

Market review of card  
scheme and processing fees

Stakeholder submissions  
to CP25/1 Remedies  
consultation

January 2026

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Names of individuals and information that may indirectly identify individuals have been redacted.

# Association of Convenience Stores

**Payment Systems Regulator - Market review of card scheme and processing  
fees remedies consultation**  
**Submission from the Association of Convenience Stores**

**Overview**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Payment Systems Regulator consultation on proposed remedies to the issues. ACS represents 50,387 local shops and petrol forecourt sites including Co-op, BP, Rontec and thousands of independent retailers, many of which trade under brands such as Spar, Budgens and Nisa. These retailers operate in all locations, such as neighbourhoods, villages, on petrol forecourts and in city centres, but our primary trading location in secondary shopping areas close to where people live and work.

Convenience retailers are consumer-led businesses, continually evolving to reflect changing customer preferences, including how people choose to pay. Retailers in the sector offer a wide range of payment options to ensure that all customers can make purchases easily and securely. ACS therefore advocates for consumer choice in payment methods and does not favour one method over another.

The majority of convenience retailers accept multiple forms of payment: 99% accept cash, 98% accept debit cards, 97% accept credit cards, and 90% accept contactless and mobile payments<sup>1</sup>. While there has been a notable shift toward card and digital payments in recent years, cash remains essential for many customers, particularly for lower-value purchases, and still accounts for around half of all transactions in the sector<sup>2</sup>.

We welcome the findings of the Market Review of Scheme and Processing Fees and agree with the conclusion that Mastercard and Visa face weak competitive constraints on the acquiring side of the market, have raised fees significantly over recent years, and provide insufficient transparency around their fee structures. The opacity and complexity of these fees make it extremely difficult for businesses – particularly smaller independent retailers – to understand, anticipate, or challenge the costs they are charged for accepting card payments.

We support the four proposed remedies aimed at addressing these market failures: improving information transparency and reducing complexity; introducing regulatory financial reporting; enhancing pricing governance; and increasing the publication of scheme information. For these interventions to be effective, it is critical that they are robust, mandatory, and subject to rigorous enforcement. We would particularly highlight that small retailers, who typically do not have in-house finance departments or resources to negotiate card fees, are disproportionately impacted by the current lack of transparency. The rising costs associated with card acceptance directly erode their margins and ability to invest in their businesses.

Additionally, while the proposed remedies on transparency, governance, and reporting are positive steps, they do not address the underlying market failure: the ability of Mastercard and Visa to unilaterally increase fees in a market where merchants have no realistic alternatives. Retailers continue to bear the cost of unchecked fee increases without the power to negotiate or switch providers. Without direct price intervention, the fundamental imbalance in the market will persist. Regulators must now move toward bolder, structural

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<sup>1</sup> ACS Local Shop Report 2024

<sup>2</sup> Retail Data Partnership: Evolution of Payments in the UK's Independent Convenience Stores 2025

reform - including the introduction of price caps - to deliver meaningful, long-term protection for merchants and drive down excessive costs.

ACS' recommendations are:

- Make transparency requirements mandatory, specific and enforceable so that merchants can understand all fees, including the rationale for new and changed fees.
- Require Visa and Mastercard to provide at least three months notice before any new fees are introduced to allow merchants to prepare and budget. Also require that acquirers provide merchants with clear, advanced notice before passing any fees from Visa/Mastercard, and clearly itemise and explain the impact of fee changes on merchant charges.
- Consider the specific challenges faced by small retailers, who often lack financial expertise or resources, when designing information standards, reporting formats and dispute resolution processes.
- Introduce price interventions to directly reduce excessive scheme and processing fees, with a view to implementing a price cap in the longer term to deliver lasting reform and protect merchants from unjustified cost increases.

Answers to the consultation questions can be found below.

**If you have any questions about this submission, please contact**

**[REDACTED]**

### **Interim Report Proposals and Stakeholder Feedback**

#### **Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?**

We agree that mandatory consultation would create unnecessary complexity. Clear, early, and detailed information about scheme and processing fee changes is a far more important and practical safeguard for small businesses.

#### **Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?**

No.

#### **Question 3: Do you have any views on our update regarding remedies that were previously ruled out?**

We agree with the PSR's current focus on transparency, governance, and regulatory reporting. However, if the proposed measures do not address the key issue, which is rising costs, then stronger action – including price caps – may need to be reconsidered in the future.

#### **Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?**

As with the answer to Q3, if meaningful change is not achieved, then stronger interventions, including price regulation and fee unbundling, must be considered.

### **Remedies under consideration - information transparency and complexity**

**Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

While primarily aimed at acquirers, we support Proposal 2 as should also ensure merchants ultimately receive clear, timely information about fee changes that affect their costs.

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?**

We support the proposed requirements for meaningful and prompt responses to fee-related queries, as poor communication from schemes is a concern for retailers. While the requirement is directed at scheme-acquirer interactions, it should benefit retailers indirectly by improving the clarity and quality of the information being passed down.

A three working day timeframe is reasonable and necessary to reduce delays and uncertainty in understanding new or unexpected charges.

**Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**

Yes – a reduction in the number of fees levied by Mastercard and Visa would help simplify what is currently an unmanageable system for small retailers.

Many fees that exist are poorly explained or bundled, which leads to confusion, unexpected cost increases, and difficulty budgeting. Fee volume reduction should be a priority to help restore fairness and transparency for merchants who lack the resources to interpret complex pricing structures

**Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?**

Yes - any simplification should include clear definitions of core versus optional services, protections against bundling and requirements that optional services be clearly itemised and opt-out.

**Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?**

Yes we support the proposal that schemes should provide merchants with clearer, more detailed information about the fees charged to acquirers. Merchants are ultimately the end-users of these services, yet many currently lack sufficient transparency on the cost structures they are subjected to.

**Question 18: What are your views on the proposals put forward by the schemes?**

While they may represent progress, any measures should be mandatory to ensure consistency and effectiveness. Regulators must implement robust, enforceable transparency and governance rules to ensure that merchants benefit from clear, timely, and actionable fee information.

**Question 19: What more, if any, detail should be included in the information provided to merchants?**

Merchants should be able to obtain a clear breakdown of all fees, including the nature of each fee (e.g. service vs traditional costs), and how these relate to the core services

provided. Merchants should be able to easily identify what each fee is for, how frequently it is applied, and any changes over time.

Additionally, the information should be presented in a standardised format that allows merchants to compare costs across different acquirers and schemes. This will help merchants make more informed decisions and improve their ability to challenge unjustified or opaque charges.

#### **Remedies under consideration - regulatory financial reporting**

##### **Question 24: Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?**

We welcome the RFR remedy – but it's important for the PSR/other regulators to ensure that RFR captures how fee structures impact downstream service users – particularly small retailers/merchants. This should help understand if fee increases are proportionate to the cost of providing services to merchants and acquirers.

##### **Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?**

We agree with the proposed scope and we encourage the PSR to collect information that enables assessment of the impact of different types of merchant sectors – such as small retailers – which are more exposed to fee increases due to lower bargaining power. Greater transparency over UK-specific revenue, fee types, and customer segmentation will strengthen the PSR's ability to monitor harm.

#### **Remedies under consideration - pricing governance**

##### **Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?**

Yes it should apply to all fee changes, not just those deemed “material” by the scheme themselves. Even relatively small changes in fees can have a significant impact on small retailers who operate on tight margins and lack the scale to absorb or negotiate costs. If a threshold is introduced, it must be clearly defined and independently overseen by the regulator to prevent schemes from avoiding scrutiny through narrow interpretations.

##### **Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?**

We support the inclusion of Principle 2 and recommend that it reflects the interests of small service users, including independent businesses that lack the in-house expertise or commercial leverage to understand, negotiate, or challenge fee changes. Pricing decisions must consider affordability, clarity, and predictability for small merchants, not just large acquirers or enterprise-scale users.

##### **Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?**

We welcome Principle 3 and believe that “reasonableness” should be interpreted to include proportionality, transparency, and fairness from the perspective of merchants. Pricing should reflect the cost and value of the service provided, with careful consideration of how

increases are communicated and justified. Sudden or opaque fee changes without clear rationale disproportionately harm small businesses and should not be deemed reasonable.

**Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.**

We support the introduction of PDRs as a mechanism to improve transparency and accountability.

**Remedies under consideration - publishing scheme information**

**Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?**

Yes – as greater visibility of scheme revenue, fee changes and profitability trends will help merchants understand how fees evolve over time and whether cost increases are justified.

**Question 41: Which information do you think should be included in the Operational Dataset?**

Information should include 1) the total UK scheme and processing fee revenue, 2) average fees charged to acquirers per transaction type, 3) any new or withdrawn fees.

**If you have any questions about this submission, please contact**

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# British Retail Consortium

## **BRC response to the PSR's consultation on its Market Review of card scheme and processing fees remedies consultation**

### **About the BRC (British Retail Consortium)**

The BRC is the lead trade association for UK retail. Our purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future. Retail is the 'everywhere economy,' a vital part of the socio-economic fabric of the UK.

The industry makes up 5% of the UK GDP and is the largest private sector employer, providing 3 million direct jobs and 2.7 million more in the supply chain. Retail has a presence in every village, town, and city across the country. Over 200 major merchants are members of the BRC, with thousands of smaller, independents represented by BRC's trade association members. Together, these businesses operate across all retail channels and categories and deliver over £350 billion of retail sales per year.

We build the reputation of the retail industry, work with our members to drive change, develop exceptional retail leaders, and use our expertise to influence government policy so retail businesses thrive and consumers benefit. Our work helps merchants trade legally, safely, ethically, profitably, and sustainably.

