HSBC's non-confidential response to the CMA's Strategic Review of Market Remedies: Store Card Market Investigation Order

1. Background

1. The (then) Competition Commission (**CC**) issued the Store Card Market Investigation Order (**SCMIO**) on 27 July 2006,[1] following the Store Card credit services market investigation.[2] The SCMIO requires store card[3] providers to provide certain information to store card customers, and bans the tying of payment protection insurance (**PPI**) to credit. For capitalised terms in this response which are not defined, please refer to the definitions in the SCMIO.

2. The SCMIO was designed to remedy the following AECs:[4]

    a. consumer credit services provided through store cards were insulated from the competitive pressures of credit cards, including store-branded credit cards (**SBCC**s). This caused detriment to "revolvers" (customers who pay interest on their purchases); [5] and
    b. insurance purchased with the provision of store cards[6] was similarly insulated from competitive pressures.

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[1] The SCMIO was varied with minor amendments on 10 February 2011 to make it compatible with the European Union's Consumer Credit Directive, implemented in the UK via the Consumer Credit Act 1974 Regulations. The amended version of the SCMIO is available here.

[2] Which ran from 18 March 2004 to 7 March 2006, when the final report (**Final Report)** was issued.

[3] In the Final Report's definition (paragraph 3.13), store cards are retailer-branded credit products which offer retail benefits (e.g. discount and rewards), are accepted only in the retailer's outlet or network of accepting retailers, and are not part of any of the international payment networks (such as Mastercard or Visa). According to the Final Report (paragraph 3.13), store cards are also distinct from the following products (we adopt these definitions in this response):

- **Budget Cards** have fixed payment periods and offer promotional credit, either simple interest-free credit for up to 24 months, or Buy Now Pay Later credit – where no interest is charged for a promotional period (Final Report, paragraph 3.7).
- **Loyalty Cards** offer discounts or points but can be used neither as a means of payment nor a source of credit (Final Report, paragraph 3.10).
- **General Credit Cards** do not bear a retailer's brand and generally do not offer retail benefits. They might offer incentives (cash-back, air miles or discounts), but such benefits are not usually limited to a single retailer. Unlike store cards, they are widely accepted as a means of payment and source of credit (Final Report, paragraph 3.11).
- Store-Branded Credit Cards (**SBCC**s) are credit cards that belong to an international credit network (and thus have the same functionality as General Credit Cards) but are branded with a retailer's name and logo, and usually entitle the cardholder to benefits for that retailer, e.g. discount and vouchers (Final Report, paragraph 3.12).

[4] Final Report, Summary of Findings, paragraph 24.

[5] As opposed to customers who pay their balance in full and do not incur interest. See Final Report, Summary of Findings, paragraph 26.

[6] The Final Report (paragraphs 3.46-3.47) notes that PPI was often sold as part of a package of insurance that also included purchase protection (for goods damages, lost or stolen) and/or price protection, under which cardholders were refunded the difference when purchases were reduced in price within a given

2. Why the SCMIO should be revoked

3. Over twenty years have passed since the CC started its investigation. Since then, the demand for, and offer of, store cards in the UK have decreased dramatically:

    a. In 2005, there were around 11.4 million active store card accounts.[7] 57% of store card holders were "revolvers".[8] Department stores and clothing retailers accounted for the bulk of store card purchases: in 2003, 54 retail groups offered store cards.[9] Back then, M&S Money (part of the HSBC group, now M&S Bank) offered three store card products through Marks & Spencer (**M&S**).[10] The Final Report notes that, already in 2004, a substantial number of store card accounts attributable to the HSBC group were being converted into SBCCs.[11]

    b. By comparison, in 2024, 6.3 million UK adults held a store card; of these, only 1.9 million cards[12] were held by "revolvers" (a decline from around 60% to around 30% of all store card customers).[13] The number of active store card holders would be even lower. These numbers are significantly lower than those of competing products/alternatives to store cards, as the chart below shows:

period. Most providers also offered card-protection insurance, covering against loss or theft of the store card itself. In addition to prohibiting the tying of PPI with credit, the SCMIO also requires providers to provide unbundled options for some of these other insurance products (Section 6).

