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History of Credit Cards



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Fact checked

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The history of credit cards as we know them today began in 1950, when Diners Club launched the first modern credit card. Credit card history also includes a number of important milestones from 1950 to today, including the introduction of magnetic stripe verification in the 1960s and EMV chip technology in 2010.

Unlike early credit cards, which were all “charge cards” that had to be paid in full at the end of the month, most modern credit cards allow people to carry a balance between months. That means the type of credit card in your wallet today has likely been around only for a tiny fraction of all credit card history. Below, you can see an in-depth timeline of the history of credit cards, followed by a discussion of how credit cards developed to their current state.

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History of Credit Cards Timeline



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HISTORY OF Credit Cards



ANNOTATED TIMELINE

1850



American Express is founded (as a competitor to the U.S. Postal Service)



1887

Edward Bellamy coins the term "credit card" in his novel, "Looking Backward."

Late 1800's



Credit accounts are regularly used by merchants with trusted customers



Early 1900's

Oil companies & department stores use first store credit cards

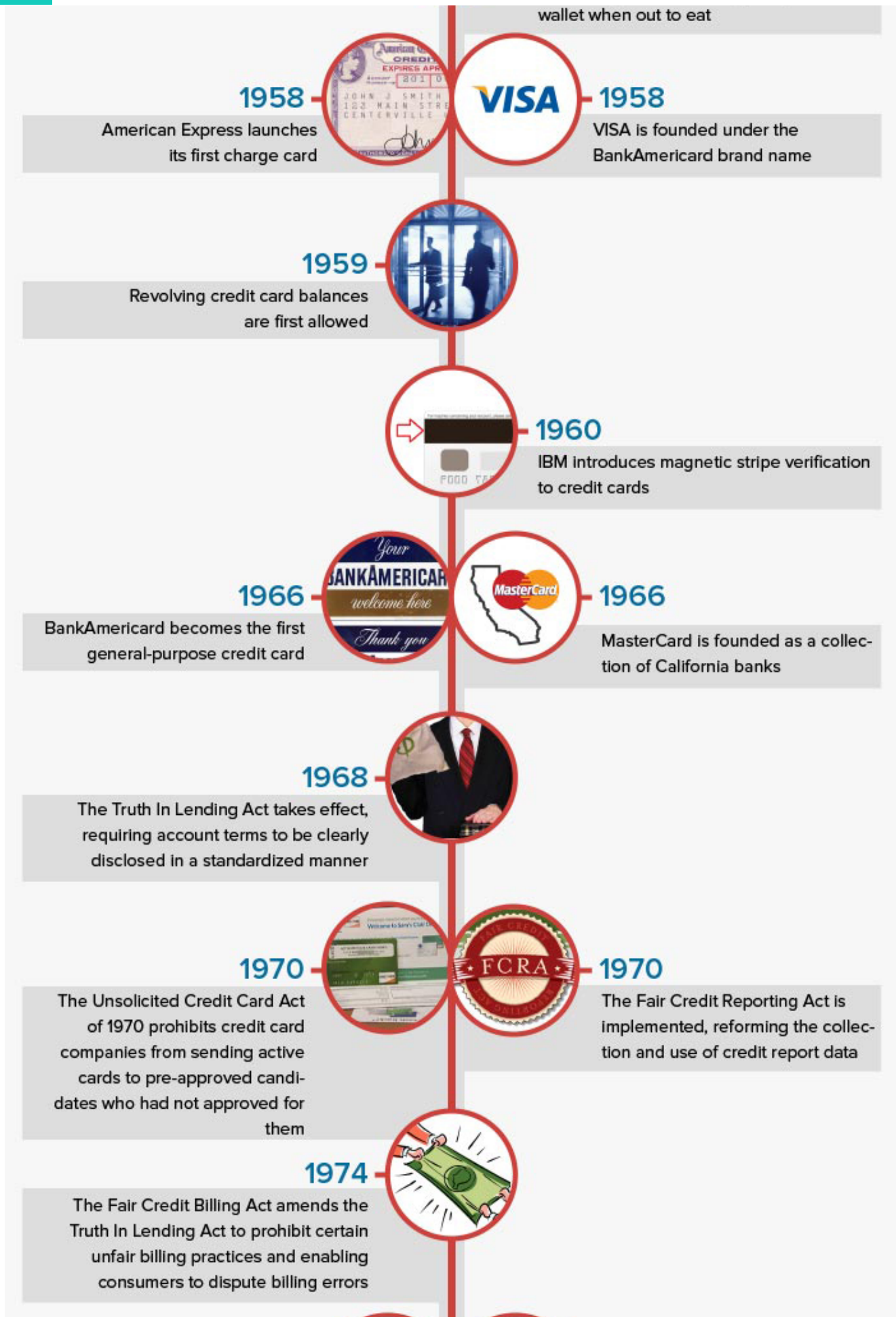
1946



Biggins Bank introduces the Charg-It card, to be used at Brooklyn merchants



1950


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Citibank announces the Choice Card – one of the first cards with a cash refund and no annual fee



