Why Credit Matters

And what a world without credit would look like.

Authored by Mikkel Lykke Platz,
Sales Director Denmark
Mikkel.LykkePlatz@experian.com

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"Take nothing on its looks; take everything on evidence. There's no better rule."

As Charles Dickens wrote about expectations, looks can be deceiving. In finance, good judgment must be based on data and insights, rather than face value. This article looks at life without credit and explains why credit matters.

Simply put, removing credit could solve our debt problems. No one would spend money they do not have. The stress of paying interest and managing credit limits wouldn't exist. A society built on cash and debit cards[1]…what is not to like?

The Good, the Bad, and the Responsible

In 2020, 8.8% of EU households were behind with key payments, according to a 2023 European Union study[2]. The study showed that over-indebtedness affects 17.2 million households and almost 40 million people across the EU.

When asked about 'debt', participants mentioned worry, stress, and anxiety. These emotions were commonly mentioned by those who had been over-indebted. Debt often carries a social stigma. Many people feel ashamed and avoid talking about it or asking for help. But why were they not helped before their debt got out of hand?

The study also showed that late or no payments on consumer loans and credit cards are common. You could conclude that consumer loans and credit card debt are major causes of over-indebtedness in the EU. However, we need to consider the whole reality of responsible credit and debt.

A Life Without Credit – A Thought Experiment

Imagine a world without credit. In this thought experiment, picture daily life powered only by what's already earned, with no promise or trust in tomorrow. Would there be less stress about unpaid bills or rising debt? Would people lose the means to improve their situation without credit? It's a trade-off that frames how credit shapes economies and opportunities, as well as our everyday choices.

It's an idea that feels abstract, but the contrast becomes clearer when you look at real-world data.

In Denmark, the latest Experian RKI analysis (July 2025)[3] shows that 3.41% of adults are currently registered as bad payers. In Norway, Experian's October 2025 data shows that 4.8% of adults have active payment remarks, totalling NOK 56.6 billion in unpaid debt [4].

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[1] https://www.ramseysolutions.com/debt/the-debt-free-difference

[2] Study on European consumers' over-indebtedness and its implications – Published June 2023: https://commission.europa.eu/system/files/2023-09/Study%20of%20consumer%20over-indebtedness_Main%20report_9.18.pdf

[3] https://www.experian.dk/nyheder-og-arrangementer/2025/08/25/rki-analyse-juli-2025/

[4] https://www.experian.no/nyheter-og-arrangementer/2025/11/13/tall-viser-flere-nordmenn-far-betalingsanmerkninger-kjonnsforskjeller-peker-pa-okonomiske-ulikheter/