[7] Active accounts with at least one retail transaction in the previous 12 months. See Final Report, paragraph 3.14.

[8] Final Report, paragraph 3.27.

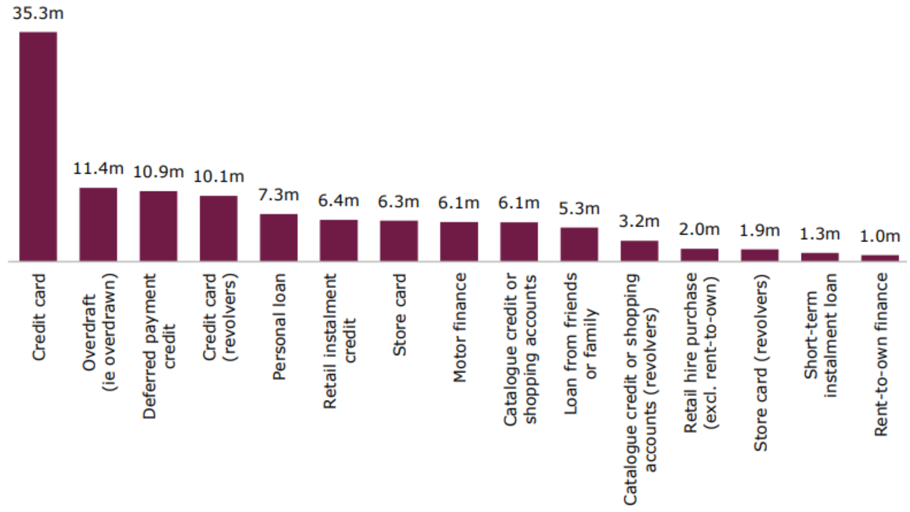
[9] Final Report, paragraph 3.32.

[10] ✂

[11] Final Report, paragraph 3.38.

[12] FCA's Financial Lives Survey 2024, Credit & Loans Selected Findings (May 2025) (**Credit & Loans Report**), page 23. Available here. These numbers refer to customers who "hold" a store card – they are therefore not directly comparable with the numbers in the Final report (which count only "active" accounts). The number of current "active" store cards accounts is likely to be significantly lower.

[13] According to the FCA's Financial Lives Survey 2024 (**Key Findings Report**), "revolvers" are customers who hold a credit card, store card and/or catalogue credit now or in the last 12 months, but do not usually repay (or do not know if they usually repay) the balance in full every month or most month. See here, page 141. For the percentage of revolvers, see the chart at page 23 of the Credit & Loans Report.



Base: All UK adults (2024:17,950)

Source: FCA's Financial Lives Survey 2024, Credit & Loans Selected Findings (2025), page 23. This chart has been cropped for ease of reference, and does not show credit products held by fewer than 1 million customers.

c. The number of providers/retailers that offer store cards has also sharply decreased. While it is difficult to ascertain how many retailers still accept new customers for store cards, it appears that Argos and Next are the only prominent retailers still doing so; although even these retailers are shifting away from the traditional store card model.[14]

d. As a case in point, the HSBC group no longer offers any store card products. ✂[15]

4. In our view, these major shifts in demand and supply away from store cards – including the steep decline of store card "revolvers" – are by themselves sufficiently material market developments to warrant revocation of the SCMIO. Store cards are simply no longer a notable product in the UK credit landscape. For this reason, they were not included as a focus of the FCA's Credit Card Market Study, with the November 2014 terms of reference recognising that retailers were increasingly moving away from traditional store cards to SBCCs.[16]

[14] Most prominent price comparison websites (e.g. Money Supermarket, Compare the Market, and Money Saving Expert) do not list store cards as one of the available credit products (or elsewhere), which is further evidence of store cards' decline in prominence. Finder.com (see here) lists Argos as the only retailer offering store cards; but Argos is now moving away from traditional store cards with the introduction of "Argos Pay", which combines different forms of credit, including Buy Now, Pay Later, into a single product (see here). Next also appears to offer a store card product, advertised next to its Buy Now Pay Later solution (see here). The online publication This is Money, citing data from Fairer Finance, reported that as of 2021 there were only five retailer-branded cards open to new customers (see here).

[15] ✂

[16] See paragraph 4.5, here.