The Fair Debt Collection Practices Act is approved as an amendment to the Consumer Credit Protection Act, prohibiting predatory debt collection measures and overhauling the debtor's bill of rights

1978



In Marquette National Bank v. First of Omaha, the Supreme Court allows nationally-chartered banks to offer interest rates allowed by local laws in the states in which they are headquartered to consumers across the country, regardless of whether other individual states prohibit interest rates above a certain amount, for example



1980

The Depository Institutions Deregulation and Monetary Control Act gives state-chartered banks the ability to "export" interest rates as well

1985



Discover is founded as a subsidiary of Sears

1996



Sergey Brin and Larry Page use a credit card to initially fund Google



1996

In Smiley v. Citibank, the Supreme Court rules that credit card fees are considered to be interest and can thus be "exported" along with interest rates

1999



Kai and Charles Huang use credit to fund RedOctane, the developer of Guitar Hero



1999

American Express launches the Blue Card – one of the first credit cards with an embedded computer chip

2002



Sam Jain uses his personal credit card to fund Fareportal, operator of CheapOair



2005 - 2006

Up to 94 million credit and debit card


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2008

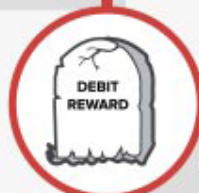
CardHub launches, clearly changing the credit card world forever!


May 22, 2009

Barack Obama signs into law the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act)

Feb. 22, 2010

The CARD Act goes into effect, dramatically overhauling the Consumer Bill of Rights


Oct. 2010

The Durbin Amendment takes effect, effectively killing debit card rewards and giving credit cards added market share

Nov. 2010

Federal Reserve closes notable loopholes in CARD Act


Dec. 2013

40 million credit and debit card account numbers stolen from Target


VISA
MasterCard
Dec. 2013

VISA and MasterCard reach a \$6 billion settlement with a group of major retailers for alleged collusion in the setting of interchange fees

2014

56 million credit and debit card account numbers stolen from Home Depot


Oct. 2014

Apple Pay becomes the first mainstream mobile payment technology


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Liability shift deadlines set by VISA and MasterCard, spurring the transition to EMV payment technology



Early History of Credit Cards

The concept of buying things on credit has been around since ancient times, and it became more refined in the 19th century, when companies began to use metal coins with their logo and customers' account numbers emblazoned on them to keep track of transactions made on credit. Then, in the early 20th century, a handful of U.S. department stores and oil companies began issuing their own credit cards – the forbearers to modern [store cards](#) – that were only usable at the particular business that issued them.

Those products paved the way for the first true credit cards – the Diners Club charge card in 1950 and the BankAmericard charge card in 1958. Unlike all previous credit products, these cards could be used at multiple merchants. They still were limited compared to credit cards today, though. They were only usable for travel and entertainment purchases, and cardholders had to pay the bill in full each month.



Diners Club Card: Diners Club was launched in 1950 with a \$1.5 million investment, and its paper cards were used by roughly 200 friends and family members of founder Frank McNamara and accepted at 27 New York City restaurants. Users were required to pay their full bill at the end of the month in order to continue using them.

By 1951, Diners Club had roughly 42,000 members and had begun charging a \$5 annual fee. Diners Club offered its first plastic credit card in 1961 and surpassed 1 million members in the early 60's. The company was acquired by Citigroup in 1981 and Discover Financial Services in 2008.



BankAmericard: This was the first credit card to offer revolving credit. In September 1958, Bank of America invented credit card mass-mailing, sending 60,000 unsolicited active cards to consumers in the Fresno, California area. The next year, the company expanded to the San Francisco, Sacramento and Los Angeles markets – ultimately dispersing more than two million

cards – usable at over 20,000 merchants – across the states.