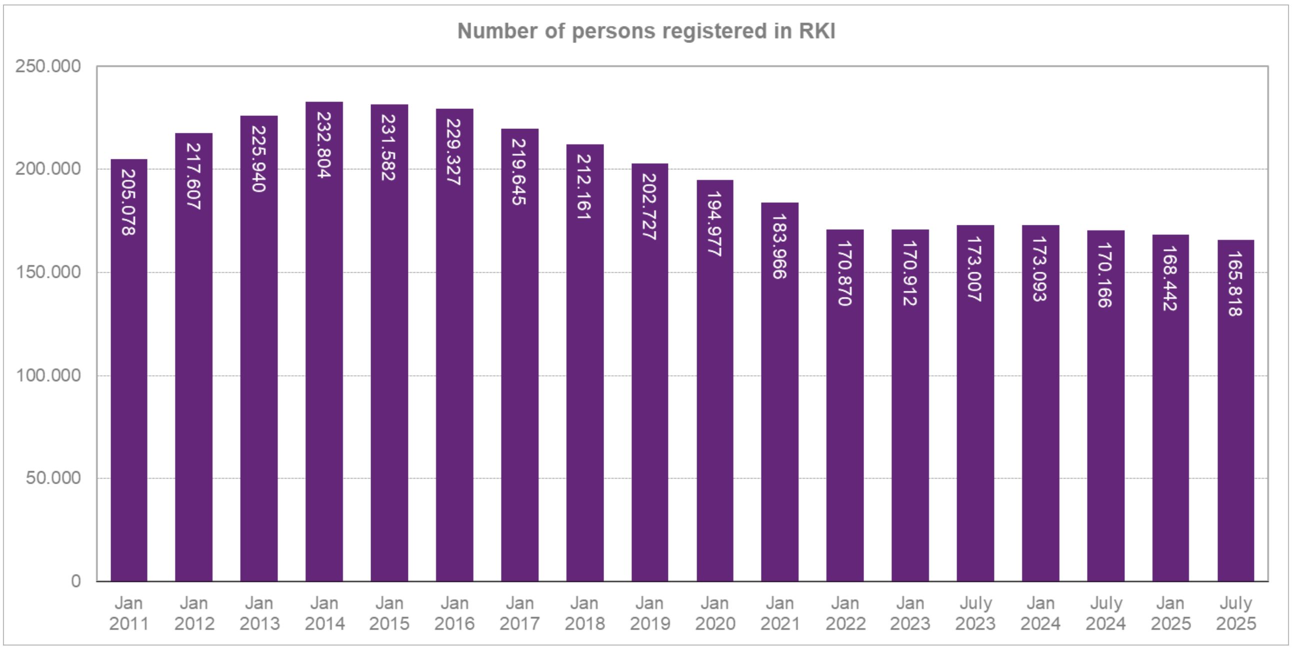

Figure 1 – Experian Denmark's RKI analysis, July 2025

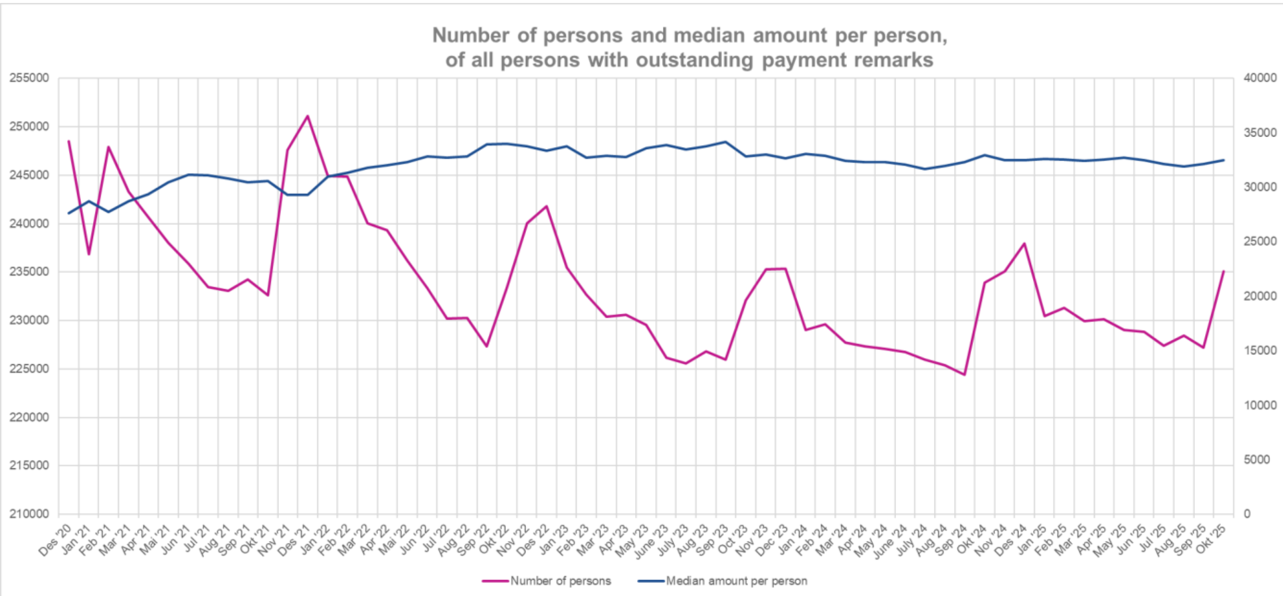

Figure 2 – Experian Norway's analysis, October 2025

The point is that despite very strong economies and some of the highest employment rates, there are those still struggling to pay their debts. The benefit of 'protecting' these customers by limiting access to credit could sound appealing to some, but the implications are significant.

Without credit, both people and the economy would be affected. People would lose purchasing power. They'd have to rely only on savings and income. This would limit their ability to make large purchases, such as homes or cars, or cope with unexpected costs. Ask yourself, do you have 5000 Kroner for an emergency? How quickly can you access it if needed?

Lower spending would slow growth, leading to business closures, causing job losses. This situation contributed to the invention of credit cards in the mid-20th century. The new cards aimed to stimulate consumer spending by allowing purchases on borrowed funds[5].

The gap between different socioeconomic groups would widen as those with higher incomes and savings would be less affected. No credit would likely lead to conservative financial planning and saving habits, but could also result in economic and social challenges.

The figures in this paper illustrate the level of integration of credit into everyday financial life. In Denmark, even as the number of debt registrations gradually falls, the average person in RKI (Denmark's debt registry) owes about 48,000 DKK[6]. In Norway, the typical bad payer carries around 32,500 NOK in outstanding debt. Without credit, spending shrinks and recovery from crises becomes harder. However, registries like Experian Denmark's RKI and Experian Gjeldsregister in Norway exist to prevent irresponsible lending, protecting those already having payment difficulties from taking on more debt.

