



connecting the future

Market Review of UK-EEA consumer cross-border interchange fees

**PSR
June 2022**

Response from The Payments Association

Introduction

The Payments Association welcomes the opportunity to contribute to the PSR “*Market Review of UK-EEA consumer cross-border interchange fees*”.

The community’s response contained in this paper reflects views expressed by our members and industry experts recommended by them who have been interviewed and who are referenced below. As The Payment Association’s membership includes a wide range of companies from across the payments value chain, and diverse viewpoints across all job roles, this response cannot and does not claim to fully represent the views of all members.

We are grateful to the contributors to this response, which has been drafted by Riccardo Tordera, our Head of Policy & Government Relations. We would also like to express our thanks to the PSR for their continued openness in these discussions. We hope it advances our collective efforts to ensure that the UK’s payments industry continues to be progressive, world-leading and secure, and effective at serving the needs of everyone who pays and gets paid.

With special thanks to:

- Alex Mifsud, Co funder and CEO, Weavr
- Andrey Voltornist, Head of Product Pricing, Trust Payments
- Anne Marie Mahabir, Principle Payments Consultant, ENDAVA
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- Chrissy Chorafa, Founder & CEO, StarLiX
- Craig McClure, Director of Relationship Management, Chargebacks911
- Jeremy Evans, Regulatory Change Manager, Modulr
- Kevin McAdam, Project Cross Border Lead, The Payments Association
- Mark Anthony Spiteri, Global Head of Card Business, Nium
- Mark McMurtrie, Director, Payments Consultancy Ltd
- Mike Peplow, CEO, Paynetics UK
- Raitis Simsons, Head of Payment Card Scheme Compliance, DECTA
- Santa Kirsbauma, Board Member & Head of Product Offering DECTA
- Sean Forward, UK General Manager, Paybl Ltd
- Spencer Hanlon, Head of Europe and Global Head of Travel Payments, Nium
- Sumedh Munshi, Director of Product, Modulr

Please note that this response does not reflect the views of Mastercard or Visa.

Tony Craddock
Director General
The Payments Association

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The section numbering below corresponds to the numbering of the 'questions for respondents' in this paper.

1. Do you agree with the proposed scope of the market review?

Overall, we agree. However some diverging opinions have emerged:

- Some members think that the schemes have taken the interpretation that the UK is now in a different region, inconsistently applying cross-border charges for CNP transactions but not for CP ones. And they suggest this to be included in scope
- Other members suggest including inbound IFS, otherwise UK consumers may not be aware of where the e-commerce merchant is legally registered, and therefore face higher fees.

2. Do you agree with our proposed approach?

Largely, our members agree. However, some would appreciate the PSR reviewing transactions that are currently being charged as CNP when the customer is, in fact, present within the store. This is increasingly occurring with the growth of mobile and digital transactions applied in-store and it is stifling innovation and increases fees for merchants.

3. Do you have views on the potential concerns we propose to investigate (set out in para 2.5)?

The vast majority of our diverse membership cannot see any potential concern, mainly because interchange fees are set by the scheme but collected by the issuer, hence no concern can effectively arise. Nonetheless, some have questioned where the increase is going into the value chain, and would welcome more transparency in terms of why the increase and who ultimately benefits from it.

Are there other concerns with cross-border interchange fees that we should be considering?

Largely, our members broadly agree that more transparency is mandatory and seek clarification on the reasons behind the increase in interchange fee beyond Brexit. Further, they would encourage the PSR to also review the impact of marketing promotions and subsidies offered by the Visa / Mastercard network to certain merchants as a way of offsetting the impact of higher cross-border interchange fees.

About The Payments Association

The Payments Association (previously the Emerging Payments Association, or EPA) is a community for all companies in payments, whatever their size, capability, location or regulatory status. Its purpose is to empower the most influential community in payments, where the connections, collaboration and learning shape an industry that works for all. It works closely with industry stakeholders such as the Bank of England, the FCA, HM Treasury, the PSR, Pay.UK, UK Finance and Innovate Finance.

Through its comprehensive programme of activities and with guidance from an independent Advisory Board of leading payments CEOs, The Payments Association facilitates the connections and builds the bridges that join the ecosystem together and make it stronger. These activities include a programme of monthly digital and face-to-face events including an annual conference, PAY360, The PAY360 Awards dinner, CEO round tables and training activities. The Payments Association also runs six stakeholder working project groups covering financial inclusion, regulation, financial crime, cross-border payments, open banking and digital currencies. The volunteers in these groups represent the collective views of the industry and work together to ensure the big problems facing the industry are addressed effectively. The association also conducts original research which is made available to members and the authorities. These include monthly whitepapers, insightful interviews, and tips from the industry's most successful CEOs.

See www.thepaymentsassociation.org for more information. Contact malik.smith@thepaymentsassociation.org for assistance.