### **Overview**

- We welcome the Payment Systems Regulator's (PSR) consultation on proposed remedies following its final report of the Market Review of card scheme and processing fees, which confirmed the need for interventions to address the lack of effective competition among the dominant card scheme providers in the UK payments market.
- The Final Report confirmed that the market is not functioning well, that scheme and processing fees have increased substantially in recent years, and that UK merchants and their customers are suffering material financial harm as a result.
- As we have long argued, the cards issued by these dominant providers are deeply embedded in the UK market and enjoy near universal consumer adoption. This creates a 'must-take' status for merchants, who are significantly impacted by the lack of viable alternative payment methods. Card scheme providers are leveraging this position by introducing or increasing fees without clear justification, valuation, or consultation.
- The PSR consultation proposes remedies focused on increasing transparency for merchants and acquirers regarding fees, strengthening pricing governance, and introducing a regulatory financial reporting (RFR) requirement to help the PSR monitor the schemes' financial performance more effectively.
- While we support these baseline remedies—particularly the transparency measures and the introduction of the RFR requirement—we remain sceptical of their ability to meaningfully constrain fees where required to ensure there is a level of control and due process around any fee changes or increases over time without some form of pricing intervention.

- The PSR itself acknowledges that alternative providers cannot even closely replicate the ‘one-stop shop’ model of the dominant card schemes, and that the proposed remedies will not resolve the underlying lack of competition.
- As set out in our response to the Interim Report, in our view a provisional price rebalancing measure could be implemented in the short term, followed by the development of a price cap in due course to ensure fairer pricing for merchants. Without such interventions, the current proposals represent a delayed opportunity for meaningful structural reform.
- It is therefore essential that the PSR commits to formally acting upon the data collected through the transparency and reporting requirements and commit to implementing a price cap if fees continue to rise without cause/ reasonable justification. The PSR should begin assessing now how a price cap could be implemented, drawing on regulatory experience from other sectors such as telecoms and energy.
- In the interim, at a minimum, we expect the PSR to challenge any future fee increases—even if it lacks the authority to block them—and to require schemes to provide full justification and supporting data. This will help foster a clearer understanding of the ongoing impact of fees on merchants and the broader market.
- We also seek assurance that the PSR (and FCA in due course as it takes on the PSRs responsibilities) will be adequately resourced to monitor and analyse the data collected under the RFR remedy, currently proposed over a three-year period. This information will be critical in building the evidence base for future interventions. The PSR must have the capacity to act swiftly and effectively based on the findings.
- As the functions of the PSR are consolidated into the FCA, it is vital that the current market reviews on card fees remain a policy and operational priority. These reviews must be completed with the necessary expertise and resourcing, as they are crucial to delivering fairer outcomes, supporting business growth, and reducing costs for UK merchants and consumers.

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## Response

Our responses to the relevant questions below focus on how the proposed remedies can be implemented to ensure positive outcomes for merchants and other service users. We refer the PSR back to our response to the Interim Report and the accompanying report from Zephyre for substantive detail on our position regarding the necessity and implementation of pricing remedies.

Where appropriate, we provide a single response to multiple questions and note the sequencing error in the numbering of the consultation questions, with questions 18 and 19 omitted in the document.

### Interim report proposals, stakeholder feedback and PSR response

#### **Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?**

We acknowledge that, in the Interim Report, the PSR considered a potential mandatory consultation and timely notification remedy. This would have required schemes to notify acquirers of fee changes

before internal approval, engage with merchants, and report to both the PSR and acquirers on how feedback had been incorporated. Changes would not be implemented until a specified notice period had elapsed. In our response to the Interim Report, we said such a remedy would provide merchants with much-needed time to prepare for fee changes — both financially and operationally (e.g., adjusting systems, resources, and compliance processes) however, as noted by other stakeholders, this requirement could introduce additional administrative burdens with potentially limited impact on final pricing decisions. Requiring schemes to consult acquirers — and report on how they have incorporated feedback — would not materially influence fee decisions, unless:

- Acquirers had the right to reject proposed fee changes; and/or
- The PSR pre-specified the circumstances in which it might disallow proposed changes.

Moreover, unless merchant and consumer groups were granted veto rights, such consultations are unlikely to address the core issues of ineffective competition, pricing imbalances, and sustained price increases.

We understand the rationale for not pursuing a mandatory consultation remedy — particularly the concerns around added bureaucracy, costs, and the lack of clarity about how feedback would influence scheme decisions. However, this could have been a valuable step in enabling merchants to challenge, delay, or even veto unfair or unnecessary fees. Given the decision not to proceed, it is now critical that the other remedies are implemented robustly and without delay to achieve the same objectives. Consideration should still be given to requiring the card schemes to provide sufficient notice for merchants and acquirers for both financial impact planning and the reasons mentioned above. The reference to 6 months' notice to the Acquirers naturally reduces the window to <6 months for merchants to allow the Acquirers time to process. There needs to be consideration as to what is required to enable merchants to get ~6 months' notice.

## **Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?**

In the Interim Report, the PSR suggested that interim remedies might be needed to mitigate harms while long-term remedies are developed. In our response (and the accompanying report by Zephyre), we proposed that a price rebalancing remedy could be introduced on an interim basis — whilst a longer-term price cap was developed. We outlined how this could be implemented in practice and the immediate positive impact it would have on reducing fees while transitioning to a more sustainable pricing intervention.

We are disappointed that the PSR has chosen not to move forward with or consider further this possible interim remedy. This makes it all the more urgent that the transparency, reporting remedies and pricing governance remedies are implemented swiftly and effectively, and their impact monitored, especially given the transition of the PSR's functions into the FCA.

We note in paragraph 3.53 that the PSR currently rules out price caps due to what it describes as complexity and insufficient data. While we recognise the challenges in designing a fair cap, we set out in our response to the interim report why a cap was justified given the harms identified and the lack of competition and alternatives to the dominant card schemes. It is therefore vital that the proposed remedies lead to better data to support a future price cap — and we urge the PSR to formally commit to this option.

We want to stress that delaying interventions risks perpetuating harm, and the purpose of the proposed remedies should only be to acquire data and evidence to lay the foundations for longer term pricing interventions.

**Question 3: Do you have any views on our update regarding remedies that were previously ruled out?**

We acknowledge the PSR's decision not to revisit certain previously ruled-out remedies. However, as stated above, we strongly believe that more urgency should be placed on reforming the card payments market, given the "must-take" nature of cards.

We also note the PSR's decision not to progress with remedies such as steering, due to concerns about limited effectiveness, and that separate work is underway to advance open banking and account-to-account transfers to drive competition in the payments market. While theoretically valuable, steering is often impractical, costly, and increases friction at checkout. As such, we agree that steering is unlikely to be an effective remedy in this market context. While account-to-account and open banking solutions hold potential for promoting competition in the medium to long term—and we support the PSR's work in this area—the current dominance of the card schemes requires immediate action.

However, we disagree with the PSR's position on price caps. In our previous submissions, we highlighted that price caps are justified due to clear market failures and the lack of viable alternatives—harms that have again been confirmed in the Final Report. The complexity of fee structures and current data limitations should not prevent the PSR from preparing to implement a cap once the evidence base is strengthened. This is what we had expected would occur during the Market Review. A price cap must remain a live option and should be actively pursued as a meaningful remedy, provided the necessary evidence can be obtained through the proposed remedies.

**Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?**

We are disappointed that the PSR is not moving forward with pricing remedies, which we believe are the only effective measures to address the harms identified in the Market Review and are fully justified by the PSR's own findings. Without such measures, the harms stemming from the lack of competition in the card schemes are likely to persist, and the impact of reporting and transparency requirements will be minimal.

As previously proposed and detailed extensively in the Zephyre report, we have set out why an interim Price Rebalancing/Non-Discrimination remedy and a longer-term price cap are necessary and represent the only effective options to address the harms in the card market. We also recommended Least-Cost Routing and a Prohibition of Network Exclusivity as additional remedies and urged the PSR to explore Interchange Fee Regulation Enforcement and Competition Law Enforcement as further avenues for intervention. These remedies are well-aligned with the PSR's statutory objectives under the Financial Services (Banking Reform) Act 2013, which include:

1. Promoting effective competition;
2. Supporting innovation in payment systems;
3. Protecting the interests of payment system users.

The PSR has stated that the price rebalancing remedy we proposed—to limit fee increases and equalise them between issuers and acquirers—would require robust evidence, which is currently lacking, and that there is insufficient data to determine an appropriate fee structure at this stage. It also raised concerns about potential unintended consequences, such as reduced issuer rebates, limited benefits to acquirers, or increased scheme profits due to reduced competition on the issuing side. We strongly disagree with the PSR's conclusion that price rebalancing or price caps cannot be pursued due to insufficient evidence. We also disagree with the rationale provided for not exploring

alternative remedies. As we have set out in our previous submissions, these remedies are proportionate, practical, and capable of being implemented immediately.

We therefore believe the PSR should act on its commitment, as stated in the Final Report:

“In the event that in future newly available information, analysis of the effectiveness of the remedies arising from this review, or new market developments suggest that a cap is appropriate, we would have full regard to our statutory objectives and conduct appropriate consultation before designing any price cap.”

We support the PSR exploring the publication of per-transaction fee information to help merchants compare card payments with alternative payment methods. While we acknowledge the practical challenges—such as defining a “single fee” and obtaining cooperation from acquirers—this initiative aligns with the goals of the Card Acquiring Market Review (CAMR) and should be considered for future implementation.

### **Information transparency and complexity (ITC)**

**Question 5: Do you have any views on whether the information in Box 1 will support acquirers’ ability to understand existing fees? Is there anything else that acquirers need to achieve stated outcomes? Is any of the information listed in Box 1 not necessary?**

**Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve stated outcomes? Is any data in our proposal not necessary?**

We agree with the issues around complexity and transparency on fees identified in the Final Report and are therefore supportive of remedies that would require the schemes to provide acquirers with greater access to information. This would enable acquirers to better utilise and act on pricing information, and for merchants to understand fees in more detail and make informed decisions.

A significant proportion of services/fees are said to be optional, but acquirers may not know this so requiring the schemes to provide clarity on what is optional, so they do not need to take them, could theoretically lower fees. Currently, some acquirers or merchants may be paying behavioural fees which they may otherwise avoid if they had more information regarding the triggers for these fees and how they can be avoided. Information on mandatory fees may provide clarity on what they are paying, but we agree with the PSR’s own conclusion that a lack of alternatives will hinder merchants’ ability to switch.

