percentage of the purchase price—paid by a retailer’s bank (merchant acquirer) to the cardholder’s bank for each transaction involving a credit card . Store card transactions and in-store SBCC transactions, in contrast, are settled within a three-party (provider, retailer and cardholder) payment card system.
Multi-tier APRs	The term we use in this report to refer to the range of APRs offered on a store card or combined programme with risk-based pricing .
Nectar	A coalition loyalty scheme operated by Loyalty Management UK (LMUK). See loyalty card .

Network card	Also referred to as a co-branded store card . Bears the brand names of the operating store offering it and (usually) the provider, but accepted also as a means of payment throughout a retail alliance of stores operating or accepting the provider's cards. The two main issuers of network cards have been Creation Financial Services, under the Duet brand name, and Style Financial Services, under the Style brand. GECF's new Edge card will, in some formats, also function as a network card.
NOP	NOP World.
ORC	ORC International.
Partnership card	Brand name of credit card launched in March 2004 by John Lewis and Waitrose with HFC Bank Limited (part of the HSBC Group) as the card issuer.
Payment card	The generic term for a card which enables the customer to whom it is issued to discharge his or her obligation to a supplier in respect of payment for the acquisition of goods, services or facilities.
PIN	Personal identification number, for use at ATMs and, increasingly, for credit card transactions. PIN numbers are replacing a signature as the method of confirming the cardholder's identity.
PLC or PLCC	Private label cards or private label credit cards .
Portfolio provider	Store card providers running a range of separate programmes for a number of retailers.
PPI	Payment protection insurance. An option covering card repayments in the event of accident, illness, unemployment or death. Payment protection insurance is often sold as an insurance package (referred to in this report as a 'PPI package') which includes one or both of the following: <ul style="list-style-type: none"> • Purchase protection—purchases are replaced if damaged, lost or stolen within a set period of time. • Price protection—if the purchases are reduced in price within a set period of time, the customer is refunded the difference.
Premier Points	Loyalty scheme run by a partnership of stores, including Argos, BP and Somerfield.
'Prestige' credit card	Offers the holder additional benefits, such as access to international airport lounges, at an enhanced annual fee.
Privilege card	Offered by some stores to certain customers who have not applied for such a card.
'Rate tarts'	Customers who move balances frequently between providers to benefit from low interest rate offers.

'Recognition'	Loyalty scheme run by House of Fraser in connection with, or in parallel to its store card programme. Customers do not have to use their store card to make a purchase at House of Fraser so as to obtain affinity points on their Recognition card in respect of that purchase.
Retailer benefit	Used in this report to denote a discount or other cash or non-cash benefit offered by the retailer to all store cardholders or users, regardless of whether they revolve credit on the card.
Revolve rate	That percentage of the total balances of a store card provider's programme on which interest is payable (sometimes known as the 'interest driver').
Revolver	Credit card or store card account holder who does not pay off his or her balance in full every month and who therefore incurs interest on his or her outstanding balances.
ROCE	Return on capital employed.
ROE	Return on equity.
Risk-based pricing/risk-based APR	An approach to setting APRs for individuals which takes into account personal credit history and other factors—in consequence the levels or tiers of risk-based APRs vary between customers. Until recently, a common single standard APR was generally applied for store cards. See also Combined programmes .
SBCC	A store-branded credit card. A general usage credit card issued jointly by an issuer and a retail organization. They are usually part of the world-wide Visa or MasterCard schemes. The cards are embossed with the retailer's name and logo and are marketed by the retailer; they usually entitle the holder to benefits from the retailer, such as discounts.
Schumer-type box	A summary box disclosing features such as APRs , interest-free periods and the type and level of fees payable, that is printed on advertisements, direct mail promotions, leaflets and inserts relating to store cards . Most store card providers are committed to publishing these boxes under the FLA's voluntary lending code.
Service provider	A company providing some of the systems and services needed to run store card programmes. Examples include Experian, Acxiom, Ventura and Certegy.
Store card	Defined for the purpose of the reference as a payment card issued with respect to the purchase of the goods, services or facilities of: <ul style="list-style-type: none"> • only one retailer; • retailers who are members of a single group of interconnected bodies corporate;

- retailers who belong to a **store card network**; or
- retailers who trade under a common name.

In each case the card has associated retail benefits (eg discounts) and permits the holder of the payment card under his or her contract with the issuer of the card to discharge less than the whole of any outstanding balance on his or her payment card account on or before the expiry of a specified period (subject to any contractual requirements with respect to minimum or fixed amounts of payment).

Store card network	A network of retailers who accept the cards of a three-party payment card system whose cards: <ul style="list-style-type: none"> (a) are marketed to consumers in association with retailers belonging to the network; and (b) bear the brand(s) of one (or more) such retailers, regardless of whether the issuer's brand also appears.
Store card provider	A credit provider who contracts with a retailer for the issue of a store card (and often also for the provision of an SBCC).
Style	The network identifier for retailers and other outlets at which co-branded store cards , issued by Style Financial Services, are accepted as a means of payment.
The Group	The members of the CC Group that conducted the store cards inquiry.
Three-party payment card system	See multilateral interchange fee .
Transactor	A card user who generally pays off his or her balance in full each month.
TSC	Treasury Select Committee.
'Typical' APR	There is a legislative requirement for the typical APR to be quoted in any advertisement. It is required to be the highest rate that is expected to be offered to at least 66 per cent of borrowers who are given the credit as a result of the advertisement.
UTCCRs	The Unfair Terms in Consumer Contracts Regulations 1999.
Visa card	A card that bears the Visa symbol, enabling a Visa cardholder to obtain goods, services or cash from a Visa merchant or an acquirer.
WACC	Weighted average cost of capital.