

# Appendix A

## Questions in this paper

This report sets out our provisional findings, and the potential remedies we could be focusing on in the next phase of work.

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 30 July 2024**.

You can email your comments to **schemeandprocessingfees@psr.org.uk** or write to us at:

Scheme and processing fees market review team  
Payment Systems Regulator  
12 Endeavour Square  
London E20 1JN

### Question 1

- Do you have any views on how we have described the facts and considerations we have identified in Chapter 3? Do you think there are any other factors we should consider as relevant context to our market review?

### Question 2

- Do you have any views on our analysis and provisional finding that Mastercard and Visa are subject to ineffective competitive constraints on the acquiring side?

### Question 3

- Do you have any views on our analysis and provisional finding that the constraint that consumer steering can pose on Mastercard and Visa is limited by the small number of effective alternatives and by the increased friction that steering could generate in the payment process?

### Question 4

- Do you have any views on our analysis and provisional finding that decisions by operators of wallets are unlikely to result in an effective competitive constraint on Mastercard's and Visa's fees?

### Question 5

- Do you have any views on our analysis and provisional findings that: (i) alternatives available to acquirers in the UK do not provide an effective competitive constraint on decisions made by Mastercard and Visa in the supply of core processing services; and (ii) that no alternative suppliers of core processing services currently operate in the UK?

### Question 6

- Do you have any views on our analysis and provisional findings that: (i) acquirers and merchants typically have limited alternatives available to them for Mastercard and Visa's optional services; (ii) acquirers and merchants face significant implications if they do not use these optional services; and (iii) acquirers and merchants have limited countervailing buyer power when negotiating prices for these optional services.

### Question 7

- Do you think there are any other competitive constraints on Mastercard and Visa in the supply of optional services which we have not yet considered, but that we should consider? If yes, please describe those constraints and their effect on Mastercard and Visa's ability to set prices of optional services.

### Question 8

- Do you have any views on the alternatives to their own optional services suggested by Mastercard and Visa as described in Annex 4? If yes, please explain whether you consider the alternatives to be suitable for all or some purposes and the extent to which they compete with Mastercard and Visa for the supply of a particular optional service (or services).

### Question 9

- Do you have any views on the optional services that we have not focussed on in our analysis (in particular those presented in Annex A to Annex 4)? If yes, please explain what these additional optional services are and what competition concerns you have around the supply of these services.

### Question 10

- Do you have any views on our analysis and provisional finding that Mastercard and Visa are subject to competitive constraints on the issuing side?

### Question 11

- Do you have any views on our analysis and provisional finding that the revenue from the acquiring side accounts for the large majority of net scheme and processing fee revenue for both card schemes in recent years?

### Question 12

- Do you have any views on our analysis and provisional finding that the average scheme and processing fees (as a proportion of transaction value) paid to Mastercard and Visa by acquirers have increased substantially in real terms in recent years?

### Question 13

- Do you have any views on the extent to which changes in average fee levels in recent years have been accompanied by commensurate changes in:
  - The value to customers of the services provided by Mastercard and Visa?
  - The quality of service provided by Mastercard and Visa?
  - Innovation by Mastercard and Visa?
  - Aspects of the transaction mix or characteristics of acquirers or merchants that we may not have fully captured in our econometric analysis (see Annex 7)?

### Question 14

- Do you have any views on our analysis and provisional findings in our profitability analysis? In particular:
  - Are there any factors that we have not covered in our report that may provide information on the relative profitability of Mastercard's and Visa's UK operations compared to their global and European operations?
  - Are there any other comparators that have greater similarity to Mastercard's and Visa's UK operations than those that we have identified in our report?

### Question 15

- Do you have any views on our analysis and conclusion that issuers have a generally positive experience regarding the information they receive from Mastercard and Visa (such that they are able to access, assess and act on that information)?

### Question 16

- Do you have any views on our analysis and assessment of the materiality of issues experienced by acquirers?

### Question 17

- Do you have any views on our analysis and assessment of our analysis in respect of behavioural fees, and acquirers' ability to pass these fees on to merchants (as set out in Table 4)? If so, do you have any experience and/or views how widespread the issues identified are and their underlying cause or causes?

### Question 18

- Please provide your views on the prevalence (or otherwise) of acquirers having to purchase optional services to identify merchants incurring behavioural fees.

### Question 19

- Do you consider that we have omitted issues of concern regarding non-price outcomes experienced by issuers, acquirers or merchants in our assessment? If you do consider that relevant outcomes have been omitted, please explain what these outcomes are.

### Question 20

- What are your views on our proposed remedies? Which remedy or category of remedy set out in Chapter 8 do you think the PSR should prioritise implementing?

### Question 21

- Are any transitional provisions needed?

### Question 22

- Please explain (with reasons) if you think we should be considering a regulatory financial report remedy?

### Question 23

- Please explain (with reasons) if you think we should be considering possible mandatory consultation and timely notification requirement remedies?

### Question 24

- Do you have any views on ways in which other stakeholders, for example merchants, merchant associations and consumer groups, could participate in consultative discussions with the card schemes?

### Question 25

- Please explain (with reasons) if you think we should be considering possible remedies to address complexity and transparency issues? In particular, do you think that more detailed, timely and accurate information in respect of behavioural fees would help acquirers and merchants? Do you think a taxonomy or system for classifying fees into different categories would help service users?

### Question 26

- On the assumption that some or all of our proposed remedies are taken forward, do you have views on whether the costs (implementation or other) incurred by various market participants, including the schemes, issuers, acquirers and merchants, would be greater than the costs they would typically incur when a change in fees is announced? In other words, will the costs associated with implementing our remedy be captured (or absorbed) through 'business as usual' activity?

### Question 27

- Do you agree that the initiatives we considered to boost competition are unlikely to achieve the outcomes we would want to see in a timescale that removes the need for regulatory intervention? Please explain your position either way.

### Question 28

- Do you agree that the initiatives we considered to encourage surcharging or other forms of steering are unlikely to remove the need for regulatory intervention? Please explain your position either way.

### Question 29

- Do you agree with that a price cap or price control could not be implemented following this market review given the issues identified in this interim report, in particular with regard to collective robust and reliable data from the card schemes? Please explain your position either way.

### Question 30

- Should any remedies be time-limited? If so, please provide a recommended timescale together with your reasons.

### Question 31

- Are there other remedies we should consider on either an interim or long-term basis? We would be particularly interested in evidence to demonstrate why any such remedy was proportionate and capable of being effective in addressing the problems we (or you) have identified.

### Question 32

- Are there any relevant customer benefits that we should consider as part of our assessment of any possible remedies?

### Question 33

- Is there anything else we have not considered, and you think we should consider?