# Major banks clamping down on crypto trading by credit card, is it an admission of failure on their part?

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The first major banks to announce they would no longer allow transactions with credit cards to Bitcoin exchanges were in the USA, JP Morgan, Citibank, and Bank of America on the 3rd February. This was promptly followed by Lloyds Bank Group in the UK, Virgin Money Group in South Africa and Australia, and now Citibank India, for both debit and credit card purchases.

The TD bank of Canada has now announced a debit and credit card crypto purchasing ban, and whilst the Royal Bank of Canada still does allow this activity, they are contacting customers to inform them they are reviewing the risks involved with such trading, and customers' ability to pay.

It is refreshing to see some corporate responsibility emerging, but one has to question whether the banks have the right to dictate where their customers spend their money? Isn't it their responsibility to set prudent credit levels in the first place, such that a maxed out customer still has the ability to service his debt? By these announcements it would appear they don't have the faith in themselves to do this, and

maybe credit limits are set too high?

It seems to be an admission by the banks that they have abdicated their responsibilities as prudent lenders if they are expressing concerns about people using the credit the banks have assessed they are good for.

If a credit card customer spends £4,000 on the holiday of a lifetime, at the end of it they have cherished memories, but nothing tangible, except the debt to repay of course. If a crypto investor spends £4,000 on Bitcoin or a similar coin or token, in the worst case it could reduce to zero (unlikely, IMO) or it could multiply in value many times, enabling the debt to be fully repaid and the investor retain the profit.

So I question why the banks are doing this? Are they afraid of Bitcoin and other cryptos becoming too mainstream and their banking system being circumvented and usurped? That’s what it looks like to me.

Comments welcome – andrew@city-investors-circle.com