However, we question whether these measures will ultimately lead to reduced costs or savings for merchants, given the limited number of alternative providers in the market and the lack of competition—issues that these remedies do not address and which the PSR itself acknowledges.

We support the four proposals outlined in section 4.11 for schemes to provide acquirers and merchants with information on existing, changed, and new fees. While it will ultimately be for acquirers to determine the specific information they need, the categories of information set out in Box 1 of paragraph 4.16 outlining the minimum data the PSR considers necessary for acquirers to understand the nature of a fee and how it has been triggered, appear sensible and necessary. If this information is passed through to merchants, it could significantly improve transparency and help both acquirers and merchants to understand the nature of each fee and how it has been triggered.

'Detailed definition' in box 1 should clarify which channels and geographies the fee relates to, and the term 'clear justification' needs to be meaningful and provide a further level of detail beyond the example headings the PSR have provided.

As with Box 1, the categories in Box 2 of paragraph 1.17, outlining the minimum transaction-level data for each billing code we consider necessary for acquirers to understand the fees that schemes charge, seem proportionate and appropriate to help enhance transparency and understanding of fees.

**Question 7: What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.**

We believe transaction-level data should ideally be made available immediately. There is no reason for delay, as schemes already have access to this data and have been aware of the need for changes for some time.

Additionally, the data should cover at least the previous 12 months to allow acquirers and merchants to make meaningful assessments and take informed action and to help build a picture of historical trends.

**Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

The categories in Box 1 seem sensible. However, we recommend including specific details on:

- Why a fee is being introduced,
- The anticipated impact of the fee (particularly whether it relates to a service improvement),
- Whether the service is already covered by existing fees, and
- A justification for the additional charge.

This will support a clearer understanding of both necessity and value of the fee. We would also ask for more details on how acquirers might challenge any upcoming changes made to existing fees or the introduction of new fees.

**Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes?**

As noted above, the information in Box 3 in paragraph 4.24, which sets out how the acquirers' historic transactions would be impacted, will help acquirers assess the impact of fee changes, particularly when provided in conjunction with historical transaction data, and the data provided in Box 1 and Box 2. This should enable acquirers to better respond to merchants' queries on fees and bring clarity on how the card schemes are operating when it comes to fees.

**Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

We are supportive of Proposal 2, a requirement for the schemes to provide acquirers with sufficient information to understand changed and new fees. The provision of timely and comprehensive information is essential.

We believe acquirers should receive:

- Technical information that allows them to model and forecast how each fee change will affect them (as outlined in paragraph 4.23 and Box 1),
- Historical transaction impact samples (as outlined in paragraph 4.24 and Box 3).

This information should be provided at least six months in advance of implementation to allow acquirers to plan, raise queries, and adapt accordingly.

We understand that for optional new services, it may not always be possible to provide transaction samples. In those cases, the information set out in Box 3 should still apply to:

- New fees: mandatory and behavioural,
- Changed fees: mandatory, behavioural, and optional.

In many cases schemes could identify the population of traffic which could utilise and benefit from the optional new services, so the PSR should require the schemes to provide transaction samples where reasonably possible.

**Question 11: How far back should the historical data provided by the schemes stretch?**

To support accurate forecasting and prioritisation, we believe data should ideally stretch back up to five years, where reasonable and practical. At a minimum, 12 months of transaction-level data should be provided to ensure a meaningful impact assessment.

**Question 12: Do you have any views on whether schemes should send this information to all acquirers or only a certain set?**

It seems proportionate to limit the requirement to acquirers with direct scheme relationships in the UK and those providing acquiring services to merchants based in the UK. However, some foreign acquirers may serve UK merchants (particularly multinational or EU-based businesses), so care must be taken to ensure they are not unintentionally excluded where their operations are relevant to the UK market.

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Is the suggested period of three working days appropriate?**

We support the requirement for meaningful and prompt responses to acquirers' queries, including the proposed three-working-day timeline. Merchants often face issues themselves when dealing with acquirers due to a lack of information or delays in getting responses so requiring the schemes to respond swiftly to acquirers will help. However, the term "meaningful" needs to be clearly defined to ensure responses genuinely address the issues raised. There should also be a mechanism for escalation if acquirers believe their query has not been adequately resolved.

We support the proposal for schemes to create a dedicated website for small and medium-sized merchants, including clear information about fees and their rationale. That said, such a resource would also be beneficial for all merchants, regardless of size.

**Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**



**Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?**

**Question 16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?**

We support a reduction in the number of fees charged by schemes, for reasons we have previously outlined. Members have consistently reported being subject to hundreds of fees—often with little clarity on their nature, value, or the service provided. While transparency measures are welcome, they will not resolve the fundamental issue of overly granular and excessive fee structures.

This situation could be improved once the reporting and transparency requirements have enabled a clearer picture to emerge—one that captures the range of fees, their necessity and optionality, and the value they provide. The PSR could then commit to reviewing these fees as the data becomes available.

To that end, we support the appointment of a skilled independent person under Section 82 of the Financial Services (Banking Reform) Act 2013 (FSBRA) to assess the impact of fee reductions on acquirers and merchants. This would ensure that any remedies are based on robust, impartial analysis and would help avoid unintended consequences—particularly concerns raised by other stakeholders that schemes may respond by bundling fees, potentially creating barriers to entry and expansion, and negatively affecting innovation.

**Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?**

Yes, we support proposals requiring schemes to provide merchants with more detailed and transparent information. This is essential to improve market functioning, support better decision-making, and enhance transparency. However, this information must be delivered in a timely, comprehensible format and should be open to challenge by merchants if inaccuracies or concerns arise.

As set out above, many so-called “optional” card scheme services are, in practice, unavoidable. Schemes often do not clearly communicate to acquirers or merchants that these services are optional, resulting in acquirers and merchants purchasing them—sometimes unknowingly—even when they are not needed. Furthermore, even for services that are genuinely optional, there are often few, if any, realistic alternatives available. While merchants can request fee schedules from their acquirers, this process is difficult and lacks full transparency. For instance, different acquirers may list the same fees under different names or interpret the optionality of services differently from the schemes. Compounding this issue is the fact that services defined as “optional” often include critical functions—such as fraud detection, chargeback management, and enhanced security features. As a result, merchants may face significant operational and financial risks if they choose not to adopt them.

The proposed remedy to increase transparency could help clarify the nature, utility, and value of specific fees, allowing merchants to make more informed decisions. However, it will not address the core issues: the lack of genuine alternatives for optional services, and the broader pricing imbalance in the market that is contributing to higher costs for merchants.

**Questions 18 and 19 were omitted from the consultation document.**

**Question 20: Is our reporting requirement an appropriate way to measure whether good outcomes are being realised?**

**Question 21: Should any of this information be publicly released by the PSR?**

**Question 22: Do you have any views on the proposed implementation timeline (six months)?**

**Question 23: Do you have any views on the proposed 12-month reporting cycle and ongoing consideration of feedback? Should the period be aligned with other remedy timelines?**

Yes. A standardised, prescriptive reporting format is essential for consistency. Reporting should also include:

- Merchant outcomes,
- Involvement of UK-based executives,
- Clear penalties for non-compliance,
- A framework for independent review.

Ongoing assurance must confirm schemes are engaging with acquirers and addressing transparency issues. Where schemes fall short, they must proactively report and explain what remedial steps are being taken.

In the interest of transparency and accountability, relevant data and compliance reporting should be made publicly available to all market participants and users.

While earlier implementation would be ideal, a six-month timeline is reasonable and achievable. It allows sufficient time for acquirers and merchants to be informed and prepared.

However, such a remedy is unlikely to change the card schemes' business practices to any material degree and therefore is unlikely to address the harms found in the PSRs Final Report. However, as a component of a wider set of remedies, it should be considered as standard good regulatory practice in line with the reporting requirements of other UK economic regulators.

A 12-month reporting cycle is sensible. Aligning it with other reporting periods for the additional remedies will help build a more accurate and comprehensive picture over time.

We would welcome clarity on whether the reporting and compliance tracking will apply retrospectively, to build historical understanding.

### **Regulatory Financial Reporting (RFR)**

**Question 24: Do you have views on the questions an RFR remedy must answer, and whether there are any other questions that you think we should consider?**

We strongly support the proposal for a regulatory reporting requirement to monitor and understand the card schemes' financial performance in the UK. This would enable the PSR to overcome the significant challenges it says it encountered in looking at the UK profitability of the card schemes, as it would therefore require the card schemes to prepare profit & loss and balance sheet reports in relation to their UK activities in accordance with an appropriate methodology (which could be based on templates used by other regulators) on an enduring basis. The information obtained about the card schemes' UK pricing and profitability must be used to assess the impact and effectiveness of the proposed regulatory interventions and enable informed decisions on future regulatory actions.

As we have long advocated, the proposed current remedies are baseline interventions that will allow acquirers, merchants, and other service users to understand what they are paying and why, and for the PSR to comprehend how the schemes are benefiting financially from the increased fees and costs.

That being said, we are very concerned at the PSR's inability to acquire this data during the market review and are frustrated that further delays will lead to increased fees in the interim and more costs before a pricing intervention is seriously considered. This must therefore be accompanied by clear commitments to act on this data if it becomes evident that the schemes are unjustly benefiting from fees, including plans for a price cap.

**Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?**

We support the view that assessing the financial performance of the card schemes in the UK requires gathering detailed information from the card schemes UK-specific balance sheets. This would allow for a more accurate understanding of the profitability of their UK operations, help overcome some of the limitations of a purely margin-based approach and enable a firmer assessment of the presence and scale of any economic profits.

We agree that the RFR remedy should enable the PSR to answer the following three key questions over time:

1. What is the level of profitability of the card schemes' relevant UK operations?
2. Which activities are driving this level of profitability?
3. What trends can be identified in both areas?

We also believe this analysis should apply retrospectively, incorporating historical data to allow the PSR to build context and identify longer-term trends in fees and profitability.

