

More pain for consumers as credit card interest rates hit 24-year high

Hard-pressed consumers already reeling from soaring food and [energy prices](#) suffered another blow today as new figures showed credit card [interest rates](#) have hit a 23-year high.

Average interest rates on [credit cards](#) stood at 21.66% in July, data from comparison site Freedom Finance shows, an increase of 0.23 percentage points since June and the highest since December 1998.

The average rate for £10,000 personal loans rose to a six-year high of 4.18%, while £5,000 loan rates nudged up to a four-year high of 8.27%.

The rises follow a succession of interest rates hikes from the Bank of England as it moved to rein in [inflation](#). The Bank's key rate has risen from 0.1 per cent to 1.75 per cent since December. Chief marketing officer David Hendry at Freedom Finance said: "With credit card rates at record highs in this millennium, it is crucial that people take all necessary steps to get the most suitable product for their circumstances.

"It will be a difficult year ahead for household budgets and the lending industry has a vital, positive role to play in helping people manage their money through this period."

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It comes after data released by the Office for National Statistics showed more Britons are turning to credit to help deal with the rising [cost of living](#), with around six million saying they were using more credit than usual.

About a fifth of those living in the most deprived areas said they were using credit more to deal with the rising cost of living.

Credit card company American Express last month reported record levels of customer spending, up 30% on the previous year's numbers and surpassing pre-pandemic levels for the first time. More than three million customers took out a new card in the three months to the end of June, the company said.

Families have already been paring back spending to cope with the soaring cost of essentials, with inflation reaching a 40-year high of 9.4%.

Spending on fuel at petrol stations in the UK went up 5.2% in July compared with June, according to data from fintech firm Revolut, while spending on rail travel was up 5.6% and spending at supermarkets grew 7.6%. Meanwhile, discretionary spending fell as clothes shopping dropped 7.2%.

The challenging economic environment is providing a boost for the UK's largest chain of pawnbrokers. H&T today reported a 43% jump in profits as the value of items pledged at its high street shops swelled 70% to £85 million.

The company said it was eyeing further growth opportunities,

with four new sites opened in the past six months and further store openings planned for the rest of the year.

H&T shares rose 4% to 427p in early trading this morning.