
Black Cards and Banking

Introduction¹

“Need a warm-up?” The scent of fresh coffee drifted over from the pot in the waitress’s hand.

“Sure,” said Luke, “and when you can, please bring us the check.” As the couple shared what would be their final cups of coffee in the diner, Cecilia noticed that she only had a \$10 bill in her purse. “How much cash do you have? With the tip, I think we might be a bit short. I used to be a waitress, and I hate not tipping adequately.”

After paying the bill with what little cash they both had left, they walked to their respective cars and prepared to head off to work. As Cecilia gave Luke a goodbye kiss on the cheek, she mentioned, “I think it’s time we considered credit cards. If we’re going to build a life together, we might as well start acting that way financially.” Luke murmured in agreement, yet as he drove away to band rehearsal, he wondered whether credit cards were a good idea for a new couple. And if they were, what kind of card made sense? Luke had abused the credit card he’d had in the past. After paying exorbitant late fees and overdraft fees, he had finally paid it off in full and opted to cancel the card altogether. He knew his overspending and poor handling of the card had caused his credit score to drop. Luke had come to realize that he was a compulsive spender and often purchased items he didn’t really need just because he wanted them at the time.

Luke was very concerned about repeating this behavior if he and Cecilia got a credit card together. He had received several glossy direct-mail offers for new credit cards over the past few months, each offering cards with various features. Did they really need plastic now? If they were to get cards, which would be best? And could one card meet both of their needs?

Beginning a Life Together

The couple had met 18 months earlier during open-mike night at Java and Jazz, which was a coffee shop by day and music spot by night. Luke had first noticed Cecilia when she shared her poem about carrying her drunk friend home one night after finding her asleep on a park bench on campus. The poem showed Cecilia’s

¹ Resilience Education, a nonprofit founded at the Darden School of Business, provides high-quality, customized education for vulnerable populations. For more information, contact info@resilience-education.org.

This fictional case was prepared by Christina Black, case writer, and Liz Ivaniw Jones, under the supervision of Tierney T. Fairchild, Executive Director, and Gregory B. Fairchild, Isidore Horween Research Associate and Professor of Business Administration. This case was adapted from Gregory B. Fairchild, “Black Coffee and Black Cards (A) and (B),” (UVA-F-1882 and UVA-F-1883). It was written for a curriculum designed by Resilience Education as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Special thanks to the Dave Matthews Band’s Bama Works Fund, the Fluvanna Correctional Center for Women, and Resilience Education volunteers for their assistance with this case. Copyright © 2019 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. To order copies, send an email to sales@dardenbusinesspublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation. Our goal is to publish materials of the highest quality, so please submit any errata to editorial@dardenbusinesspublishing.com.

form of friendship, her good-natured counseling skills about overindulging, and her sense of humor about finding her friend like that. Twenty minutes later, he had smiled and winked at her while singing a song he wrote titled “A Pretty Girl You Notice While Singing in a Bar.” When he had come down off the raised platform, they had exchanged numbers. They began dating the very next day and moved in together six months later.

One Sunday morning, Cecilia woke to the smell of bacon. When she came into the kitchen, a priest was sitting at the table, wearing his collar and sipping a fresh cup of coffee. She was shocked. She was elated. She didn’t rush into things. They were married a few months later.

Now began the difficult part: deciding how to share a financial life together. It seemed there were so many lifestyle differences to fit together. She left her towels on the bathroom floor. He couldn’t seem to break the smoking habit he’d picked up through late nights performing, and he kept drinking milk straight out of the carton. He even left the toilet seat up. The best and most important thing was that they argued well: they talked things through even when they disagreed. They fought nicely. They had agreed never to go to bed angry.

Despite his past misuse of a credit card, Luke had come to realize that they could be beneficial. First, they could provide a financial cushion when cash was unavailable or scarce. Luke’s old car had broken down one night on the highway, and he could have used a credit card to give the tow truck driver confidence that he could pay. He was able to get the money from the ATM, but the \$75 he had spent meant he was tight on cash the following week and had to forego a couple of meals. Second, he recognized that if he had handled his previous credit card responsibly, he might now have a good credit score. The important thing about a credit score was that it gave you an identity that could help get a car loan or even a mortgage. Despite what his parents had thought, he believed a credit card could be a good thing if used carefully and if the cardholder paid as much of the balance as possible each month. Too many people simply paid the minimum, which meant they might never get out from under their debt.

After Cecilia got home from work that night, the couple discussed the matter more and agreed that they really needed to look into getting a credit card. Luke believed that he should take the lead in researching how credit cards really worked for two reasons: (1) he felt some embarrassment about his lack of any real knowledge of credit cards, and (2) unlike Cecilia—who was a marketing manager in a baby-formula company—he didn’t work a day job.

“Let me do some research, and let’s chat again next week,” Luke told Cecilia.

How Do Credit Cards Work?

Through internet research, Luke learned that there were two basic components to the credit card business: card companies and card issuers. The card companies were dominated by Visa and Mastercard, which, he learned, made up more than 80% of the credit card market. The card issuers were mainly composed of the large banks such as Citibank, JPMorgan Chase & Co., and Bank of America. Smaller banks and credit unions were also issuers of cards, as were retailers—although Luke learned that most retailers, such as department stores, employed a bank behind the scenes. This was all very helpful, but Luke knew that internet research could be sketchy. He set up a time for a call with one of his former professors, Dr. Jett. Jett had been Luke’s math professor in community college, and they had developed a good relationship. Luke remembered that Jett had worked in the credit card business before “following his dream” to teach in a community college.