



MEPs secure deal to cap card payment fees

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Press release

The fees that banks charge retailers to process shoppers' payments should be capped under uniform rules across in the EU following a deal struck by Economic and Monetary Affairs Committee and Council negotiators on Wednesday. The cap would apply to both cross-border and domestic card-based payments and should result in lower costs for consumers.

Interchange fees for card-based payments, paid by the merchant's bank to the bank that issued the card, are not transparent and they differ between EU countries, where they are subject in some cases to legislation and in others to decisions by national competition authorities.

These fees are charged by banks belonging to card schemes such as Visa and MasterCard (so-called four-party schemes, involving an issuing bank, a merchant's bank, the retailer and the card user) which together control the lion's share of the market. Retailers are charged for every card transaction and add the costs to the prices of the goods or services they offer.

Fees capped

For cross-border debit card transactions the agreed cap is 0.2% of the transaction value. For domestic transactions, member states can apply the cap of 0.2% to the annual weighted average transaction value of all domestic transactions within the card scheme.

Parliament's negotiators made sure that the system of applying the cap on a weighted average basis will apply for five years only. Thereafter, interchange fees for domestic transactions will be subject to a simpler, more transparent regime where the cap for a domestic transaction is 0.2% of the transaction value, or set at a fixed fee of at most five cents per transaction.

For credit card transactions, the parties agreed to cap the fee at 0.3% of the transaction value.

These caps will take effect six months after the legislation enter into force.

Lower prices for everyone

Today retailers are often obliged to accept all cards in any given card scheme, even if they might prefer to accept only those with lower fees.

Under the new rules retailers would be free to choose which cards to accept, unless they are subject to the same interchange fee, complying with the caps set under these rules.

Though the shopper's freedom to choose which payment card to use could be restricted if retailers exercise this right, lower fees should translate into in lower prices for everyone.

The negotiators also agreed that the new rules should not apply to so-called three-party card schemes such as Diners and American Express (involving only one bank) provided the card is both issued and processed within the same scheme. Commercial cards used only for business expenses would also be exempt from the new rules.

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In three years, the rules will also apply to three-party card scheme that licence other parties to issue cards and thereby operate as four-party schemes, in order to avoid unfair competition in the long run.

Next steps

The deal still needs to be endorsed by EU member states and by the Economic and Monetary Affairs Committee, before being put to a vote by the full Parliament next year.

Contact

Dorota KOLINSKA

BXL: (+32) 2 28 32787

STR: (+33) 3 881 74005

PORT: (+32) 498 98 32 80

EMAIL: econ-press@europarl.europa.eu

TWITTER: EP_Economics