

## Store Cards Market Investigation Order

### Background

1. On 18 March 2004 the Office of Fair Trading, in the exercise of its powers under [section 131](#) of the Enterprise Act 2002, referred to the Competition Commission for investigation and report, the supply, in the United Kingdom, of (a) store card credit services to retailers and services related thereto (store card credit services); and (b) consumer credit through store cards; and
2. On 3 March 2005 the terms of reference were varied in accordance with [section 135](#) of the Enterprise Act 2002 to refer to the supply of (a) store card credit services to retailers and services, including insurance services, related thereto (store card credit services); and (b) consumer credit services through store cards and insurance purchased in association with the provision and use of those store cards; and
3. The Competition Commission investigated the matters referred to it pursuant to [section 131](#) of the Enterprise Act 2002 and concluded, in accordance with [section 134\(1\)](#) of the Enterprise Act 2002, that a combination of features of a relevant market prevents, restricts or distorts competition in connection with the supply or acquisition of any goods and services in the United Kingdom and, in accordance with the provisions of [section 134\(2\)](#) of the Enterprise Act 2002, that an adverse effect on competition exists; and
4. The Competition Commission found that there is a detrimental effect on customers resulting from the adverse effect on competition and considered, in accordance with [section 134\(4\)](#) of the Enterprise Act 2002, whether (a) action should be taken by it for the purpose of remedying, mitigating or preventing the adverse effect on competition concerned or the said detrimental effect on customers so far as it has resulted from, or may be expected to result from, the adverse effect on competition and whether (b) it should recommend the taking of action by others for the purpose of remedying, mitigating or preventing the adverse effect on competition concerned or any detrimental effect on customers so far as it has resulted from, or may be expected to result from, the adverse effect on competition; and
5. In accordance with the provisions of [section 165](#) of, and paragraph 2(1)(a) of [Schedule 10](#) to, the Enterprise Act 2002, the Competition Commission published on 31 May 2006 a notice stating its intention to make this Order, indicating the nature of the provisions to be embodied in it and stating that any interested person who wished to make representations in respect of it should do so in writing before 30 June 2006; and
6. The Competition Commission has considered all the representations it has received;
7. NOW, therefore, the Competition Commission makes this Order in accordance with the duty imposed by [section 138](#) and exercise of the powers conferred by [section 161\(1\)](#), [161\(3\)](#) [161\(4\)](#) of, and paragraphs 1, 2, 4, 8, 10, 11, 15, 18 and 19 of [Schedule 8](#) to, the Enterprise Act 2002, for the purpose of remedying, mitigating or preventing the adverse effect on competition and for the purpose of remedying, mitigating, or preventing any detrimental effect on customers so far as they have resulted from, or may be expected to result from, the adverse effect on competition specified in the report of the Competition Commission entitled 'Store cards market investigation':

## 1. Citation and Commencement

1. This Order may be cited as the 'Store Cards Market Investigation Order'.
2. (a) The date of commencement of this Order shall be 1 May 2007 when the provisions of this Order come into force.  
  
(b) The provisions of Article 4 of, and [Schedule 1](#) to, this Order shall remain in force for a period of three years and continue in force thereafter unless, following a review of the operation of the said provisions by the Office of Fair Trading, they are superseded, varied or revoked by the Competition Commission.

## 2. Interpretation

In this Order:

'**APR tier**' means a level of current APR;

'**APR warning**' means a notice required to be placed on a relevant store card statement in accordance with Article 4 which contains the information as set out in [Part 1](#) of Schedule 1 to this Order displayed in the manner provided by [Part 2](#) of Schedule 1 to this Order;

'**average current APR**' means the number which results from a relevant calculation;