The PSR notes in paragraph 5.15 that: *"We recognise it may take time for the schemes to prepare for our RFR remedy and to submit their first set of RFR. Once we have this information, however, we will be able to make decisions that are in the best interests of competition, innovation, and service users, and that align with our strategy."* However, as the card schemes have been aware of this proposal since at least the Interim Report, we do not expect significant delays in compliance and believe the remedy should be implemented swiftly following publication of the Final Report.

We agree that the RFR remedy should apply to all products and services offered by the card schemes, including:

- The provision of scheme and processing services in the UK;
- Other products and services provided by the schemes in the UK or to, or on behalf of, UK customers;
- Products and services provided outside the UK or to non-UK customers that make use of inputs derived from UK operations (e.g. transaction data), as outlined in paragraph 5.16.

The seven accounting principles listed in paragraph 5.19 are a sensible foundation for the preparation of the RFR. They will help achieve the remedy's objectives and, in particular, assist the PSR in answering the key questions outlined earlier.

We acknowledge that the card schemes have access to more detailed internal information than the PSR and therefore support the PSR's intention to adopt a top-down, principles-based approach, in

line with the practices of other economic regulators. However, while the PSR plans to allow the schemes to determine how to apply these principles based on their own business understanding, we urge caution.

We believe consistency between the card schemes is essential for effective data collection and meaningful comparisons. The PSR itself recognises that in some situations this top-down approach may not be suitable and could undermine the RFR's effectiveness (as noted in paragraph 5.13). In such cases, the PSR has indicated it may issue further guidance or rules. We believe a more prescriptive approach is preferable. Standardised guidance and rules should be published to ensure consistency, clarity, and reliability in how the RFR is implemented and used by the schemes.

We support the proposal to require a regulatory audit of the financial statements (i.e. the profit and loss account and balance sheet) to ensure the accounting principles—and any related rules or guidance—are properly applied.

We also recommend that the PSR test the effectiveness and limitations of RFR approaches used by other economic regulators, learning from any challenges they have faced. Given the difficulties the PSR encountered in obtaining data during the market review, we believe a more prescriptive approach to both format and process would be beneficial.

Finally, we support the proposal that revenue attribution should distinguish between:

- Revenues from relevant UK operations (i.e. card scheme-related activities), and
- Revenues from other UK operations (e.g. account-to-account activities).

Revenues within the relevant UK operations should also be disaggregated further—by product, service, and customer type—to enhance transparency and analytical value.

**Question 26: Are there any alternatives to RFR that would answer the three key questions set out in this chapter?**

We believe that the RFR proposal is the most effective means to answer the three key questions set out in this chapter. Alternatives may not provide the same level of transparency or granularity required to assess the schemes' UK operations comprehensively.

**Question 27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?**

We support the proposal for a principles-based approach to the preparation of RFR. This approach allows for flexibility and adaptability to the schemes' diverse operations. However, we believe that in certain areas, the PSR should be more prescriptive to ensure consistency and comparability across the schemes' reporting, as set out in response to question 25.

**Question 28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?**

We believe that the proposed accounting principles are appropriate. However, consideration should be given to whether certain principles should be weighted more heavily than others, depending on their relevance to the key questions the RFR aims to answer.

**Question 29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?**

We believe that requiring the schemes to report on all the elements set out in paragraph 5.23 is both appropriate and necessary for building an accurate picture of the card schemes' revenues, balance sheets, and profit and loss. Specifically, we support the inclusion of:

- A profit and loss (P&L) account that covers the costs and revenues of all activities and services related to:
  - Mastercard's and Visa's overall UK business; and
  - Separately, Mastercard's and Visa's relevant UK operations.
- A balance sheet that covers the assets and liabilities associated with:
  - Mastercard's and Visa's UK business; and
  - Separately, Mastercard's and Visa's relevant UK operations.
- For Mastercard's and Visa's relevant UK operations, there should be disaggregation of this data by relevant categories such as product, service, or customer group, where appropriate.
- Additional information relating to contextual factors, including ongoing data on acquirer fee levels.

We are supportive of the proposal to require the card schemes to provide this additional contextual information, as it will enhance understanding of the drivers behind the financial performance shown in the P&L account and balance sheet. This includes assisting the PSR in:

- Understanding changes in financial results over time (e.g. identifying what drives changes in revenue or cost); and
- Providing measurable and objective metrics that enable monitoring and evaluation of performance against specific regulatory goals or standards.

We also support the requirement for the card schemes to provide data that will allow the PSR to monitor and understand changes in average acquirer fee levels. Tracking acquirer fees over time will help determine whether changes in reported average fee levels are being driven by pricing, transaction volume, value, or mix. This will help build a clearer picture of what drives the schemes' profitability.

**Question 30: Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?**

We see no reason to disagree with the benefits outlined in paragraph 5.31 regarding the usefulness of Return on Capital Employed (ROCE) analysis. We believe that including ROCE as part of the RFR remedy would allow the PSR to develop a more rounded and comprehensive view of Mastercard's and Visa's financial performance, complementing margin-based measures.

Given the time already taken for this market review and the wider evidence suggesting significant potential harm to market participants, we believe it is proportionate and appropriate to implement an RFR remedy that fully addresses these concerns from the outset, rather than one that may require expansion later.

**Question 31: Do you consider RFR being based on annual information to be appropriate?**

Yes, we support an annual RFR as it will provide consistent and transparent insight into the financial performance of the schemes. Annual reporting will allow the PSR to efficiently monitor whether the schemes are continuing to unjustly benefit from fees and make informed decisions in a timely manner.

We understand the rationale for aligning the first reporting period with the financial year ends of the card schemes. Therefore, we support the proposal that the first reporting period will cover the year ending 30 September 2025 for Visa and 31 December 2025 for Mastercard.

We also support the requirement for the schemes to provide retrospective reporting for the two previous financial years during the first RFR period. This will allow the PSR to assess trends more quickly and compare new data with information already gathered during the market review. However, we suggest the PSR consider extending this retrospective period to up to five years to provide a longer observation window, which could be valuable in assessing financial performance and identifying trends.

We do not agree with requiring the first RFR nine months after the end of the relevant financial year. The PSR should at a minimum encourage this within 6 months as the delay in concluding the market review, then finalising the remedies, already means there is a significant timeline ahead before even information remedies are in place (and meanwhile the financial harm to merchants continues). Subsequent RFRs due six months after year-end appears reasonable and should allow the schemes sufficient time to prepare and comply.

**Question 32: Do you have views on the assurance and audit requirements as set out in this chapter?**

We support the proposal that RFR submissions should be subject to audit and certification. While independent auditing is preferable to ensure objectivity and integrity, we agree that the European boards of the card schemes are the appropriate approving bodies, given their formal oversight of the UK businesses.

We agree that the audit of RFR should be conducted by the schemes' external auditors. We also support the suggestion that the audit report be jointly addressed to the PSR and to the directors of Mastercard Europe SA or Visa Europe Limited, as appropriate. This tripartite arrangement would ensure that accountability is clear and that the audit process supports the PSR's ability to rely on the financial information provided.

**Pricing Governance**

**Question 33: Should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?**

We support the proposal to introduce a pricing governance remedy that would require the schemes to address concerns about the lack of transparency and poor evidence supporting Mastercard and Visa's pricing decisions. The proposed remedy includes:

- Three principles that the card schemes must consider during the pricing process.
- Changes to the schemes' internal governance and record-keeping processes.
- Compliance reporting and fee notification obligations.

These measures build on General Direction 1, including the requirement for schemes to notify the PSR of material (which needs to be clearly defined) fee changes and to provide clear records of factors influencing pricing decisions. These records would help the PSR assess whether fees are set at unduly high levels.

The PSR has acknowledged that fees are not being set through an effective competitive process and that there is no evidence of competitive constraints on the issuer side limiting pricing on the acquirer/merchant side. This is due to weak bargaining power, particularly in relation to core scheme and processing fees, which acquirers and merchants cannot renegotiate. Given this, any remedy that improves transparency and clarifies pricing decisions is welcome. Currently, there is a lack of documented justification for fee changes, making it difficult to understand how prices are set. We therefore support the requirement for schemes to produce Pricing Decision Records (PDRs) for fee change events. However, we question the intent expressed in paragraph 6.12 that the PSR does not plan to require the card schemes to submit these PDRs routinely but instead proposes a 'call-in' power. Considering the impact of fee increases on merchants, we believe the PDRs should be submitted to the PSR for each fee change event and ideally be made publicly available to build a comprehensive picture.

We also suggest that the PDR content, as outlined in 6.13, should follow a standardised format to enable easier comparison and consistency.

The PSR has indicated that it will work on the draft direction and engage with the schemes during the implementation period to ensure the PDRs are fit for purpose. We believe that service users should also be consulted to ensure the format and information captured are appropriate.

Regarding materiality, we believe PDRs should apply to all fee changes, not only those considered material. If a threshold must be applied, it should be clearly defined, and pricing decisions falling below the threshold must still be recorded and auditable, especially if they cumulatively impact service users.

**Question 34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?**

We agree with Principle 1, that schemes must pay due regard to delivering or improving system outcomes when making UK pricing decisions. This aligns with the PSR's competition, innovation, and service user objectives. The language around "due regard" should be clearly defined to ensure that service user interests are adequately reflected in decision-making.

**Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?**

We agree with Principle 2, that schemes must pay due regard to the interests of service users when setting fees. The language around "due regard" should be clearly defined to ensure that service user interests are adequately reflected in decision-making.

**Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?**

We support Principle 3, that schemes must pay due regard to the reasonableness of their fees, particularly in relation to:

- The costs incurred in delivering the service.
- The quality of service provided.
- The effectiveness and efficiency of behavioural fees in inducing desired behaviours at the lowest cost to users.

This principle is critical in ensuring that pricing is fair, evidence-based, and proportionate.



**Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.**

We support the application of the pricing principles and the requirement to create PDRs. However, we believe:

- PDRs should be required for all fee changes.
- The content and format should be standardised for consistency and comparability.
- There should be transparency regarding how these decisions are made, with records available to the PSR and, ideally, service users.
- There should be an avenue for acquirers and merchants to provide input or feedback on fee changes before implementation.

**Question 38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.**

We support the proposed compliance reporting requirements. These should:

- Be submitted in a specified template.
- Include high-level summaries, with reference to detailed PDRs if needed.
- Be provided as frequently as possible, ideally quarterly or biannually.

We also support the requirement for six months' advance notice to acquirers of fee changes, and for the schemes to notify the PSR in advance. Grouping fee changes into regular updates (e.g., semi-annual reports) could improve planning and transparency.

Additionally, we agree that the card schemes should self-assess their governance structures to ensure they can comply with these new obligations, and include implementation plans and timelines in their compliance reports.

### **Publishing scheme information**

**Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?**

We support this proposal. Publishing scheme information would significantly enhance transparency and allow all stakeholders—including merchants and service users—to scrutinise the financial performance of the card schemes. This transparency will help stakeholders understand how fees contribute to financial outcomes and could support future consideration of pricing interventions, including the introduction of price caps. By making this information publicly available, the PSR can begin to address the lack of competitive constraints in the market. It could also encourage the schemes to be more accountable and responsive to stakeholder concerns about pricing.

However, it is important to emphasise that the responsibility for monitoring and acting on the data that emerges from these remedies lies primarily with the PSR. The PSR must commit to using its powers to act on any evidence of harm or anti-competitive practices that arise from the published data.

Further, aligning definitions and being prescriptive with the card schemes would provide transparency on the complexity and proliferation of scheme fees per transaction and enable the PSR



to evaluate profitability and provide visibility to all stakeholders in a way that is understandable and digestible. One way to monitor this and to provide visibility to stakeholders might be to make use of a table in the following format:

	Network Name	Period 1	Period 2	Period 3	Period 4	Period 5
1	Scheme fees as a % of processed value	X%	X%	X%	X%	X%
2	Processing fees as % of processed value	X%	X%	X%	X%	X%
3	Interchange fees as % of processed value	X%	X%	X%	X%	X%
4	Total fees as % of processed value	X%	X%	X%	X%	X%

5	Scheme fees as a % of total payment fees	X%	X%	X%	X%	X%
6	Processing fees as a % of total payment fees	X%	X%	X%	X%	X%
7	Interchange as a % of total payment fees	X%	X%	X%	X%	X%
8	Total Payment fees	100.00%	100.00%	100.00%	100.00%	100.00%

9	Number of new fees vs previous period	xxx	xxx	xxx	xxx	xxx
10	Number of scheme fees per transaction	1.0005	1.2179	3.6033	3.7935	3.7526

**Question 40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?**

The dataset should be as comprehensive as possible. While we understand the benefit of using pre-existing and readily accessible data for speed and ease, including estimated information (such as approximate revenues) would improve the dataset's usefulness and relevance.

We support a phased approach. Phase 1 should focus on easily accessible metrics (e.g., card volumes, BINs, transaction numbers), but Phase 2 should incorporate estimated financial data such as revenue from scheme and processing fees. This would provide a fuller picture and allow for meaningful analysis.

**Question 41: Which information do you think should be included in the Operational Dataset (Phase 2)?**

We support the inclusion of:

- A disaggregated P&L account for UK operations (revenues, costs, profit margins).
- A balance sheet for the UK business.
- Contextual data such as average acquirer fees and total transaction volumes.
- UK-specific Return on Capital Employed (ROCE) figures.
- Historical data for comparison over time.

Publishing this information would support transparency, help identify trends and allow the PSR and stakeholders to assess whether pricing reflects reasonable costs or excessive margins. It would also support the case for any future regulatory interventions, such as fee caps.

**Question 42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?**

Yes, we support publication of RFR data. Given that this information underpins regulatory decisions, its availability would build confidence in the process. Financial data, profit margins, and fee structures should be published, with redactions or ranges used only where strictly necessary to protect commercially sensitive information.

Publishing this information retrospectively would mitigate concerns about competitive sensitivity or market signalling.

**Question 43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?**

Yes, compliance report summaries should be published. This would provide visibility of how schemes are meeting their regulatory obligations and implementing governance changes. Key items should include:

- A high-level summary of compliance with pricing governance requirements.
- Any governance reforms implemented.
- Evidence that fee changes are linked to cost or service improvements.

**Question 44: Do you think any other information should be published? If so, please outline which information.**

We believe the PSR should consider publishing:

- Details of any fee change rationales provided in Pricing Decision Records (PDRs).
- Summarised feedback from service users, where available.
- A comparison between forecasted and actual impacts of fee changes.

Such transparency would help service users understand how decisions are made and whether fee increases are justified.

**Question 45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?**

We support a detailed level of publication, provided it remains proportionate. The information should be sufficient for acquirers, merchants, and other stakeholders to evaluate fee trends and financial performance. It must strike a balance between transparency and avoiding disclosure of competitively sensitive information. Retrospective reporting and the use of ranges where necessary would achieve this balance.

**Question 46: Do you have any views in respect of publication frequency?**

We support annual publication. This is a reasonable compromise between administrative burden and the need for regular, meaningful insights. Annual data would be sufficient to detect pricing trends, track financial performance, and inform stakeholder responses.

**Question 47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?**

We support a pragmatic approach. While data should be published as early as feasible, we recognise that some information will depend on the implementation of other remedies. Therefore, a clearly defined time lag may be appropriate for complex or derived data. We agree that publication should begin soon after remedies are delivered and be hosted both on the PSR website and by the schemes themselves.

### **Initial Cost Benefit Analysis**

#### **Question 48-59**

*We provide a single response here, given that the PSR has yet to quantify the full scale of the costs or potential benefits in the CBA, and we will await further details and analysis.*

We agree with the counterfactual outlined in the Cost Benefit Analysis (CBA), that if the PSR were to take no regulatory action, the card schemes would be unlikely to change their behaviour. This would have continued serious implications for merchants, including:

- Alternative payment methods currently offer only minimal competition to the card schemes in the short to medium term
- The card schemes face little competition in the separate supply of core scheme and processing services.
- For many so-called “optional” services, particularly on the acquiring side, effective alternatives are lacking.
- The schemes often fail to provide acquirers with high-quality, consistent information about scheme and processing services and fees. This complexity and lack of transparency flow downstream to merchants, making it difficult to understand the fees being charged.

Under this ‘do-nothing’ scenario, the card schemes would retain the ability to raise prices and maintain profit margins significantly above what would be expected in a competitive market. Scheme and processing fees would remain complex, and both acquirers and merchants would continue to lack the information necessary to make informed decisions. Moreover, the PSR would not be equipped with the data it needs to monitor the market or assess where further interventions may be required.

We support the rationale for intervention as set out in paragraphs 1.8 to 1.16 of the CBA. Merchants rely on functioning competition and transparency to keep costs down and ensure fair treatment, features lacking in today’s card payment market, as the Market Review has found. We also tentatively support the expected outcomes from the proposed remedies (as outlined in paragraph 1.19), though we question the material impact these remedies will have in reducing fees for merchants in the absence of price caps or other pricing interventions. For that reason, we believe the PSR should establish a clear pathway toward a longer-term, enduring price cap remedy.

Improved information, better billing, and reduced time spent trying to understand fee structures are important steps for both acquirers and merchants. One of the intended outcomes of these remedies is that increased transparency and reduced fee complexity should empower acquirers—and ultimately merchants—to make more informed decisions. The PSR notes, for example, that merchants may reassess the value of optional services offered by schemes (such as fraud tools, reporting services, etc.) and may choose to stop purchasing them or seek lower-cost alternatives. This could, they say, reduce scheme revenue from certain services and help counteract rising prices.

It is further intended that the RFR remedy would enable the PSR to better understand the profitability of the card schemes' UK operations which could inform whether further regulatory intervention is needed to protect merchants and other users of payment services. With greater visibility into schemes' revenues and cost structures, it is hoped that both the PSR and the market would be better positioned to challenge unjustified fee increases.

The CBA further states that the Pricing Governance remedy would allow the PSR to monitor the governance and pricing decisions of the card schemes' UK businesses. This could support more timely and targeted regulatory interventions to address user harm. In turn, the PSR argues, this remedy could lead to lower fees for acquirers—and ultimately merchants. According to Table 10 in the CBA, one of the key benefits of publishing scheme financial information is that it may act as a deterrent to future unjustified price increases.

Whilst we support these outcomes, we continue to question the overall impact these remedies are likely to have for merchants in terms of lowering fees. Without meaningful competition or viable alternatives in the marketplace, merchants are left with limited choices, little negotiating power, and few opportunities to make genuinely informed decisions. Transparency alone cannot resolve these issues.

As noted in paragraph 1.28, the costs of compliance and implementation will largely fall on the card schemes. This includes the administrative burden and potential loss of revenue. We also note that in paragraph 1.42, the PSR acknowledges it has not yet quantified the full costs and benefits of these remedies. In its final decision on remedies, we expect the PSR to update its analysis—drawing on both quantitative and qualitative data, where appropriate and in line with Section 104(8)(b) of the Financial Services (Banking Reform) Act 2013.

# Federation of Small Businesses

FSB welcomes the opportunity to provide a response to the above consultation. FSB is a non-profit making, grassroots and non-party political business organisation that represents members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.5 million small businesses, micro businesses and the self-employed.

FSB welcomes the PSR efforts to increase the transparency of credit card schemes for the card payment systems processes, following the final report of the market review into card scheme and processing fees. This is a critical issue for the UK payments ecosystem, with direct consequences for merchants, consumers, and broader market competition. Our response outlines support for the PSR's proposed remedies while recommending additional measures to further improve market function, transparency, and fairness.

