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Wells Fargo extends credit card push in deal with Dillard's

BY PETER RUDEGEAIR
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A Wells Fargo sign is seen outside a banking branch in New York July 13, 2012.
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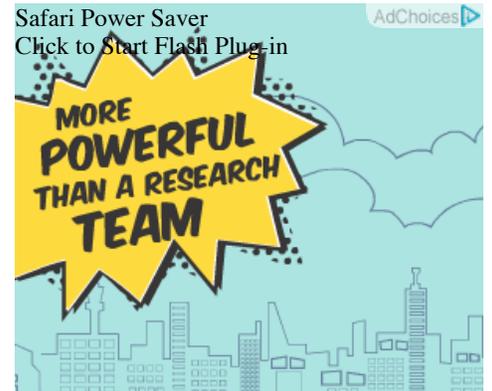
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(Reuters) - Wells Fargo & Co (WFC.N) said on Tuesday that it agreed to issue and service credit cards for retailer Dillard's Inc (DDS.N), the latest move by the fourth-largest U.S. bank to boost its card business.

Under a 10-year agreement likely to begin in the fourth quarter of 2014, Wells Fargo will offer private label and co-branded credit cards on behalf of Dillard's, taking over from General Electric Co's (GE.N) consumer finance unit. Financial terms of the deal were not disclosed.

Expanding the size of Wells Fargo's credit card business has been a priority for top executives, who have focused on getting more of their existing retail customers to open accounts and use their cards more frequently.



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The bank has some success to show for it: 37 percent of its [retail](#) households had a Wells Fargo credit card at the end of 2013, compared with 27 percent at the end of 2011.

But the deal with Dillard's, a Little Rock, Arkansas-based department store operator with fiscal 2014 revenue of about \$6.7 billion, illustrates that the bank can also use its relationships with existing commercial customers to boost that division.

Dillard's is a large banking customer of Wells Fargo, and issuing cards branded for specific retailers who do other business with the bank is a natural way for the credit card unit to expand, said Tom Wolfe, Wells Fargo's executive vice president for consumer credit solutions.

The San Francisco-based bank has lagged rivals like [Citigroup Inc. \(C.N\)](#) and [Capital One Financial Corp \(COF.N\)](#) in issuing these private label cards, according to data from the Nilson Report, an industry publication. But Wells Fargo hopes to win more of this business in the future.

"This is one area that we'd like to spend some more time expanding," Wolfe said.

Wells Fargo is not alone in wanting to boost its private label business. GE's consumer finance unit, part of which filed for an initial public offering in March under the name Synchrony Financial, said in a March 13 securities filing that "the competition for partners is intense and becoming more competitive." Synchrony listed Wells Fargo as one of its primary competitors in the private label credit card business.

Another area that Wells Fargo has identified as one where it is "clearly underrepresented" in credit cards is among the affluent.

The bank announced a partnership with American Express Co ([AXP.N](#)) in August to provide more competitive rewards and benefits to wealthy consumers. A full-scale launch of those products is set to occur in the first half of 2014.

(Reporting by Peter Rudegeair; Editing by Steve Orlofsky)

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