

## APACS WEBSITE: PLASTIC CARDS – HISTORY OF PLASTIC CARDS

In the last half the twentieth century plastic cards have changed the way that we pay for goods and services. Today, most consumers pay for at least half their purchases with a plastic card, most large retailers, supermarkets and online shops take plastic as do an increasing number of professional service providers.

The forerunners of plastic cards are a long way from the sophisticated and widely-accepted cards that we are now accustomed to but, none-the-less, laid the foundations for the convenience and ease-of-use that we now enjoy.

### Timeline and milestones

- 1880** First credit voucher product introduced in the UK by Provident Clothing Group, a pre-cursor to credit cards. Customers were issued with vouchers that they could use in shops on an approved list and payment was made to the Provident Clothing rep who called at the customer's home. This was the forerunner to credit cards in that (i) payment was made by voucher and (ii) the customer enjoyed revolving credit.
- 1914** In the US Western Union provide metal cards giving free deferred payment privileges to preferred customers, which became known as 'metal money'.
- 1924** In the US General Petroleum Corporation issue the first 'metal money' for gasoline and automotive services.
- 1930s** In the US AT&T introduced the "Bell System Credit Card", closely followed by railroads and airlines.
- 1946** A New York banker develops a credit system called Charge-It. When customers charged local retail purchases, the merchant deposited the charges at Flatbush National Bank/Biggins Bank and the bank reimbursed the merchant for the sale. The Bank later collected payment from the customer.
- 1950** In the US Diners Club issues plastic payments cards aimed at diners; they operate as charge cards. The key figure was Frank McNamara, who launched with assistance of two retailers, Bloomingdales and Sneider. Initial membership was 200 with the card being accepted in 27 restaurants. By the end of the year 20,000 people were using Diners Club.
- 1951** When customers of New York's Franklin National Bank submitted an application for a loan they were screened for credit. Approved customers were given a card they could use to make retail purchases. The merchant copied the customer information from the sales slip and called the bank for approval of transactions over a certain amount (the first authorisations!)
- 1951** First UK credit card available when Donald McCullough launches Finders Services after a trip to the US (possibly being regarded as the launch of Diners – see 1962).

- 1958** American Express introduces its own charge card, and Bank of America introduces a credit card called BankAmericard.
- 1962** Diners Club becomes the first major credit card company in Britain following the merger of Finders Services and Credit Card facilities.
- 10 Sep 1963** American Express launches the first charge card in the UK with an annual fee of £3 12s (=£49 in 2005) and a required income of £2,000 (=£27,250 in 2005). Additional cards can be obtained for half price. The card is usable in 3,000 UK outlets and 83,000 overseas outlets. The only Bank of England constraint is a £75 limit on a single item for overseas transactions.
- 1964** Swedish banker Wallenberg founds Eurocard as an alternative to American Express.
- 1965** Bank of America develops licensing agreements with other banks enabling them to issue BankAmericards, becoming the first 'scheme'.
- 1966** Fourteen US banks form Interlink for credit card transactions as a rival to BankAmericard.
- 29 June 1966** UK's first credit card issued by Barclays. 'Barclaycard' was based on the BankAmericard that had been issued a few years earlier in the USA. Very limited international operability: Barclaycard could be used in Malta/Gibraltar 1967, South Africa 1969 & France 1973, however, these merchants were recruited directly by Barclaycard (still a 3 party model).
- 1966** Interbank Card Association (ICA) formed, forerunner to MCI (MasterCard International)
- 1967** Four California banks formed the Western States Bankcard Association, introducing MasterCharge to compete with BankAmericard.
- 1967** First cash machine (De La Rue) in the world installed by Barclays Bank in Enfield, Middlesex. Launched in a press call with Reg Varney (*On The Buses; Love Thy Neighbour*, etc.) on 27 June. Early dispensers were designed to receive hole-punched vouchers of £10.00 each purchased by the customer from the bank and used in the dispenser when needed.
- 1969** UK domestic cheque guarantee scheme is established.
- 1969** MCI expands internationally, entering into an alliance in Europe with Eurocard. Eurocard becomes the sole company authorised to issue MasterCards in Europe. 1969 First ATM in the US in Long island, New York installed by Chemical Bank.
- 1971** Bank America surrender control of its card by forming National BankAmericard Incorporated (NBI) to manage the card in the US.
- 1972** NatWest, Midland, Lloyds & RBS join together to issue the Access credit card under the Joint Credit Card Company (JCCC).
- 1972** Lloyds Bank 'Cashpoint' is the first on-line ATM using plastic cards with a magnetic stripe.