We agree with the PSR's assessment that:

- Visa and Mastercard hold dominant positions in the UK card payments market;
- Core scheme and processing fees have increased significantly since 2017;
- Merchants and acquirers lack transparency regarding how and why these fees are set

We support the four proposed remedies although we believe the remedies should go further. As such, we recommend that the PSR also consider stronger regulatory interventions including fee caps, promotion of alternative payment methods, and enhanced enforcement powers.

We would like to take this opportunity to share with the PSR the experiences of our members when it comes to dealing with card processing fees. Some of our members have felt extremely passionate about this issue and in some cases have gone to great lengths to share the information about their experience with card processing fees with us. This involved data including spreadsheets of the charges and information about what the card charges through certain platforms are. This data highlights three broad areas of concern:

1. A lack of transparency about the charges
2. A bias in the charging system towards smaller value items as a result of fixed charges
3. A bias against smaller businesses due to platforms providing more favourable fees towards larger value total transactional businesses

To expand on the first of these, when it comes to the data that was provided, in one case, there were 32 transactions with fees ranging from 1.45% to 6.4%. Of these 32 transactions, no two transactions had the same percentage charge. These transactions were all from the two main funding sources and were carried out by the same two card companies. It is not clear to the business involved why the charges are so volatile and so wide ranging, that no two card charges amongst the 32 are the same. For this reason we call for greater transparency of the breakdown of these charges, and an explanation as to why they differ so much in terms of volume and why they vary so frequently.

The second area of concern is the bias against smaller ticket items as a result of the fixed fees charged by some platforms. The data provided showed that one platform charges 30p as a fixed rate for debit and credit cards used via Paypal and the same platform showed a 30p fixed charge for PayPal wallet use. This means that if a business sells small value items for example below £5.00, they are disproportionately affected by the fixed charges compared to businesses selling larger ticket items.

The final area of concern is the bias that platforms can show against smaller businesses. Again, the data provided showed that platforms often charge greater amounts for platform use as the business scales up but, in return they charge lower percentage card rates for these businesses. This means that there is an inherent bias against small businesses when they are receiving card payments using these platforms.

HMRC



HMRC is a Merchant and I have read the paper and generally have no contrary views to those made or additional comments or questions on the majority of the Questions, with the following for your consideration:

Questions	HMRC Response
<b>13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate? p45</b>	3 working days seems reasonable but will be wholly dependant upon the number of queries this generates so 5 working days may initially be more reasonable with a view to improving down to 3.
<b>14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable? p46</b>	A reduction in the current number of fees is desirable if it simplified them.
<b>17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers? p46</b>	Yes, if these fees are passed on to Merchants.
<b>28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally? p57</b>	No contrary view/Agree  Weighted output could be more meaningful.
<b>29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate? p57</b>	Could they find out about investment to improve security.
<b>31: Do you consider RFR being based on annual information to be appropriate? p58</b>	Yes
<b>33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold? p68</b>	I'd say that any change resulting in a new or increased fee should have PDR compliance. No comment on how it is designed  In scope – new or increased fees as well as decrease so stakeholders can consider when forecasting their costs.
<b>37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records. p68</b>	The 3 principles seem reasonable to me as well as their application.

<b>38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes. p68</b>	It would be good if they were provided with a template therefore results/replies would be easier to compare. 6 months is reasonable
<b>39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisaging using this information? p74</b>	Not sure it would hold schemes to account however sharing with a wider stakeholder group is positive. It would perhaps be a good initial reference point regarding data.
<b>40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated? p74</b>	Pre-existing or readily accessible factual information.
<b>41: Which information do you think should be included in the Operational Dataset? p74</b>	No view – other than data must be accurate
<b>45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders? p74</b>	No, just that it needs to be accurate, summarised, easy to understand and in context.  No
<b>46: Do you have any views in respect of publication frequency? p74</b>	Proposal is annual – this seems reasonable.
<b>47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information? p74</b>	Provided the information is accurate it should be published as soon as possible after it becomes available.

# Individual

## Submission to scheme and processing fees CP25/1 consultation – Individual

- *Initial email received (11<sup>th</sup> March 2025)*
- *The PSR responded [redacted], with response to PSR received (9<sup>th</sup> April 2025)*

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I heard your Chief Executive on the radio recently announcing possible changes to regulation to cap profits of Visa and MasterCard.

It strikes me that this is the wrong approach. Did you consider the following to increase competition?

A. The payment charges should be born by the end user, the consumer, who is the one receiving the service. If this were the case there would soon be new entrants to the market which would curtail the duopoly.

B. It costs largely the same to process a £1, £10 or £100. If you are to regulate the industry, a ban on charging a percentage of the value of the transaction should be instigated.

If you were to adopt A. above it is likely that B. would emerge as a result of competition.

The current system hides the cost from the consumer and penalises the small retailer which does not have the same bargaining power against the payment processors.

---

[REDACTED]

[REDACTED]

[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] See my point  
about flat fees per transaction rather than a fee which is a  
percentage of the value.

[REDACTED]  
[REDACTED]  
[REDACTED]

I

So are you forcing them to improve the information they give you? You can be certain that they have the data and are obfuscating.

I

This is way too complex and time consuming for most SME. Most SMEs are in a take it or leave it situation.

I

Will this be in sufficient detail and look into transfer pricing particularly with respect to intellectual property licensing across borders.

I

See comments above.

I

See comments above.

I

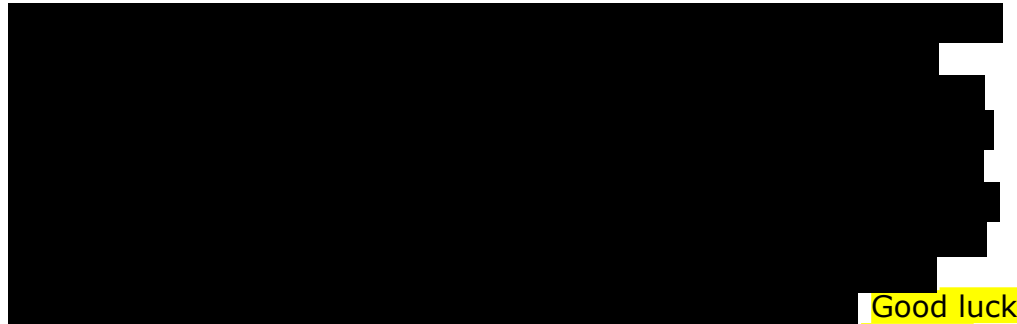
[REDACTED]

I believe this misses the point of who should pay for the service being received. It is the cardholder that ultimately receives the service from the card payment system operators not the merchant. As such the cardholders should pay for that service on their monthly statements. (The same applies to bank charges and "free banking".) The processing function of the card payment system operators is a pure back-office function with very little value added. For the cardholder, the value is in the card/banking app and analysis that their card issuer provides (e.g. Revolut). If you disallowed the payment of fees to the processors by the merchant then the card issuers would need to charge the consumer for the card service as the card issuer would have to pay the card payment system operators and this would force the issuers to negotiate better deals with the processors (and they would have more market power to be able to do so than a consumer would ever have). This would also avoid the card payment system operators getting paid twice for providing the same service. This would likely encourage greater competition in this area also. Until the situation is one where the end user pays for a service there will be no competition in the market. You are never going to get competition while the cardholders are treated like children, protected from seeing the effect on the prices they pay for good in the shops as a result of hidden charges for card services.

[REDACTED]

I agree caps are inappropriate – look at the disaster for competition that a price cap inflicted on the electricity and gas markets [REDACTED]

[REDACTED]



Good luck with getting non-obfuscatory data from these duopolists. I would suggest an approach that, from first principals the processing costs must be equal (with an adjustment for interest on money) and ask them to prove otherwise.

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# International Air Transport Association



## Introduction

The International Air Transport Association (IATA) appreciates the opportunity to provide comments in response to the Payment Scheme Regulators market review of card scheme and processing fees remedies consultation.

IATA is the trade association for the world's airlines, representing some 350 airlines or 80% of global air traffic. IATA supports numerous areas of aviation activity and helps formulate industry policy on critical aviation issues to drive a safe, secure, and a sustainable industry. For more information on IATA and its work, please visit [www.iata.org](http://www.iata.org)

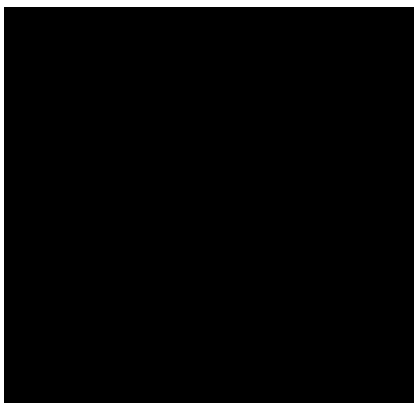
IATA's member airlines include many that operate flights to/from the UK, including UK based airlines British Airways, Loganair and Virgin Atlantic, as well as many overseas based airlines. Most of these airlines accept customer credit and debit cards as forms of payment, for bookings made through the airline public website.

IATA runs a global [Billing and Settlement Plan \(BSP\)](#) between airlines and IATA-accredited Travel Agents: 205 Airlines (IATA members and non- members) and 1,355 Travel Agent locations participate into BSP UK, and in 2024 we settled between them £12.1 billion in sales, covering just over 22 million air tickets. Out of these, over 30% are settled with payment cards.

We are therefore responding, on their behalf, to the questions posed in the consultation, based on discussions with our members and the extensive expertise of our teams in payment instruments used in air transportation.

We thank you for the opportunity to lend our voice to the issues that are put forward in the Remedies Consultation document and we would be happy to have further conversations to clarify or expand on any of the points contained in our response.

Yours sincerely,



## IATA response to UK PSR Market review of card scheme and processing fees remedies consultation

### **Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?**

IATA has no comment.

### **Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?**

IATA agrees with the proposed approach of not progressing with any interim remedies. We believe that achieving a final remedy that is well-balanced and addresses the heart of such a complicated issue is more desirable than adopting interim measures.

### **Question 3: Do you have any views on our update regarding remedies that were previously ruled out?**

While price caps are not considered at this stage, IATA notes that they have had a proven impact in the field where they have been implemented, namely, consumer card interchange.