5. The decline of store cards can be explained by a number of market developments, shift in consumers' preferences towards alternative products, and regulatory developments. These are set out below. In our view, each of these developments also represents a material change of circumstances that further supports revocation of the SCMIO.

Market developments and changed consumer preferences

6. Compared to twenty years ago, the UK credit market has changed significantly. Consumers have transitioned to using better alternatives to store cards. Prominent developments include:

    a. The decline of large retail chains. The collapse of large high-street retail chains, such as the Arcadia Group and Debenhams (which accounted for a significant proportion of store cards in circulation)[17] directly impacted the availability and usage of store cards.[18] As shopping has moved from brick-and-mortar shops towards online purchases[19] – a trend accelerated by the Covid pandemic – customers have opted for more convenient digital credit solutions (see below).

    b. Rise of Buy Now, Pay Later (**BNPL**) credit.[20] Customers who prefer to defer payment, or cannot afford to immediately pay for a purchase, increasingly opt for BNPL solutions, such as Klarna, Clearpay, or Laybuy. These solutions – which first launched in 2014 – allow shoppers to split purchases into interest-free instalments. Many retailers who previously offered store card now offer BNPL for their online shopping instead (although BNPL has also expanded into physical stores). As of November 2025, BNPL accounts for 8% of all online and physical POS payments.[21] Further, consumers with poor credit rating are now more likely to be accepted for BNPL credit than for a store card – making BNPL a more accessible solution also for those consumers.[22]

[17] Final Report, paragraph 3.35.
[18] As for example reported by This is Money, an online publication: *Has Klarna killed the store credit card?* Article available here.
[19] See here.
[20] For the information/data in this point (b), see UK Finance's *BNPL trends in the UK: growth, usage and regulatory challenges*. Available here.
[21] Report from Finder.com, available here.
[22] See the Key Findings Report, page 71: in 2024, 17% of applicants applying for "retail credit" (which includes BNPL) were declined, versus 25% for store cards. Significantly, credit card applicants were also more likely to be accepted than store card applicants (20% credit card applications declined).

c. Further alternatives. Customers who value retailer-specific rewards – and retailers that value customer loyalty – can use SBCCs (now offered by many retailers),[23] or opt for popular "rewards" credit cards that offer rewards across a number of retailers.[24] Similarly, "revolving" customers who value deferring payments can opt for more widespread 0%-interest credit solutions, including BNPL, SBCCs, and 0%-interest General Credit Cards (including some "rewards" credit cards that combine both features). All these solutions are more versatile than store cards, as they can be used for a wide range of payments (not just limited to one retailer). General Credit Cards and SBCCs also offer some protection in relation to products purchased with them.[25]

7. Furthermore – as the FCA acknowledged – PPI is now rarely sold, due to the impact of redress schemes, regulatory reforms and increased consumer awareness.[26] In particular, the FCA's Consumer Duty – see paragraph 8(d) below – also applies to providers of PPI, requiring firms to deliver good outcomes for consumers. The FCA acknowledged that rules introduced in 2008 to its insurance conduct of business sourcebook (ICOBS) to address the widespread mis-selling of PPI are no longer needed, and in December 2025 consulted on their removal.[27] Given these changes in circumstances, Article 6 of the SCMIO (which prevents the "bundling" of PPI with the provision of credit and other elements of store card insurance) is similarly no longer needed.

Regulatory developments

8. There have been a number of relevant regulatory developments since the SCMIO was made in 2006. As a result, in today's environment there is robust protection for store card customers. There is no need for the CMA to maintain the SCMIO

[23] Many retailers who used to offer store cards have now pivoted either towards offering retail-branded BNPL solutions and/or SBCCs: for example, John Lewis no longer offers store cards but offers an SBCC. The Final Report noted that, already twenty years ago, SBCC were the closest substitute/constraint to store cards, but that their adoption at the time was still "small" (paragraph 6.178). Given that many retailers have now shifted towards SBCC, that is no longer the case.

[24] Similarly, Loyalty Cards are still widespread amongst consumers who value retailer-specific benefits but are not interested in credit solutions (or cannot access them, e.g. due to poor credit score).