But while Bank of America expected that roughly 4% of accounts would prove to be delinquent on payment, the actual figure was actually around 22%. That, coupled with public outrage over the fact that cardholders would be held responsible for unauthorized charges,

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agreements and continuing the practice of mailing unrequested cards to consumers until it was banned in 1970.

The History of Credit-Card Modernization

Invention of plastic credit cards: American Express was the first issuer to offer a plastic card, beginning in 1959.

Introduction of revolving balances and general-purpose use: BankAmericard introduced the concept of carrying a balance from month to month in 1958. Then, in 1966, they upped the ante even further by offering the BankAmericard nationally as the first general-purpose credit card.

Development of competing credit card networks: Along with Diners Club in 1951 and BankAmericard in 1958, American Express offered its first credit card in 1958. Mastercard was founded several years later, in 1966, and BankAmericard turned into Visa in 1976 after splitting off from Bank of America. Discover joined the game relatively late in 1985.

Magnetic stripe technology: In the 1960s, IBM developed magnetic stripe technology, which could be used for electronic card verification at merchants. American Express used this technology on certain airline cards as early as 1970, but it wasn't until 1980 that this technology began rolling out on credit cards from the other major networks.

Credit card rewards: The Discover Card introduced the concept of giving cash back on purchases in 1986, and the practice became more common from the 1990s onward. Other types of credit card rewards have also developed, as many cards offer points or miles.

EMV technology: The [EMV](#) chip in your credit card helps keep transactions more secure, as it's more encrypted than a magnetic stripe and it creates unique transaction codes that can't be used again. This technology was first used in the U.S. in 2010, but picked up quickly from 2015 onward when merchants were mandated to accept the technology or face liability for fraudulent transactions. Around 1.6% of all U.S. payment volume was on EMV cards in 2015, compared to 99% today.

Contactless payments: Since 2008, some credit cards have offered the ability to make contactless payments, without the need to insert a card into a reader. As of 2020, around 67% of merchants accept contactless payments.

Virtual credit card numbers: A technology introduced in 2009 lets you shop online using your credit card without actually exposing the card's sensitive information. These [virtual credit card numbers](#) are a way to stay safe from identity theft and fraud in an age where there is a growing number of data breaches.

Use of credit explodes: Only 51% of households had a credit card in 1970, but that number

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In 1999, there were around 300 million credit card accounts open. In 2020, there were over 511 million accounts. That's around a 40% increase!

Our credit card debt has skyrocketed, too. In 2017, U.S. consumers hit \$1 trillion in credit card debt for the first time, and despite some payoffs, we've stayed close to that number ever since. We currently owe more than [\\$920 billion](#) to credit card companies, or a bit over \$7,800 per household.

The nature of credit cards clearly has evolved a great deal over time – and so has our use of credit.

Ask The Experts: Credit Cards Of The Future

In light of the rich, interesting history that credit cards possess, we turned to a panel of leading subject matter experts to learn more. You can check out their bios and responses to the following questions below.

1. Will credit cards be used 15 or 20 years from now? In what form?
2. How long do you anticipate credit cards being the dominant form of payment?
3. How has the rise of credit cards changed consumer spending habits - for better or worse? And what impact do you think market changes over the next decade-plus will have?

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Richard Toler

Residential Faculty in the Department of Business and Information Systems at Mesa Community College

Will credit cards be used 15 or 20 years from now? In what form?

I do not believe credit cards will be used 15 years from now. Credit cards will be replaced with some type of biometric identification system that will be more difficult to hack. A rapid fingerprint, retinal scan or DNA identification system would not be impossible.

How long do you anticipate credit cards being the dominant form of payment?

Credit cards will dominate the financial payment system for no more than another five years. After that some type of biometric system will begin to gain market share.

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And what impact do you think market changes over the next decade-plus will have?

Credit cards make it easier to spend money. Consumers think less about the amount they are spending if they pay with credit card. It is less emotionally stressful to hand over a credit card than to watch your cash disappear from your wallet. With a credit card your ability to spend doesn't seem to diminish. The benefit of credit cards is the data available to the vendor, which can provide a wealth of information about consumer demographics and behavior. More needs to be done to provide analytical tools to help consumers analyze their spending habits.

Questions & Answers

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76 **When was the first credit card issued?**

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The first credit cards were issued in 1928 and were called Charga-plates. They weren't electronic, though. They were metal plates engraved with information to identify customers, and merchants would ink impressions of them on paper to record transactions made on credit. If you want to go back even further, you might even consider the "merchant coins" used in the late 1800s to be an early form of credit card. They performed the same function as...

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