### **Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?**

IATA believes that the impossibility to consider a Least Cost Routing option that is noted on p. 31 para 3.67 is a stark illustration of the market weight that the card schemes have achieved.

### **Information transparency and complexity (ITC)**

#### **Question 5: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand existing fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any of the information listed in Box 1 not necessary?**

The proposed list of information items appears correct but we believe it does not address the core of the issue. The large number of fees that may apply to a given transaction, and the near infinite combination of factors such as card product type (debit, credit, consumer, corporate, entry level, high end...), transaction type (purchase, return, cancellation...), circumstances of the interaction (between card and terminal, between cardholder and employee...), nature of the merchant activity or geography (card issuance country, merchant country...), make it challenging to assess the cost elements applying to a transaction. We also note that the card schemes may consider that the combination of transaction indicators affixed by the acquirer to describe those factors is not satisfying and requalify the transaction cost assessment.

The term 'optional' that is used to qualify many fees refers more to the applicability or relevancy of a fee to a given situation rather than to a choice exerted by the merchant or its acquirer to use an optional card scheme fee. It is hard to find an example of an optional service that either one would decide to use or not for a given transaction.

A penalty or behaviour fee must point to the specific transaction or list of transactions that have infringed a business rule and refers clearly to that rule, so that acquirer and merchant know what correction must be made.

**Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

The list of transaction-level data appears correct. IATA understands that Mastercard uses an acquiring BIN as well as the ICA code to identify its members, hence recommends adding the acquiring BIN in order to be certain that the sufficient granularity is achieved.

We believe that a penalty or behaviour fee must point to the specific transaction or list of transactions that have infringed a business rule and must refer clearly to that rule so that acquirer and merchant know what the correction is to be made.

**Question 7: What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

As stated earlier in the answer to Question 5, it is the sheer number of possible combinations of data elements qualifying a transaction, and the number of fees applicable to a given transaction, that produces an over-helming effect, combined with the risk that the card scheme requalifies how a transaction is labelled and charged. In effect, the individual card scheme ability to evaluate and assess all the parameters of a transaction in order to apply its pricing is unique and does not appear replicable by any other entity.

**Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

As a merchant trade association, IATA has no insight to offer on this question.

**Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

Proposal 2 appears to provide adequate support for acquirers to receive more information in a timely fashion to understand such changes.

**Question 11: How far back should the historical data provided by the schemes stretch? Please explain your answer.**

As a merchant trade association, IATA has no insight to offer on this question.

**Question 12: Do you have any views on whether schemes should send this information to all acquirers or only a certain set (for example to exclude international acquirers without direct scheme relationships in the UK)?**

We understand that card schemes grant to their members a licence detailing the territory(ies) they can operate in. Every acquirer who is licensed to operate in the UK is subject to the card scheme UK price list and is therefore concerned by this information, irrespective of its nationality or if the licence was granted locally by the UK representation of the card scheme or by another entity of that card scheme.

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?**

The requirements appear reasonable and in line of what can be expected in general as good business practice.

**Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**

Complexity breeds obscurity. The sheer number of fees and the complexity of the rules assigning them to a given transaction have resulted in the present situation where the UK PSR has observed that card scheme own members, as well as the merchants, cannot understand the pricing that is applied to them. Most, if not all fees are not 'optional' in the sense that a card scheme service is selected by the acquirer or merchant. The term 'optional' means that they only apply to a specific transaction circumstance, while there is no evidence that the income thus generated is then applied by the card scheme to operate or improve that specific area.

A reduction and simplification of the array of scheme fees will contribute more to improve their understanding by all parties than their sole publication.

**Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?**

We believe the card schemes must make available directly to merchants all such information as it is the only way to provide an exhaustive and transparent level of information. Otherwise, the task is left to the individual and uneven capabilities of each acquirer, which doesn't lead to a level playing field.

Forced to communicate directly to merchants, card schemes will naturally come under the necessity to provide clear and legible information.

**Question 20: Do you have views on whether our reporting requirement is an appropriate way to measure whether good outcomes are being realised? Is there a better way to monitor the outcomes?**

We understand that card schemes typically conduct 2 IT releases a year, which are the privileged moment when changes in fees and business rules kick into action. It would be interesting to consult with the card schemes if aligning the reporting period on those 2 dates can help in making the reporting easier to make, but above all easier to understand.

**Question 21: Should any of this information be publicly released by the PSR?**

Verifying the compliance of the card schemes is the prerogative of UK PSR and there is no specific reason to conduct this task in a public way.

**Question 22: Do you have any views on our proposals for the timeline by which schemes should implement the remedies set out in Chapter 6?**

The timeline appears reasonable.

**Question 23: Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?**

The proposals appear reasonable. IATA has no further suggestions to make on more effective ways to ensure compliance. Aligning reporting periods allows parties to focus on the output at fixed and comparable periods instead of falling under a barrage of constant new information which risk diminishing the attention brought on the matter.

**Regulatory Financial Reporting (RFR)**

**Question 24: Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?**

In our view, it is not certain that a financial reporting of the UK entities of the card schemes will bring much light to the issues being debated, given the latitude any global corporation has to allocate internally revenues and costs. It is doubtful that the card scheme activities in the UK are entirely managed by a UK- based entity whose financials would record the totality of the revenues and costs associated to operating on that territory. Many activities such as managing their worldwide transaction processing network, and the related fees, are global by nature and not broken down and managed in isolation and country by country.

**Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 26: Are there any alternatives to RFR that would answer the three key questions set out in this chapter?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed, or which is not appropriate?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 30: Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 31: Do you consider RFR being based on annual information to be appropriate?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 32: Do you have views on the assurance and audit requirements as set in this chapter?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

## **Pricing Governance**

**Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?**

We believe this remedy should apply to all fee changes. As there is no universally accepted definition of what represents a 'material' change hence all changes should be reported.

Further, we notice that typically the intent of pricing changes is not communicated to merchants, who would benefit from being told of the rationale underpinning such changes. A rationale brought to the knowledge of all market participants is more likely to draw adhesion, and thus deliver the intended outcome.

**Question 34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?**

Principle 1 proposing to consider system outcomes when considering fee changes appears reasonable. IATA does not have other suggestions to make to complete what is proposed.

**Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?**

Principle 2 on considering service user's interests is preferred as it represents a rebalancing of the consideration granted to each party in a transaction, in a card industry that has long been dominated by an exclusive focus on supporting competition on the issuing side while the acceptance/merchant side had no choice but to accept all imposed changes at whatever prices they were set.

**Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?**

Reasonableness as Principle 3 is much desirable as it is expected as a general guiding principle for all business actions. IATA does not have other suggestions to make to complete what is proposed.

**Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question.

**Question 38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.**

Given the annual pace of 2 IT releases a year that the card schemes are known to practice, the propositions appear reasonable.

**Publishing scheme information**

**Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?**

The card schemes financial metrics in the UK may not be correlated to the scheme fees that are collected there, as it is not likely that their UK business is conducted as a stand-alone unit. For example, fees applying to inter-regional transactions may be directly affected to business lines managed by other parts of their organization. Similarly, many cost drivers may be incurred by business lines operated outside the UK by central functions. Hence, the profitability of the UK business of Mastercard and Visa is probably not a reflection of the scheme fees that are collected there.

**Question 40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?**

As an airline (i.e. merchant trade) association, IATA has no insight to offer on this question

**Question 41: Which information do you think should be included in the Operational Dataset?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Question 42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Question 43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Question 44: Do you think any other information should be published? If so, please outline which information.**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Question 45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Question 46: Do you have any views in respect of publication frequency?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Question 47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?**

As an airline (i.e. merchant) trade association, IATA has no insight to offer on this question

**Initial cost benefit analysis (CBA)****Question 48: Do you have any comments on how we envisage the interaction between the individual remedies with one another in the proposed package?**

The proposals appear sound, IATA has no further proposal to offer.

**Question 49: Do you have any comments on the causal chains we have set out for each individual remedy? How likely do you think it is that the expected changes will take place? Please include any supporting evidence.**

IATA has no further comment to offer.



**Question 50: Have we identified all the relevant costs and benefits associated with our proposed remedies?**

IATA has no further suggestion to make.

**Question 51: Please provide any views or evidence available to you on: (i) the magnitude of the costs and benefits outlined in this CBA, or (ii) the magnitude of the costs and benefits which you believe are missing from this CBA.**

IATA does not have the data or material evidence allowing us to perform such contribution.

**Question 52: Please provide any views or evidence available to you on: (i) how we could estimate the costs and benefits outlined in this CBA, or (ii) how we could estimate the costs and benefits which you believe are missing from this CBA.**

The proposals appear sound, IATA has no further proposal to offer.

# John Lewis Partnership

## **John Lewis Partnership response to the PSR's Card scheme and processing fees remedies consultation**

The John Lewis Partnership (JLP) is an omni-channel retailer in the UK and our primary retail businesses are John Lewis (department stores) and Waitrose (Grocery). John Lewis operates 34 shops plus one outlet across the UK, as well as [johnlewis.com](http://johnlewis.com). Waitrose has over 300 shops in England, Scotland, Wales and the Channel Islands, including convenience branches, and shops at Welcome Break locations. The Waitrose omnichannel business includes the online grocery service, [Waitrose.com](http://Waitrose.com), as well as a specialist online shop ([waitrosecellar.com](http://waitrosecellar.com)) for beers, wines and spirits.

We welcome the opportunity to respond to the PSR's consultation on its Market Review of card scheme and processing fees remedies. As you are aware, the John Lewis Partnership has responded directly to previous consultations on this market review and we have strongly supported the work you are doing to evaluate whether the markets in connection with scheme and processing fees are working well for all users, and particularly for merchants and consumers. We welcomed your provisional conclusions that the market is not working well and that intervention by the PSR may be appropriate to address the harms identified. We continue to believe intervention is absolutely necessary, with both interim and long term remedies needed to mitigate the issues that have been identified and associated financial impacts to merchants, and to ensure the right balance of competitive constraints on all sides of the market.