[25] Including through Section 75 of the Consumer Credit Act 1974, which set a statutory right making the credit-card issuer jointly and severally liable with the merchant for breach of contract and misrepresentation on qualifying products, and the chargeback scheme, a widely-adopted voluntary scheme that covers purchases in specified circumstances (such as non-delivery).

[26] See Consultation Paper CP25/37 on Targeted Clarifications of Handbook Materials, paragraphs 5.6-5.7, available here.

[27] See previous footnote. That consultation is now closed and the FCA is reviewing comments.

obligations, many of which are now superseded by new regulation (in particular those focused on the inclusion of information on store card statements). Specifically:

a. Since 2008, in addition to the pre-existing Consumer Credit (Running-Account Credit Information) Regulations 1983, statements must comply with the Consumer Credit (Information Requirements and Duration of Licences and Charges) Regulations 2007 (together, the **Information Regulations**). Cumulatively, there is now considerable overlap with the SCMIO requirements, in that both Schedule 2, Part 1 of the Order and the Information Regulations prescribe the inclusion of items such as interest rates and a "minimum payment warning".

   Further, in the context of proposed reform of the Consumer Credit Act 1974 (**CCA**), the government has acknowledged that existing disclosure requirements (including those applicable to statements) are excessively prescriptive. The current rigidity prevents lenders from adapting information to customer needs. As such, the government's proposal is to repeal them in favour of a more flexible regime enshrined in FCA rules.[28] In the context of a general shift towards a more outcomes-based approach, it would be inappropriate to retain similarly (in some respects, even more) prescriptive requirements under the SCMIO in relation to store cards specifically;

b. Providers of store cards must be FCA-authorised and store cards are subject to the FCA's Consumer Credit sourcebook (**CONC**) rules, in force since April 2014. These include the general overarching CONC 3 requirement for firms to ensure that communications are clear, fair and not misleading; including that they do not disguise, omit, diminish or obscure important information, statements or warnings. Therefore, there is no longer any need for the SCMIO (Schedule 2, Part 2) to prescribe use of bold type, relative font sizes, or exactly where key information should be positioned – stipulating for instance that certain items must appear on the front page of the statement versus on the reverse;

c. Similarly, there is overlap between other SCMIO requirements and specific CONC provisions. For instance, SCMIO Article 5 stipulates that

[28] See HM Treasury's May 2025 consultation on Consumer Credit Act Reform – Phase 1, available here.

store card providers must provide an option for all store cardholders to pay the account balance on their cards by Direct Debit, whereas there is now (again, since 2014) a CONC 6 provision to the same effect;

d. Providers have been subject to obligations under the FCA's Consumer Duty since 2023. Again, this marks a shift towards focus on consumer outcomes rather than prescription. In line with the consumer understanding outcome, firms must ensure their communications support and enable consumers to make informed decisions about financial products and services by giving them the information they need at the right time and in the right way. Excessively prescriptive requirements such as those set out in the SCMIO do not sit well with the rules imposed by the Consumer Duty, as they do not take into account how customers engage with information or allow firms to tailor their communications based on customer needs; and

e. Until recently, there was also overlap between items of the SCMIO, Schedule 2 and the Standards of Lending Practice for personal customers (**Standards**), introduced by the Lending Standards Board (**LSB**) in 2016. Like the SCMIO, the Standards duplicated CCA requirements as to the inclusion of interest rates and a "minimum payment warning" – per (a) above. They also stipulated the inclusion of an estimate of interest to be charged the following month if a customer only made the minimum payment, with supporting explanation. Notably, the LSB demised the Standards as of March 2025, primarily in view of recent regulatory developments and in particular the introduction of the Consumer Duty. These developments resulted in considerable regulatory overlap, and effectively made the Standards redundant. We anticipate a similar conclusion will be reached in relation to the SCMIO requirements as the outcome of this review.

Conclusion

9. In summary, the SCMIO is no longer needed or appropriate. The market for store cards has declined steeply in the past 20 years. Consumers and providers have shifted towards alternatives, in particular BNPL credit and SBCCs. There is robust ongoing protection for store card customers under the CCA, FCA rules and the Consumer Duty, without the need for the CMA to continue to maintain outdated and overly prescriptive rules which have effectively been superseded.