What Is a Credit Card Issuer?

Description

A credit card issuer is a financial institution, such as a bank or credit union, that gives credit cards directly to consumers. Credit card issuers work directly with payment networks (think **Visa** and **Mastercard**) to ensure that credit card transactions are accurate and secure. To help you understand how your credit card works, let's take a closer look at these key players in the credit card industry.

What is a credit card issuer?

A credit card issuer is the institution that puts financial power behind your credit card. When you make a purchase with your card, your card issuer is the entity that puts up the money to cover the transaction. The issuer could be a bank, credit union, or simply a credit card company.

As the name suggest, credit card issuers literally issue cards to consumers. They process applications, check credit reports, and approve (or deny) credit limits on cards. Your card issuer is also responsible for setting key features on a card, such as APR, terms, perks, and rewards.

When you finally pay your statement balance, you'll make payments to your card issuer. Your issuer will then report your crediting activities to credit bureaus, who use the information to adjust your credit score.

In Canada, the top credit card issuers include:

- **Scotiabank**
- **CIBC**
- TD Canada Trust
- **RBC Royal Bank**
- **Desjardins**
- **American Express**
- PC Bank
- **BMO**
- MBNA

How do credit card issuers make money?

Credit card issuers make money in two big ways: from merchants and from cardholders.

First, we'll talk about merchants. Every time you swipe your card, retailers and vendors pay a small processing fee, usually 1% to 3% of your total transaction. This fee goes directly to your card issuer (usually it's split between the issuer and the payment network). Every now and then, the merchant will transfer this fee to you, especially if the transaction is lower. More often than not, they'll pay it directly.

Credit card issuers also make money off cardholders. They'll do this primary by charging interest (in the form of APR) to unpaid credit card balances. Any time a cardholder carries a balance from payment period to payment period, they'll lose their grace period and accumulate interest charges. Because these charges can be hefty, credit card companies can earn quite a lot on a cardholder's inability to repay their debts.

On top of that, card issuers charge fees. These could be annual fees, or they could be fees for certain services, such as balance transfers and cash advances.

What's the difference between a credit card issuer and a payment network?

Many people often confuse a credit card issuer with a payment network, though the two have distinct functions. A payment network is a company that processes credit card transactions. They act as a middleman between card issuers and merchants, ensuring that funds for purchases flow from a card issuer to a merchant. These are companies like Visa, Mastercard, and American Express — companies that build powerful infrastructures and technologies to handle virtual payments.

Though American Express is technically a credit card issuer, too, Visa and Mastercard are solely payment networks. Their name may appear on cards, but they don't issue credit cards themselves.

What about co-branded credit cards?

You'll often see major retailers issuing their own branded credit cards, such as **Loblaw** and Discount Tire. Even though these retailers technically give you the credit card, they are not actually credit card issuers.

In the case of co-branded cards, a retailer works with a bank or credit union — aka the credit card issuer — to create a co-branded credit card. That's why, when you have problems or spot fraud on your branded credit card, you never contact the retailer. You contact the card *issuer*, as they're the ones who have the power to handle your problems.

How can you pick the right issuer?

Choosing the right credit card issuer really comes down to picking the right credit card for you. In fact, the issuer should have little influence over how you pick a credit card. Instead, you should find a credit card that fits your spending habits, credit score, and your needs.

Canadians with good to excellent credit, for instance, should browse credit card issuers in the rewards card and cash-back credit card sector. Those with poor credit scores, however, could possibly improve their scores with a secured credit card, while those carrying loads of credit card debt could benefit from a balance-transfer card.

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