- 1974** Consumer Credit Act (Section 75) provides protection to consumers buying goods costing between £30 and £10,000 (£100 and £30,000 in 2005) on their credit card: if the product turns out to be sub-standard, or fails to be delivered, the cardholder can claim compensation from the card-issuing bank. The Act (Section 84) also limits customer liability to no more than £50 if cards are stolen, and used by someone else. This liability is often waived entirely. If the fraud occurs while the card stays in the person's possession, for example where card details have been stolen, they are not liable at all.
- April 1975** Access and Carte Bleu affiliate to the Interbank Card Association (which becomes MasterCard in 1983), expanding acceptance internationally.
- 1977** BankAmericard becomes Visa, Barclays is a founder member. IBANCO becomes Visa International. NBI becomes Visa US.
- 1977** Barclaycard issues the first UK company card – hitherto cards had been issued only to individuals.
- 1 July 1977** Consumer Credit Act comes into force.
- 1979** MasterCharge becomes MasterCard.
- 1980s** The UK moves to 'duality', i.e. banks begin to issue both Visa and Access cards. Subsequently, the Access consortium begins to break-up, and disappears as a brand as MasterCard gains recognition in the UK. Affiliating to the international brands brings world-wide acceptance to the UK-issued cards. Early/mid 80s saw the introduction of electronic terminals.
- 1985/86** LINK cash machine network established (33 members including Abbey National, Nationwide, Co-Operative Bank, Girobank etc), essentially enabled by the 1986 Building Societies Act.
- 1986** Matrix cash machine network established (A&L, Anglia, Bradford & Bingley, Britsol & West, Leeds, National & Provincial, Woolwich etc)
- 1987** Debit cards introduced: again, Barclays were the first UK bank on the scene issuing the Visa Delta card under the Connect brand in June.
- 1987** Four bank cash machine network established (Barclays, Lloyds, RBS, BoS)
- 1988** Switch debit card launched by Midland, NatWest and RBS, who later incorporated Switch into a separate company and extended ownership to other banks to issue the card. First Switch transaction October 1988.
- 1988** Visa test the world's first multi-function chip card, the SuperSmart card, in Japan.
- 1989** £100 and £250 cheque guarantee limits introduced.
- 1989** MINT cash machine network established (Midland, NatWest, TSB, Clydesdale, Northern Bank).
- 1989** LINK and Matrix cash machine networks merge.
- 1990s** The early 1990s see increased competition, notably with an influx of card issuers from the USA. Cards begin to be increasingly sophisticated, tailored more to individual customer needs, and exploit the so-called niche

- markets. Emergence of affinity cards and cards issued by non-financial institutions.
- 1990** France introduces chip and PIN based upon France-only BO' standard.
- 1990** Cashback emerges as a means of acquiring cash (7m transactions in 1990).
- 1992** MasterCard launch the Maestro brand for its international debit card.
- 1993** Half of UK adults are regular users of cash machines.
- 1994** Half of UK adults hold a debit card.
- 1995** UK debit card volumes exceed credit card volumes for the first time.
- 3 Jul 1995** Mondex public trials start in Swindon.
- 1995** Product innovation leads to the issuing of gold cards and, eventually, other 'status symbol' cards with additional features overtly marketed only to high-income customers.
- Mar 96** One-billionth cash machine transaction processed by LINK.
- 1996** The average UK cash machine withdrawal exceeds £50 for the first time.
- 1996** Visa Electron launched and...
- 1997** ...the Switch Solo card is introduced to offer a closer level of financial management. As every transaction is pre-authorised, banks are able to market the card to a wider range of customers, especially to younger card holders such as students, and to link cards to savings/investment products. 1998 UK debit card payments exceed personal cheques, and account for more than half of all non-cash spending in supermarkets.
- 1997** UK chip trials in Northampton and Dunfermline ran between October 1997 and April 1998, with over 117,000 cards issued, 535 terminals installed in 463 outlets, and 14 ATMs. Over 90,000 POS transactions and 100,000 ATM transactions took place.
- 1997** VisaCash public trials start in Leeds.
- 1998** UK's first cash machine not owned by a financial institution installed by Bank Machine.
- 1999** Half of all UK adults hold a credit card. The average value of a credit card purchases exceeds £50 for the first time.
- 1999** Internet card issuers (eg, Egg, Smile, Marbles) join the market place.
- 1999** Annual fees disappear, extras such as travel insurance, loyalty schemes, begin to be offered to attract customers, who are beginning to hold more than one card each.
- 1999** Euro comes into being, allowing euro-denominated transactions for the first time.
- 2000s** Aggressive pricing (eg, zero/low interest rate offers) position credit cards as a cheaper form of personal short-term borrowing than loans.
- 2000** Cash machine networks consolidate at LINK.
- 2000** General withdrawal of charges for using cash machines across the bank-owned cash machine estate. First cash machines deployed by the Independent ATM Deployers (IADs).
- 2001** More than half of UK retail spending is on plastic. More than 100 million card payments are made on-line.

- 2001** First year that cash machine withdrawals exceeded one billion during the year.
- 2001** Debit card expenditure exceeds credit card expenditure for the first time.
- 2001** Europay and MasterCard announce merger plans to become MasterCard International.
- 2002** Chip and PIN announced in the UK – biggest consumer change programme since, or including, decimalisation.
- 2002** More than half of all cash acquired by UK adults is acquired through cash machines. Mobile-phone top ups become available at cash machines for the first time.
- 2003** More than half of all UK adults regularly use debit cards. The average number of credit cards per adult exceeds two for the first time.
- 2003** UK chip and PIN trials in Northampton.
- 29 Sep 03** The mainland UK's first cash machine dispensing Euro notes installed at Old Broad Street in the City by NatWest.
- 2004** Switch is re-branded to Maestro.
- 2004** UK card expenditure exceeds cash expenditure for the first time. The average debit card user spends over £100 per week.
- 2004** HBoS launch the first cashback reward debit card.