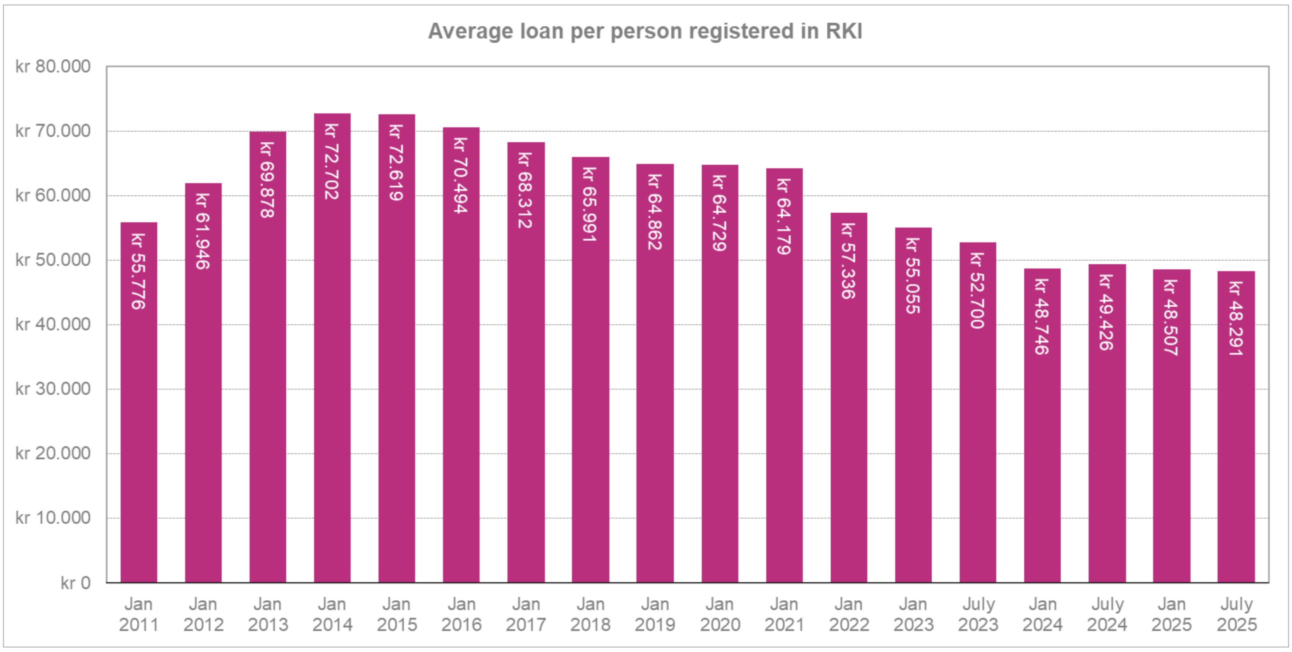

Figure 3 – Experian Denmark's RKI analysis, July 2025

If you were to ask regulators and lenders, they would argue that access to credit is not the problem. Particularly, if the credit is offered after a thorough analysis and on an individually assessed basis. In that case, credit should be given to those who can afford it and who are able to repay the interest.

This is what responsible credit means: making careful, informed choices and building mutual trust between lender and borrower. If we could not adequately protect the 40 million people from

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[5] Consumption and the Consumer Society. Published by Global Development and Environment Institute Tufts University Medford, MA 02155 in 2019 - https://www.bu.edu/eci/files/2019/10/Consumption_and_Consumer_Society.pdf

[6] https://www.experian.dk/nyheder-og-arrangementer/2025/08/25/rki-analyse-juli-2025/

over indebtedness, our ambition is to at least help the next person applying for a new credit card.

Innovation and the Future of Credit

The future of lending depends on how we use technology, data, and insights in combination. Open banking enables consumers to share their financial information safely, helping lenders form a more accurate picture of their affordability. With a view on spending and saving patterns, lenders can assess risk more fairly, while consumers benefit from faster personalised decisions.

AI is further changing how credit decisions are made. Predictive models and machine learning help financial institutions identify early signs of financial stress, improve fraud detection, and offer tailored support. Used responsibly, AI improves efficiency and adds context to decisions. However, companies need to find the balance between technology like AI and its pitfalls, such as biased decisions.

Additionally, combining open banking data, credit bureau insights, and public records helps build a fairer system. One where opportunity is powered by understanding the full financial story of a person.

Building Credit for Good is a shared Responsibility.

Data from Experian's Nordic registries show progress and persistent challenges. Fewer Danes are falling behind, while Norwegians continue to hold significant unpaid balances. The idea is not a world without credit. It's one where transparency, affordability and ethical lending ensure that fewer people join those struggling with debt.

Revisiting our thought experiment: a life entirely without credit. It might sound liberating, but in practice, it would be almost impossible for most people today.

It's not about eliminating credit but using it wisely. Responsible credit can drive opportunity through finding the balance between access and responsibility. When lenders and consumers both rely on accurate data, transparency, and a holistic view of financial health, credit becomes a shared responsibility.