

Card giants Mastercard and Visa face new UK caps on 'unduly high' fees

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By [Abhishek Kumar](#)

Mastercard and Visa are on notice for the introduction of tight UK caps on some card fees after the payments regulator highlighted recent large increases that it says could be costing businesses hundreds of millions of pounds a year. The Payments Systems Regulator, or PSR, today proposed capping interchange fees charged to UK businesses for online transactions made with cards issued in European Economic Area countries.

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Caps on such transactions no longer applied after Brexit, and the card giants have hiked fees since.

"The PSR has set out its provisional concerns that Mastercard and Visa have likely raised these fees to an unduly high level, at the expense of UK businesses. Last year alone, the PSR estimates that UK businesses paid an extra 150 million pounds to 200 million pounds due to the fee increases," the regulator said.

"Visa and Mastercard have increased the interchange fees on online purchases made by EEA consumers at UK businesses and vice versa fivefold, from 0.2 percent to 1.15 percent for debit cards, and 0.3 percent to 1.5 percent for credit cards."

"These UK businesses have little choice but to pay the increased costs as Mastercard and Visa cards account for nine out of ten online transactions at UK businesses using EEA-issued cards."

The PSR now proposes capping these fees initially back at 0.2 percent for debit card transactions and 0.3 percent for credit card transactions. It today released an interim report in its ongoing market review of cross-border interchange fees (see [here](#)).

It also proposed a lasting cap on the interchange fees in the future, "once further analysis has been carried out to establish an appropriate level."

Mastercard and Visa are already embroiled in long-running litigation over multilateral interchange fees, bank-to-bank charges levied when goods and services are bought through card transactions. They were the subject of European Commission antitrust decisions and have attracted a slew of follow-on lawsuits.

The card giants have argued since the PSR opened its investigation last year that a cap wasn't appropriate as they had to set fees in relation to higher costs that they bore, including from fraud. They have also noted that online EEA transactions into the UK account only for a very small proportion of total UK card transactions.

But the regulator today stressed that effective competition supports good outcomes in payments markets, and said in the case of interchange fees paid by UK acquirers to EEA issuers, competition cannot be fully relied on to prevent Mastercard and Visa from overcharging users.

"Our current view is that the card schemes do not balance the costs and the interests of all service users when setting interchange fund levels," the regulator said adding that there is no persuasive evidence to suggest that increases in outbound interchange fee levels were needed.

"Intervention may be needed," it said. "Evidence shows Mastercard and Visa are likely to be subject to ineffective competition constraints on the acquiring side."

Both Mastercard and Visa have commercial incentive to on the issuing side to increase outbound interchange fees, the

PSR said observing that the lack of effective competition would not be in the best interests of all service users, particularly the UK merchants.

The lack of available alternatives makes it harder for UK merchants to avoid both Mastercard and Visa and merchants are always forced to opt for both, especially if they would like to do business remotely, the PSR said.

“Mastercard and Visa-branded cards, therefore, appear to be ‘must-take’ for merchants engaging in UK-EEA cross-border [card-not-present] transactions”, the PSR said.

The PSR is inviting feedback on its interim report by Jan.31.

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