

The European Payment Users Alliance



Europe's payment users call for transparent card fees

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The European Payment Users Alliance represents businesses and consumers across Europe. Our message for Europe's politicians: we need an interchange fee regulation, which is transparent and harmonised across Europe.

The multilateral interchange fee (MIF) costs retailers and consumers €9 billion per year, costs which fall on all consumers, whether they pay by card or not. The MIF system has been condemned as anti-competitive by the highest European Court. Europe's payment users badly need the proposed Interchange Fee Regulation to rectify this.

The card schemes and banks would have us believe that lower card fees would cost consumers money – this is not so. On the contrary, healthier competition is badly needed in the retail payments market to promote innovation, improve customer service and ensure flexibility. The business sectors in the Payment Users' Alliance are highly competitive, guaranteeing that cost savings will be passed on to their customers.

However, the creation of a fairer, more transparent interchange fee framework for European merchants and consumers is under serious threat by new proposals, which would significantly weaken the aims of the draft regulation.

Weighted Average Fee

Europe's payment users urge regulators against an introduction of the 'weighted average' fees for domestic debit transactions. This idea, already rejected by the European Parliament at first reading, would introduce uncertainty into fee levels for debit cards – leaving a highly fragmented market.

Europe's businesses and consumers require a system which sets caps in a transparent manner but also ensures the continuation of systems that operate very efficiently through fixed annual payments (e.g. the Dankort in Denmark). We call on politicians and regulators to propose a European solution which does not encumber merchants with the flaws of 'weighted averages'.

- **It lacks clarity and transparency:** There is no definition of how exactly the 'weighting' will work. It also leaves the possibility for card-schemes to exceed the 0.2% for some cards.
- **It is not transparent for consumers or for merchants:** It means that neither merchants nor consumers can know exactly what fee they are paying for any particular card.
- **It would be costly for SMEs:** The weighted average proposal would be a member state option, applying only to domestic payments. SMEs and sole-traders, who cannot take advantage of the cross-border acquiring option, may end up paying interchange fees at a higher level.

- **It is unnecessarily complex and cumbersome:** It places a huge burden on the 'competent authorities' at national level to police the system, so producing large unnecessary costs and administrative burdens. If it is left to card schemes to produce figures, payment users would not be able to verify that the system is being respected.
- **It is contrary to the single market:** The numerous member state options proposed will leave the market fragmented and perpetuate inequalities for merchants and consumers across member states. The weighted average would apply to all domestic debit transactions, including those made through the international schemes, thus causing inconsistency across Europe.

Commercial Cards

The latest modifications seek to exempt commercial cards from regulated fees which we strongly believe is unjustified economically and risks creating loopholes. Distinguishing commercial cards from consumer cards gives rise to significant technical and practical problems. In e- and m-commerce and telephone sales, the retailer does not have the necessary information; for point-of-sale payments, this would cause delay and confusion for the consumer. Including commercial cards in the fee caps would:

- remove all problems with the honour-all-cards rules.
- make the fee difference between debit and credit more understandable for consumers.

Three-party schemes

The latest modifications to the Regulation would include an absolute exemption for three-party schemes under a certain market threshold. The original proposal would deem any three-party scheme, which uses a licensee or an agent to issue cards, to be a four-party scheme and thus subject to the interchange fee caps. The new proposal is that three-party schemes with a low market share should be exempt from this provision. We have serious concerns about this proposal:

- This opens the door for 3-party schemes to incite consumers to use their cards by issuing 'free' cards which carry high rewards. In this way, such cards can become 'must take' for merchants.
- It would provide a loophole for current four-party schemes to operate as three-party schemes.

We therefore urge the Council and the Parliament to amend the text in the following ways:

- caps on debit and credit fees: the proposed 0.2% or 7 cents for debit and 0.3% for credit should be reinstated as an absolute maximum - with the option for member states to set lower fees (percentage or fixed) to suit local markets.
- include three-party schemes and commercial cards in the regulation: all providers and products should be treated in the same way - a fair price for all equivalent services.
- swift implementation: both cross-border and domestic caps should come into operation as soon as possible - within six months (subject to technical feasibility).
- remove honour all cards rule: merchants must be allowed the choice to offer their customers the most efficient electronic payment product. Other, more expensive products should be optional for merchant and consumer.

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