

Walmart's Capital One card lawsuit could put a major portfolio up for grabs

Article

The news: Walmart sued Capital One to terminate their credit card partnership, which includes both a co-brand Mastercard and a private-label card, according to The Wall Street

Journal. The retailer alleged that Capital One didn't meet the terms of their contract, citing issues with customer service, card replacement, and transaction posting.

Walmart reportedly hopes to either renegotiate the economic terms of the partnership—including those related to loss-sharing—or end the program early.

The responses: Walmart told the Journal that it's ending its relationship with Capital One and looks forward to providing a new option soon. Capital One countered that it had cured issues Walmart raised in the suit “pursuant to the terms of the agreement, without harm to customers, the program, or Walmart.”

What it means for Capital One: **Synchrony** sold the Walmart portfolio to Capital One in 2019—a huge boon for the issuer as it increased its co-brand presence.

- At the time, the portfolio was estimated to hold **about \$9 billion in receivables**, **per** S&P Global, making it one of the larger retail portfolios.
- Capital One has been aggressively moving into co-brands, inking or expanding deals with **Key Rewards**, **REI**, **Kohl's**, and **BJs**. Losing the Walmart portfolio could slow its efforts to become a larger player in the sector.

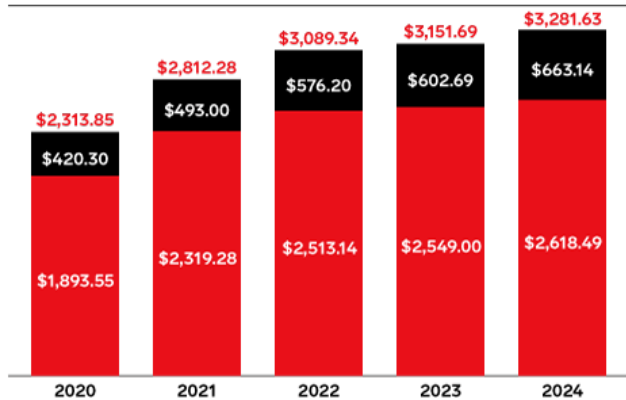
It would also leave a major co-brand portfolio up for the taking—increasing competition in a period where there's been momentum in the space.

What it means for Walmart: The retail titan is building out its **fintech arm**, **One**, to include neobanking, financial benefits, and other products. It reportedly wants One to be involved with card issuance, per the Journal.

Digital co-brands are driving credit card **innovation**. **JPMorgan** debuted **Instacart** and **DoorDash** cards, **Venmo** is building out its card program, and **American Express** moved into the space. The right partner could offer a considerable opportunity to build an industry-leading product that helps drive innovation in the co-brand space this year.

US Digital vs. In-Store Credit Card Spending, 2020-2024

billions



■ In-store ■ Digital

Note: includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), mail orders, gambling, and other vice goods sales; digital includes transactions made over the internet using credit cards; includes desktop/laptop, mobile, and tablet purchases; in-store includes point-of-sale (POS) transactions made in-store using credit cards
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