'**current APR**' means the Annual Percentage Rate of the total charge for credit on purchases calculated in accordance with Regulations currently in force including the Consumer Credit (Total Charge for Credit) Regulations 1980 [or the Consumer Credit \(Total Charge for Credit\) Regulations 2010 \(as applicable\)](#) and on the specific assumptions that must be made in respect of running account credit, including store cards, contained in Schedule 1 to the Consumer Credit (Advertisements) Regulations 2004 [or the Schedule to the Consumer Credit \(Advertisements\) Regulations 2010 \(as applicable\)](#) (the Advertisements Regulations) save that, for the purposes of this Order, references to 'relevant date' in the said Regulations shall be construed as a reference to the date of a store card statement or a date within five working days of the date of a store card statement;

'**customer**' means a person who has been issued with a store card or who applies for a store card;

'**direct debit facility**' means the facility for a customer to have payments made from one bank account to another without the involvement of the payer, in accordance with current inter-banking arrangements;

'**direct debit mandate**' means the documentation which enables the establishment of a direct debit facility;

'**direct debit notice**' means a notice placed on an application form for a store card, in accordance with the provisions of Article 5(2) of this Order, which is in the form set out in [Schedule 4](#) to this Order;

'**direct debit provision**' means the information or documentation that enables or facilitates the establishment of a direct debit facility;

**'minimum payment warning'** means the wealth warning statement in the form set out in [Schedule 3](#) to this Order (or in such other form as may be prescribed by legislation from time to time) and which is required to be:

- (a) contained on a store card statement in accordance with the provisions of Article 3 of, and [Schedule 2](#) to, this Order; and
- (b) supplied with a direct debit mandate in accordance with the provisions of Article 5(3) of this Order;

**'multi tier store card programme'** means a store card programme comprising more than one APR tier;

**'oral minimum payment warning'** means the information contained in the wealth warning statement set out in [Schedule 3](#) to this Order and which is given orally to a customer by, or on behalf of, a store card provider in accordance with Article 5(4) of this Order;

**'prescribed form'** means the format and manner in which certain prescribed information must be provided, in accordance with Article 3 and as set out in [Part 2](#) of [Schedule 2](#) to this Order;

**'prescribed information'** means the information that is required to be provided on a store card statement, in accordance with Article 3 and as set out in [Part 1](#) of [Schedule 2](#) to this Order;

**'payment protection'** means an insurance which involves the insurance of payments relating to a store card account, in the event of any one or more of, an accident to, or the illness of, or the unemployment of, or the death of, a customer;

**'price protection'** means an insurance which involves the refund, to a customer, of any difference between the price paid by the said customer for an item and a lower price at which the said item is offered for sale within a specified period;

**'purchase protection'** means an insurance which involves the replacement of an item, purchased by a customer, in the event of any one or more of, damage or loss or theft of the item within a specified period;

**'regular interval'** means a period always of the same or equivalent length not exceeding three calendar months in duration, at the end of which or in the course of which a relevant calculation is made, the first period ending on a date selected by a store card provider which is within three calendar months of the date of the coming into force of this Order or, in the case of a store card provider who was not operating prior to the coming into force of this Order, a date selected by the store card provider which is within three calendar months of the commencement of the operation of the store card programme;

**'relevant calculation'** means the calculation of the average current APR charged within a multi tier store card programme by the weighting of each APR tier by the aggregate interest bearing balances (excluding balances that are within an interest free period) within that tier, in relation to the total interest bearing balances for the said store card programme, in respect of each successive regular interval, such calculation being made either:

- (a) at the end of a regular interval; or

(b) from an average of more than one calculation made within a regular interval;

provided that if a relevant calculation is made in accordance with paragraph (b), each subsequent relevant calculation must be made in accordance with that paragraph and on a basis that is fully consistent, as to the number of calculations made and as to the intervals between the calculations, with the basis on which the first calculation is made in accordance with that paragraph;

**'relevant percentage'** means a current APR of 25% or higher and a store card account is one to which a relevant percentage applies:

(a) in the case of a single APR programme, if a current APR which is 25% or higher applies to that programme; or

(b) in the case of a multi tier store card programme:

(i) if an average current APR which is 25% or higher applies to that programme; and

(ii) the store card account belongs to a tier of that programme to which a current APR which is 25% or higher applies;

**'relevant store card statement'** means a store card statement issued in respect of a store card account to which a relevant percentage applies;

