



News Release

2018 Debit Issuer Study Finds Improved Issuer Performance, Lower Fraud Losses

HOUSTON, September 13, 2018 – The [2018 Debit Issuer Study](#) found that consumer debit use continued to grow in 2017, contributing to improved overall debit performance, while fraud losses per transaction declined for the second consecutive year. On the [mobile payments](#) front, the [13th annual survey](#) – commissioned by [PULSE®](#), one of the nation's leading debit/ATM networks, and conducted by Oliver Wyman – found that cardholder enrollment in mobile wallets doubled year-over-year while transactions per enrolled card remained flat.

Issuers also reported that the historical dichotomy of PIN and signature debit is largely obsolete. PIN transactions used to be the sole domain of electronic funds transfer (EFT) networks, while signature transactions were the card brand networks' arena. Now, issuers increasingly track how the card is used by the cardholder (in-store or online, for example) rather than the network through which the transaction is routed. This change was driven in part by growth in transactions requiring no authentication and card-not-present purchases, both of which are now offered by larger EFT debit networks such as PULSE.

"The debit landscape continues to change dramatically," said Steve Sievert, Executive Vice President of Marketing and Brand Communications for PULSE. "We've moved from the simple world of 'PIN or signature' to an array of options, including [PINless](#) and [signature-less transactions](#) at the point of sale and biometric authentication in digital commerce and mobile wallets. Meanwhile, advances in payments and a stronger overall economy are resulting in improvements in debit's key performance indicators."

Debit Performance Strengthens

Among the strong debit fundamentals highlighted by the issuers in the study:

- **Higher Penetration Rate:** Seventy-six percent of checking accounts had associated debit cards in 2017, compared to 75 percent in 2016.
- **Increased Card Activation:** The percentage of debit cards used at least monthly grew to 66 percent from 65 percent.
- **Greater Use:** Among active consumer debit cardholders, debit cards are used to make 23.7 purchases per month, up from 22.9 last year, and an all-time high in the history of the study.

Fraud Losses Decline for Second Year

Based on fraud losses incurred by the study participants and extrapolated to the entire U.S. debit industry, issuers lost an estimated \$850 million on point-of-sale debit transactions in 2017, a 5.5 percent decrease from 2016. This decline is likely due to the transition to chip-enabled debit cards, which is now largely complete for issuers. Surveyed issuers have converted 91 percent of their debit cards to chip cards.

Card-not-present transactions may be more vulnerable to fraud due to the lack of chip card authentication or, in the vast majority of cases, PIN protection. Even though card-not-present transactions account for 21 percent of transaction volume, they represent 44 percent of net fraud cases. The average net fraud loss associated with these transactions was \$123 per incident.

“As the industry has moved to chip transactions, fraud has migrated to transactions that don’t require a physical card,” said Jim Lerdal, Vice President of Fraud and Risk Management for PULSE. “Survey respondents reported that the costs of this fraud are high, amounting to 10.5 cents for every card-not-present transaction, of which issuers bear 1.7 cents, on average. The remaining 8.8 cents constitute losses borne by merchants and cardholder claims that are not charged back.”

On average, issuers in the survey authorized nearly 95 percent of all attempted debit transactions in 2017. The biggest reason for declined transactions among this group is not suspected fraud, which impacted 0.4 percent of their debit transactions, but insufficient funds, which affected 1.8 percent of transactions.

Mobile, Digital on the Move

The survey revealed that 86 percent of responding issuers support at least one mobile payment option, up from 74 percent in the previous study. Mobile payments are defined in the study as the ability to use a smartphone to pay at a physical point of sale. Cardholder enrollment in mobile programs doubled in the last year. However, transactions initiated with a mobile wallet represented only 0.6 percent of in-store debit card purchases in 2017, compared to 0.3 percent in 2016.

Enhancing digital capabilities topped the list of 2018 priorities for survey respondents. They want to give cardholders tools for greater control and flexibility in managing their debit card activity. Issuers also want to communicate with cardholders for real-time verification and fraud management, and even to automatically provision a digital card in a mobile wallet while awaiting the issuance of a plastic card, for example.

“We see a real opportunity for financial institutions to enhance their debit card offerings with new digital capabilities,” said Tony Hayes, a partner at Oliver Wyman who co-led the study. “There is a clear link between greater cardholder engagement and overall customer loyalty and retention.”

About the Study

The *2018 Debit Issuer Study* is the 13th installment in the study series, commissioned by PULSE and conducted by Oliver Wyman, an independent management consulting firm. The study provides an objective fact base on debit card issuer performance and financial institutions’ outlook for the debit card business. Fifty-nine financial institutions – including large banks, credit unions and community banks – participated in the study. Collectively, the participants issue approximately 148 million debit cards and represent 42 percent of the U.S. debit market. The sample is representative of the U.S. debit market in terms of institution type, geography and debit network participation.

About PULSE

PULSE, a Discover Financial Services (NYSE: DFS) company, is one of the nation’s leading debit/ATM networks. Financial institutions, merchants, processors and ATM deployers across the United States and around the world depend on PULSE’s comprehensive suite of products and services and its commitment to providing exceptional client service, flexibility, security and superior economics. PULSE also is a resource for debit education, research and knowledge drawn from more than three decades of industry experience. For more information, visit pulsenetwork.com.

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Contacts

Anne Uwabor, 832-214-0234
PULSE
anneuwabor@pulsenetwork.com

Dan Keeney, 832-467-2904
DPK Public Relations
dan@dpkpr.com