

18 March 2010

Risk hits the balance transfer market

Virgin Money's decision to reduce its 0% balance transfer period from 16 to 14 months has highlighted another tactic by credit card providers who, over the course of the credit crunch, have adopted a risk based approach to lending.

The number of cards offering balance transfers has fallen by 10% since the credit crunch began in 2007. As of today, 152 out of 219 cards offer balance transfers deals, 140 of them at 0%.

The average length of a 0% balance transfer period has remained relatively static, from 8.8 months in 2007 to nine months today.

| Credit cards offering balance transfers | | |
|---|-----|-----|
| March 2010 | 152 | 69% |
| March 2009 | 167 | 76% |
| March 2008 | 204 | 79% |
| March 2007 | 201 | 79% |

The current top cards with 0% balance transfers are offered by some of the market's biggest names, according to Moneyfacts.co.uk:

| Current top credit cards offering 0% on balance transfers | | |
|---|--------------------------|--------------|
| Santander | 0% for 15 month | 15.9% |
| Barclaycard Platinum | 0% for 15 month | 15.9% |
| Virgin Money Mastercard | 0% for 14 months | 16.6% |
| Egg visa | 0% until 1/5/2011 | 16.9% |

Louise Holmes, spokesperson at Moneyfacts.co.uk, commented: "Transferring debt to a card with a better rate has been a popular choice with borrowers for a long time. With many providers offering 0% balance transfer periods, cardholders had previously been spoilt for choice. There were many opportunities to transfer to a better rate and pay off the outstanding amount before the 0% period expired.

"The main reason for this decline lies with risk. Providers are wary of attracting debt from customers who could default at any time, and have the possibility of unemployment and economic hardship hanging over them.

"Attitudes to lending have changed considerably over the past two to three years. In such uncertain times, card issuers remain cautious as to how much and whom they lend to, so the prospect of accruing debt from another provider's customer certainly doesn't appeal."

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Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at www.moneyfactsgroup.co.uk.

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