**'single APR programme'** means a store card programme comprising a single APR tier;

**'specified information'** means information to be provided in accordance with Article 7 and [Schedule 5](#) to this Order;

**'store card'** means a payment card issued with respect to the purchase of the goods, services or facilities of (i) only one retailer or (ii) retailers who are members of a single group of interconnected bodies corporate or (iii) retailers who belong to a store card network or (iv) retailers who trade under a common name and which (in each case) has both associated retail benefits and permits the holder of the payment card under his contract with the issuer of the card to discharge less than the whole of any outstanding balance on his 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 account'** means a contractual credit facility between a customer and a store card provider for the use of a store card;

**'store card network'** means a network of retailers who accept the cards of a three party payment card system;

**'store card programme'** means the store cards issued by a store card provider for a retailer or group of retailers;

**'store card provider'** means a person who provides credit to a customer through the issue of a store card;

**'store card statement'** means a statement issued to a customer by a store card provider which records the transactions made with the store card during a specific period and the outstanding balance;

**'summary box format'** means the display of information in summary form within a delimited area of a store card statement, clearly identified by lines or by the use of contrasting colours;

**'transaction and balance details'** means details of the transactions which have taken place on the store card account, the previous balance on the account, the current balance and any charges applied to the account;

**'transaction box'** means the discrete area, on the front page of a store card statement, on which is recorded the transactions which have taken place on the store card account, and which is clearly identified by lines or by the use of contrasting colours.

### **3. Full information on store card statements**

A store card provider shall ensure that any store card statement contains:

- (a) the prescribed information; and
- (b) where applicable, the prescribed information in the prescribed form.

### **4. APR warning**

A store card provider shall ensure that any relevant store card statement contains the APR warning.

### **5. Direct debit facility**

When offering to provide a store card to a customer a store card provider shall ensure:

1. there is an option to pay all the monies owing on the store card account by direct debit; and
2. (a) direct debit provision is made available to the customer with the application form; or  
(b) direct debit provision is made available after an application for a store card is made, provided that the application form contains a direct debit notice for completion by the customer; and:
  - (i) contains the information that direct debit provision will be sent to the customer subsequently; or
  - (ii) informs the customer that they can establish a direct debit facility by telephone; and
3. any direct debit mandate provided to the customer is supplied with the minimum payment warning; and
4. where an application to establish a direct debit facility is made by a customer by telephone, the oral minimum payment warning is given to the said customer.

## **6. Insurance**

1. Where a store card provider offers a package of insurance containing payment protection, price protection and purchase protection, the store card provider shall also offer, at the same time, payment protection as a separate insurance and also, and separately from the said payment protection alone, a package of insurance containing price protection and purchase protection or each of price protection and purchase protection as separate insurances.
2. Where a store card provider offers a package of insurance containing payment protection and price protection or a package of insurance containing payment protection and purchase protection, the store card provider shall also offer, at the same time, payment protection alone as a separate insurance.

## **7. Provision of specified information**

The obligations in [Schedule 5](#) shall apply.

## **8. Directions by the Competition Commission as to compliance**

1. The Competition Commission may give directions to a person specified in the directions, or to a holder for the time being of an office so specified in any company or association:
  - (a) to take such steps within his competence as may be specified or described in the directions for the purpose of carrying out, or securing compliance with, this Order; or
  - (b) to do, or refrain from doing, anything so specified or described which he might be required by this Order to do or refrain from doing.
2. In paragraph 1 above 'steps' includes steps to introduce and maintain arrangements to ensure any director, employee or agent of a store card provider carries out, or secures compliance with, this Order.
3. The Competition Commission may vary or revoke any directions given.

Christopher Clarke  
*Group Chairman*  
The Competition Commission  
27 July 2006

## **Schedule 1**

### **Part 1**

#### **The APR warning is**

'The rate of interest charged on your account may be higher than on other sources of credit available to you. It may be costly for you to leave balances owing on your account after the interest free period.'

