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Trump's 10% Cap On Credit Card Interest Rates: Good Or Bad?

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Donald J. Trump  
@realDonaldTrump

Please be informed that we will no longer let the American Public be "ripped off" by Credit Card Companies that are charging Interest Rates of 20 to 30%, and even more, which festered unimpeded during the Sleepy Joe Biden Administration. AFFORDABILITY! Effective January 20, 2026, I, as President of the United States, am calling for a one year cap on Credit Card Interest Rates of 10%. Coincidentally, the January 20th date will coincide with the one year anniversary of the historic and very successful Trump Administration. Thank you for your attention to this matter. MAKE AMERICA GREAT AGAIN! PRESIDENT DONALD J. TRUMP

Trump's recent announcement of a one-year 10% cap on credit card interest rates has reminded me of an old but important conversation about finance, morality, and the role

of markets.

Let us, for the moment, put aside whether this is a good or bad policy, whether he followed proper procedures, or what his political motivations may lie behind it. I will return later to the question of whether this is genuinely a good or bad move for the people. There is a more fundamental issue worth reflecting on first.

At the very least, the announcement sends a strong message that finance is not value-free. Financial arrangements, from day one, can be shaped by human judgement, moral reasoning, and social concerns, rather than being left entirely to market forces. In Trump's framing, high interest rates charged by credit card issuers, mostly banks, are described as an unattended oppressive practice that "rips off" ordinary American households. His intervention, therefore, is not merely technical or economic; it is a moral claim. It reflects a belief that affordability matters, that economic hardship should be taken seriously, and that the financial system has some responsibility towards people's social and economic well-being.

This sits uneasily with the dominant logic of conventional finance. In practice, interest rates are justified almost entirely on the basis of risk and uncertainty. The riskier the borrower, the higher the rate charged, as simple as that. Credit cards, in particular, typically are associated with higher interest rates because they are unsecured (i.e., there is no collateral to fall back on) and repayment is volatile.

It is reported that the average credit card interest rate is about 28.6% in the US, even though banks can borrow from the Federal Reserve at rates less than 4.5%.

Add to this the standard assumption in finance that money today is always more valuable than money tomorrow because of our thirst for immediate gratification. On this basis, we customarily accept that credit providers charge interest as a form of compensation. When they lend money today, they have to defer the use of those funds for their own spending or investments. Borrowing indeed comes at a cost. Markets are only "rational" and efficient if they price credit purely based on risk and time.

The problem is, however, that we tend to quietly assume that everyone shares, or ought to share, the same attitude towards risk, uncertainty, and time.

But why must this always be the case? Why is there so little room or intrinsic motivation for financial institutions to exercise moral discretion on their own, without being compelled by law? If a lender wishes to lower the cost of funding to help households and businesses cope, or to support environmentally beneficial projects, why should this sound odd to markets? Can moral intentions be allowed to influence how financial products, such as credit cards, are priced? And why can't values like compassion or solidarity be built into the equation, instead of being left out altogether?

Once we return to the question of whether capping credit card interest is ultimately good or bad, the answers become less straightforward. Making debt more "affordable" does not automatically mean it is going to be beneficial to the mass of common people. Growing evidence shows that household debt levels are rising steadily, not only in the US, but also, and particularly in developing nations, and that easier access to cheaper credit may deepen, rather than relieve, financial vulnerability. For many low-income households, who rely heavily on credit card debt for food, medicines, and bills, this can trap them deeper in poverty.

There is also the possibility of counterproductive consequences. I believe banks do not abandon risk-based assessments simply because a cap is imposed. If high-risk households can no longer be charged higher rates proportionately to their risks, their applications may simply be rejected, or their credit limits sharply reduced. In that case, the most vulnerable borrowers would have no other choice but to resort to far more exploitative alternatives, such as loan sharks and payday lenders, where the cost of borrowing is vastly more "ripping off" and far less regulated.

Lastly, an interest rate cap does little to resolve deeper issues of distributive justice, as what Trump implied in his social media posting, if lending behaviour itself remains unchanged. If banks and credit card issuers continue to cherry-pick low-risk, higher-income customers, then low-income borrowers remain neglected or penalised, cap or no cap. True and real equity would require not a regulatory ceiling, but a genuine shift in the moral orientation of financial institutions, towards treating lower-income households not merely as risk profiles, but as people whose economic dignity matters.

In this sense, Trump's announcement is less interesting as a policy solution than as a

rhetorical gambit. It forces us to rather confront an uncomfortable question: should finance be governed solely by market assumptions and mathematical models, or is there a space for value judgement in how we price debt itself?

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