

CARD FEES THIRTY YEARS OF HURT

After a generation of punishing card costs & ineffectual regulation, beleaguered UK business brace for the latest onslaught of abusive fee hikes from international payment card schemes*

British businesses do not escape these fees, and British consumers pay for it in the price of goods & services

CARD PAYMENTS CONSTITUTE ALMOST 80% OF THE £394 BILLION PER YEAR (2019) IN RETAIL PURCHASES

*Visa & Mastercard card schemes accounted for c.98% of UK card transactions in 2018 (PSR, 2020)

A BRIEF HISTORY OF CARD SCHEMES EXPLOITING UK BUSINESSES

1992

First complaint: BRC complaint to European Commission that Visa and Mastercard interchange fees unlawfully restrict competition.

1999

First report: Annual BRC Costs of Collection Survey report (now Payments Survey) begins, spotlighting excessive card costs, following HM Treasury's Competition in Banking Review.

2015

IFR introduced: Interchange Fee Regulation (IFR) introduced across the EU after a generation of pressure from UK & European business. It promised to "cut the cost of payments substantially for merchants, especially SMEs and that in turn should lead to a fall in consumer prices". In practice, it only regulated some interchange fees and no card scheme fees.

2016-2020

Runaway scheme fees: "Average scheme fees more than doubled over the period from 2014 to 2018, with most of this increase occurring between 2016 and 2018, after the IFR caps came into force" (PSR, 2020). BRC Payment Surveys show that card scheme fees rose 39% in 2017 and 56% in 2018.

2020 (JUN)

UK Supreme Court ruling: Confirms Visa & Mastercard interchange fees are unlawful, creating a considerable anomaly that the Payment Systems Regulator continue to allow such fees.

2020 (OCT)

Joint call to action: Major British business bodies including the BRC, UK Hospitality, British Independent Retailers Association, Association of Convenience Stores, and Federation of Small Business call for action to defend British businesses and consumers from excessive card costs, which add to the price of goods and services, coinciding with the closure of HM Treasury's Payments Landscape Review.

2021

£2.3 billion: Cumulative cost to UK merchants of scheme fees increases since IFR (CMSPI estimates, 2021)

£500 million: Annual cost to UK merchants of successive scheme fees increases since IFR (CMSPI estimates, 2021)

£60 million: Impact on UK merchants of the latest scheme fee and interchange fee increases announced since 1st January (CMSPI estimates, 2021). Average UK Merchant Service Charges, as a proportion of card turnover, are now higher in 2021 than 2014, prior to the IFR coming into effect.

THE TOTAL MSC IS MADE UP OF:

1

THE INTERCHANGE FEE



Paid to the cardholder's bank ("card issuer")

2

THE SCHEME FEE



Paid to the card scheme (e.g. Mastercard)

3

THE ACQUIRER MARGIN



Paid the merchants' bank ("card acquirer")

WHAT CAN BE DONE?

Decisive action is needed to protect end-users in Europe's largest card market.

The UK's Payment Systems Regulator (PSR) has statutory objectives to ensure payment systems are operated in a way that promotes the interests of all the businesses and consumers that use them, and to promote effective competition in markets for payment systems and services. **The PSR is accountable to you.**



The recent PSR Annual Plan, and its Card-Acquiring Market Review, lack measures to address anti-competitive fees set jointly by the banks and card schemes. However, **British businesses are hopeful that the longer-term PSR Strategy, due imminently, will commit the PSR to:**

ABOLISH INTERCHANGE FEES

The PSR should use its existing powers to abolish card interchange fees in the UK. This would bring regulation into line with the decisions of UK courts, in particular the 2020 Supreme Court judgment that Mastercard and Visa interchange fees are unlawful.

REGULATE SCHEME FEES

The PSR should use its existing powers to bring scheme fees within scope of the UK IFR. The level of scheme fees must be subject to "utility-style" economic regulation. This is what the PSR was set up to do.

PLEASE CONTACT THE PSR MANAGING DIRECTOR NOW TO ENSURE THE VOICES OF BRITISH BUSINESS ARE HEARD