### **Part 2**

1. The APR warning must be displayed on the front page of each relevant store card statement above the transaction box.
2. The APR warning must be displayed in bold type.
3. The APR warning must be displayed in a type font size no smaller than the largest type font size used for transaction and balance details.

## Schedule 2

### Part 1

#### The prescribed information

1.
  - (a) the current APR on purchases;
  - (b) an estimate of the amount of interest payable the next month in the event that the customer makes only the minimum payment (and assuming no further transactions on the store card account), expressed as 'Estimated interest next month' and accompanied by a reference to the explanation at paragraph 2(b) below;
  - (c) the minimum payment warning;
  - (d) the amount of each insurance charge accompanied by a description of the charge and the basis of calculation. Where this is as a percentage of the outstanding balance on the store card account, it must be expressed in terms of 'pence per £100 balance', the said information to be immediately adjacent to each insurance charge appearing in the transaction box;
  - (e) a reference to the reverse of the store card statement for the information at paragraphs 2(d)(i) below and, where applicable, the information at paragraph 2(e) below.
2.
  - (a) a list of any charges payable in the event of late payment or default, including, in each case, a description of the charge and an amount (or, if this cannot be ascertained, the basis on which it will be determined);
  - (b) an explanation of the basis of calculation of the figure at paragraph 1(b) above;
  - (c) the rate of interest payable on the store card account or, where more than one such rate applies, all the rates, in all cases quoted on a per annum basis with details of when each rate applies and, as the case may be, to which element of the account;
  - (d) information as to:
    - (i) the options for the payment of monies owing on the store card account; and
    - (ii) the means by which the customer can establish a direct debit facility or amend an existing direct debit facility;
  - (e) information as to the means by which any insurance cover relating to the store card account can be reviewed, amended or cancelled and a summary of any such insurance cover. The said summary must inform customers that they should refer to their policy of insurance for full details of the insurance and of any applicable exclusions.



## Part 2

### The prescribed form

1. The prescribed information, set out in paragraph 1(a) to (e) of Part 1 above, must be displayed on the front page (namely, the first page) of a store card statement.
2. The prescribed information, set out in paragraph 2(a) to (e) of Part 1 above, may be displayed
  - (a) on the reverse page of a store card statement, and
  - (b) in summary box format with or without other information.
3. The current APR as specified in paragraph 1(a) of Part 1 above and the information specified in paragraph 2(d) of Part 1 above must be shown in bold type.
4. The type font sizes of the prescribed information set out at paragraph 1(a) to (e) of Part 1 above must not be smaller than the largest type font size used for transaction and balance details.
5. If a store card provider elects to display a monthly interest rate or any other interest rate on the front page of a store card statement in addition to the display of the current APR, the said interest rate must not be displayed in a greater type font size than the type font size in which the current APR is displayed, nor may it be displayed in bold type.

### **Schedule 3**

**The minimum payment warning is the following wealth warning statement:**

'If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance.'

## Schedule 4

### The direct debit notice is:

'Do you want the option of paying amounts owing on your card by direct debit?'

Yes    No    (Please tick whichever box applies to you)'

## Schedule 5

### The specified information

1. Any person to whom this Order applies is required to provide to the Office of Fair Trading any information and documents reasonably required for the purposes of enabling the Office of Fair Trading to monitor and review the operation of this Order or any provisions of this Order.
2. Any person to whom this Order applies may be required by the Office of Fair Trading to keep and produce those records specified in writing by the Office of Fair Trading that relate to the operation of any provisions of this Order including, but not limited to, information and documents relating to the operation of the APR warning provisions in this Order, to the provision of separate insurances and to the information supplied to any customers whether orally or in writing.
3. Any person to whom this Order applies and whom the Office of Fair Trading reasonably believes to have information which may be relevant to the monitoring or the review of the operation of any provisions of this Order may be required by the Office of Fair Trading to attend and provide such information in person.
4. The Office of Fair Trading may publish any information or documents that it has received in connection with the monitoring or the review of this Order or any provisions of this Order for the purpose of assisting the Office of Fair Trading in the discharge of its functions under this Order.