

MEPs put an end to opaque card payment fees

The fees that banks charge retailers to process shoppers' payments will be capped, under uniform EU-wide rules, further to a vote in Parliament on Tuesday. The cap, which will apply to both cross-border and domestic card-based payments, should result in lower costs for card users.

"This legislation, combined with the upcoming Payment Services Directive, will establish a level playing field for payments across Europe. It should enhance fee transparency, stimulate competition and enable both retailers and users to choose the card schemes that offer them the best terms", said Pablo Zalba (EPP, ES), who steered the proposal through Parliament. The legislation was passed by 621 votes to 26, with 29 abstentions.

Transparent fee-capping rules for cross-border and domestic retail purchases

- For cross-border debit card transactions, the agreed fee cap is 0.2% of transaction value.
- For domestic debit card transactions, at Parliament's request, the same 0.2% cap will apply after a five-year transition period in which EU member states may cap fees at 0.2% of the "annual weighted average transaction value of all domestic transactions within the card scheme".
- For smaller domestic debit card transactions, member states may also set a maximum fixed fee of €0.05 per transaction, after the five-year transition period.
- For credit card transactions, fees will be capped at 0.3% of transaction value and member states may set a lower fee cap for domestic credit card transactions.

Lower costs should benefit both retailers and shoppers

Today retailers are often obliged to accept all cards at conditions set by the card issuers. Under the new rules, retailers who choose a card scheme will have to accept only cards within that scheme that are subject to these fee-capping rules. If they exercise this right, then shoppers may find that retailers accept a smaller range of cards, but capped fees should result in lower costs for both retailers and shoppers.

Exemptions: commercial cards and “three party” schemes

The new rules will 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 to pay business expenses will also be exempt.

After three years, the rules will also apply to three-party card schemes that licence other parties to issue cards and thus circumvent the law by effectively operating as four-party ones.

The capping rules do not affect ATM cash withdrawals.

Next steps

After Parliament's vote, the rules will need to be officially endorsed by the Council of Ministers before they can take effect, six months after the legislation enters into force.

Note to editors

Today, interchange fees for card-based payments, paid by the retailer's bank to the bank that issued the card, are not transparent and differ among EU countries, where in some cases they are subject 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 retailer'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.

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96.8%

Visa and MasterCard (four-party schemes) EU market share by value

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Definitions

- “Debit card transaction” - any card-based payment that is not a credit card transaction
- “Credit card transaction” - any card-based payment where the amount is debited at a delayed pre-agreed date
- “Commercial card” - any card-based payment instrument used only for business expenses
- “Three party payment card scheme” - involves only one bank and the card is issued and processed within the same scheme. When a three-party card scheme licences other parties to issue cards, it will be considered a four-party one.

Useful information

[Adopted text will be available here \(10.03.2015\)](#)

[Committee on Economic and Monetary Affairs](#)

[EPRS interchange fees for card based payment transactions](#)

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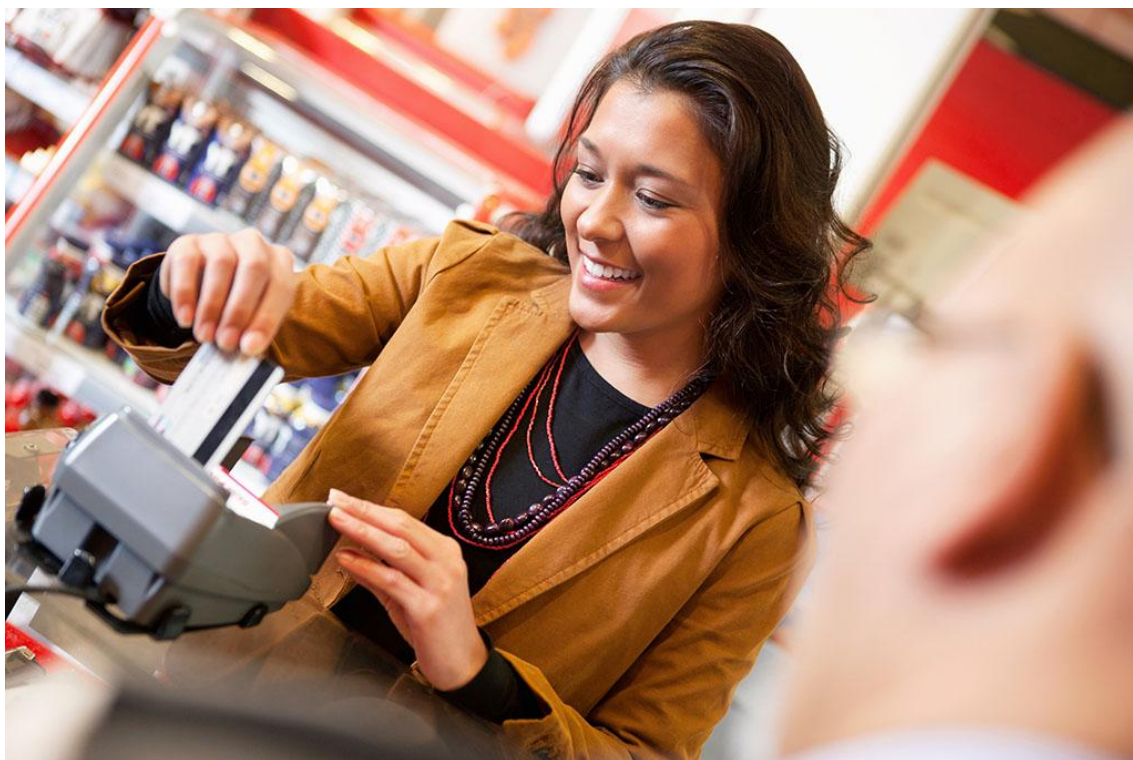
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