



## **Credit Cards – A brief history**

A credit card is a card which facilitates a system of payment whereby an issuer lends the cardholder funds to pay a merchant for goods/services purchased. The cardholder has the benefit however, of not having to pay for the good up front.

From the early 1900s something similar to what we call the credit card today was being used in the United States. Some oil companies and department stores issued cards to be used by their customers at their establishments.

The first bank card however, named “charg-it” was introduced by a bank in Brooklyn New York. There was one major limitation to this card however - the customer could only use the card locally and had to be an account holder.

The next generation therefore was the introduction of the Diner’s Club card in 1950. This card was initiated after an unfortunate incident experienced by one of its founders Mr. Frank McNamara. Mr. McNamara had dinner at a restaurant but could not find his wallet when it was time to pay. He used this as a catalyst and joined forces with a partner to produce the first full-fledged credit card. This card however, would seem a bit odd today as it was made of cardboard.

The card was so convenient and easy to use that in one year the number of card holders had risen to 20,000.00 and by 1960 the card had taken on its familiar plastic appearance.

A further feature was added to the credit card which made it even more attractive to users. People using their credit cards no longer had to pay off their balance in full. They had the option of paying a percentage which meant items could now be purchased on credit at most stores.

As the use of credit cards grew so did the players in the market. This meant that there were large numbers of transaction processors. However, the move to consolidate and create one mega processor started in Fresno, California. This move led to the formation of Visa Inc. in 1977. Another group of financial institutions merged to form MasterCard in 1979. The efficiencies created by the centralized processing led to many non financial companies coming into the card industry.

Credit card use has become so widespread that it is estimated that card holders transact more than one trillion US dollars annually. The Caribbean Credit Card Corporation who has been the issuing body for credit cards to indigenous banks of the Eastern Caribbean

union has issued over 71,000 cards in its fourteen years of existence. This works out to be about five thousand cards a year.

The spectrum of what people use credit cards for is so varied from purchasing staples at the supermarket to lavish gift and luxury items. Credit card use has increased for a number of reasons including having funds available without the hassle of paying back the full amount. The credit card however, offers security and peace of mind. No longer do people have to carry around large sums of cash or hope that their cheques will be accepted. Credit cards offer the comfort of traveling without cash. A quick call can block a lost card and in some cases a replacement can be issued almost immediately.

Card issuers are adding value to their cards by adding travel miles, insurance and other incentives. For the frequent traveler, miles are added up and go towards giving that person a free trip while people also benefit from in-flight insurance in case of any mishap. The beauty of these features is in the fact that they can be accessed by merely using the credit card.

Credit cards have undergone a metamorphosis over their life cycle and are still evolving. Cards are now being equipped with chips; the introduction of this smart technology allows the cards to store customer information. There has also been the introduction of some card variations including the Debit and Prepaid card. Credit cards along with their spin offs are slowly becoming a necessity in doing business today especially with the fact that e-commerce is becoming the preferred mode of shopping.

Next week we will discuss how you can protect your card and avoid card fraud. For more information on Credit and Debit Cards and how you can apply please call the Card Services Department at Bank of Saint Lucia Limited at 456-6000 or visit us online at [www.bankofsaintlucia.com](http://www.bankofsaintlucia.com)