

# Unraveling Information Sharing in Consumer Credit Markets\*

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Abstract

We study the breakdown of information sharing in US consumer credit markets. We document a 53 percentage point decrease in credit cards sharing actual payment information with credit bureaus between 2013 and 2022, without any decrease for other credit products. Decreased information sharing is an unintended response of credit card lenders to credit bureaus' innovation. We show the innovation uses credit card actual payments information to reveal heterogeneous credit card behaviors that predict components of profitability: spending driving interchange and revolving debt driving financing charges. The credit card lenders that stop sharing information have higher profitability and higher spending customers who are attractive targets for competitors to poach. Our results demonstrate the sensitivity of information sharing to innovations enabling poaching of incumbents' profitable customers. We then provide evidence of how mandating information sharing can increase competition.

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