We are deeply disappointed that the proposed remedies fail to adequately reflect or correct the harms identified. Furthermore, while we appreciate this is a complex issue, we are concerned that the additional time to gather the evidence the PSR believes is still required, will further delay any meaningful action being taken to directly address the financial harm identified. Having supported and participated in this Market review for the last ~2 years, there is potentially still a long trajectory ahead before the PSR takes action and meanwhile merchants will continue to be subject to ongoing fee increases.

As a member of the British Retail Consortium, the main trade body for the retail sector, our views are reflected in the response that they are putting forward to this consultation. As a result - and in lieu of responding to all the individual questions in this consultation - we wanted to use our direct response to call out some of the points we believe are most pertinent:

- While we welcome and support the transparency and reporting measures, these are (important) hygiene factors and we share the BRC's view that these measures alone will not be sufficient to address the lack of competition and prevent excessive fees.
- We also share the BRC's view that without stronger interventions, and specifically pricing interventions, the harms identified in the Market Review will persist.
- The PSR's proposed remedies represent a missed opportunity for meaningful structural reform. The proposals are insufficient and do not adequately address the fundamental issues in the card payments market and the PSR's own provisional findings from its interim report.

- The remedies proposed should be treated as interim steps, and used to gather the necessary data to support future pricing interventions where required.
- The PSR should ensure they have a dedicated team in place to analyse and act upon the information gathered through the transparency and reporting requirements at pace, and to not hesitate (i.e. awaiting a further Market Review) in implementing price interventions if fees continue to rise in a way that is unjustified.
- Above all, we urge the PSR to ensure it is appropriately set up and empowered to challenge (if not block) any future fee increases both in the interim and longer term, and to require schemes to provide full justification, supporting data and an adequate advance notice of their introduction to both Acquirers which in turn enables adequate notice to Merchants.

We would be happy to engage in further dialogue with the PSR - both directly and via industry roundtables or discussions with the BRC - and welcome proactive and timely progress updates from the PSR.

**27 May 2025**

Lloyds

## **LLOYDS BANKING GROUP PLC**

Response to the PSR consultation on the Market review of card scheme and processing fees remedies

Submitted on 28/05/2025

This response is solely provided to the PSR in relation to consultation CP25/1 Market review of card scheme and processing fees remedies and should not be disseminated more widely within the PSR or otherwise as is necessary for the purposes of the PSR's evaluation of LBG's response to this consultation without LBG's express prior written consent.

EXECUTIVE SUMMARY

- 1. As a **leading UK financial services provider, Lloyds Banking Group (LBG) provides financial services to 28 million customers** in the UK. We help millions of customers – individuals, families and businesses – to spend, save, borrow and invest and help Britain prosper.
- 2. **We believe in an efficient, orderly financial system anchored in strong regulation enforced by independent institutions while delivering security for our customers and confidence in the UK as a place to do business. We believe regulators should have clear and coordinated mandates, based on strong prudential and conduct principles, that encourage innovation and competitiveness.** Regulators should facilitate cross-sectoral thinking with input from the industry and consumer groups, to promote growth in the long-term interests of UK consumers, businesses and the economy.
- 3. Lloyds Banking Group (LBG) welcomes the opportunity to respond to the Payment Systems Regulator’s (PSR) consultation on proposed remedies following its Market Review into card scheme and processing fees. If implemented effectively, we believe the information, transparency and complexity (ITC) remedy has the potential to deliver significant benefits across the ecosystem. It would improve the efficiency of acquirers in reviewing and responding to fee changes, reduce complexity, and ensure value is delivered to merchants and consumers. As such, our response focuses primarily on the ITC remedy. Clearer understanding of the fees and better price signalling will facilitate merchant engagement. By enhancing efficiency, transparency, and coordination across the ecosystem, the remedy will contribute to a more secure and efficient payment ecosystem, ultimately benefiting consumers. The success of this remedy depends on robust and centralised monitoring by the regulator.  
While we recognise the PSR’s consideration of additional measures, we believe the immediate priority should be ensuring the full and effective implementation of the ITC remedy. This will provide a stronger basis for evaluating whether further regulatory intervention is required. We also recognise that schemes have taken active steps in improving information transparency over the last 12 months, which we welcome.

Key remedies to be prioritised

- 1. **Better information at acquirer and merchant level to increase efficiency and reduce costs:** Schemes should be required to provide acquirers with **summary and merchant-level (where applicable) data**. This will enable acquirers to understand the full impact of new fees and signal the impact of and reasons for any potential fee increases to their merchants. An increased level of transparency is needed to reduce the burden and costs related to the process of interpreting and managing scheme fee changes for acquirers. A more efficient process could reduce costs for acquirers and merchants, and in turn reduce the costs that are passed onto consumers.
- 2. 

Greater clarity will help improve merchant engagement and understanding, delivering changes to the ecosystem which will ultimately benefit consumers by reducing system wide costs and enhancing the security and user experience of card payments. Fee justifications as standard will also provide guardrails to ensure that value is and continues to be delivered to acquirers and merchants and that the establishment of any new fees is reasonable.
- 3. **The regulator should monitor any remedies imposed:** The regulator should be responsible for setting up a robust approach to monitoring compliance with ITC proposals. Involving multiple acquirers in the detailed

development and monitoring of remedies would be inefficient and burdensome. A centralised approach would be more effective, promoting fairness and consistency across the market while avoiding unnecessary regulatory burden for the industry.

We provide greater detail on our reasoning below.



## OUR RESPONSE TO THE PROPOSED REMEDIES

### Remedy 1: Information, transparency and complexity

**ITC Proposal 1: Schemes should provide acquirers with sufficient information to understand existing fees - Covering Questions 5-7.**

A key issue for acquirers is the significant resource burden involved in understanding which fees should be passed on, to whom it should be passed on to, in what amount, and for what reason—and then explaining this clearly in simple language to merchants.

We support the PSR's proposal that schemes provide acquirers with sufficient information to understand existing fees. We agree with the inclusion of the data fields in Box 1 and Box 2. For this provision to be effective, acquirers must not face additional burden or resource to interpret it, this would only exacerbate the current difficulties they face. Therefore, we suggest the following refinements:

- **Merchant level data:** For Box 1 to be operationally valuable, the data should be provided at the merchant level. Without merchant-level granularity, acquirers cannot accurately allocate or assess the impact of fees.
- **Clear value proposition:** Schemes should be required to provide a plain-English explanation of the purpose of each fee and articulate the value it provides to the parties impacted (e.g. the acquirer, merchant, PSP). Describing a charge merely as a "fraud-related fee" does little to convey its relevance or benefit. For example, in describing 3DS, a more informative justification would be: "This fee is designed to reduce online fraud by improving the identification of the cardholder. In completing an online purchase, the cardholder will be asked to provide proof of identity by entering a password, an SMS code or a PIN. For online merchants, the use of 3D Secure will shift the liability of any fraudulent chargebacks to the issuing bank. Where merchants are using 3DS, they have seen a reduction in fraud of x%." This level of clarity allows acquirers to better understand the rationale behind the fee, tailor merchant communications accordingly, and provide practical guidance on how merchants can respond to these changes. If there are negative impacts related to a new fee for merchants — for example, in the case of 3DS, an increase in card abandonment — these should also be specifically highlighted as part of the value proposition. Where possible, any actions that can be taken to manage or better understand the negative impact should be included.
- **The financial impact of fee changes:** The financial impact of a fee change needs to be made more explicit. For example

The financial impact of all fees should be provided by schemes up front.

- **Detailed technical specifications:** The technical specification should be sufficiently detailed to clearly show what triggers a fee and how it is calculated. Fees that are under Interchange+ and Interchange++ are relatively straightforward to pass on. This is not the case for Blended rates. Acquirers face significant challenges in determining how to pass on fees when merchants have a mix of low-value and standard-value transactions that fall into different volume tiers. The lack of guidance on how to blend rates across varying combinations of transaction value and volume tiers creates confusion, making it unclear what and how much should be passed through to merchants.
- Inclusion of these refinements will support acquirers in processing fee changes more effectively, with less administrative burden, and provide merchants with greater clarity on the fees they incur. This transparency would help ensure that all parties are engaged and actively supporting the evolution of the card payments ecosystem.

### ITC Proposal 2: Schemes should provide acquirers with sufficient information to understand changed and new fees – Covering Questions 8-12.

We support the PSR's proposal to improve transparency around changed and new fees. The data requirements proposed in Box 3 would improve acquirers' ability to understand both their own fee changes and those passed on to merchants. To make the proposal most effective we propose the following:

- **Merchant level data:** As outlined in our response to Proposal 1, data will need to be supplied at merchant level to enable acquirers to accurately assess the impact of fee changes and communicate these effectively to individual merchants.
- **12-month rolling transaction data:** The proposed one-month sample of transaction history is insufficient. A 12-month rolling dataset would provide a more representative and reliable basis for assessing the financial impact and forecasting, particularly given seasonal variations in transaction patterns.
- **Longer notification period:** The proposal to provide acquirers with both historical transaction data and details of upcoming changes is a significant step forward and would offer considerable benefit. For this proposal to be fully effective, we suggest the proposed six-month notification period should be extended to nine months or more. This extended timeline more accurately reflects the time required by acquirers to reprice, plan system changes, and communicate fee impacts effectively to merchants.

This would allow acquirers to forecast and reconcile costs more efficiently. In turn, merchants would gain a clearer understanding of fee drivers, enabling better decision-making. Over time, this improved transparency should lead to greater operational efficiency and system security—ultimately driving down costs that can be passed on to consumers.

### ITC Proposal 3: Schemes should respond meaningfully and promptly to acquirers on their fee-related queries in appropriate timeframes – Question 13.

We support the development of a centralised portal to enable quicker and more meaningful responses to queries. It would help to clarify issues, given that previous waiting times for responses have stretched to months. We suggest the following refinements:

- **Clarity on 'meaningful':** The term 'meaningful response' should be more clearly defined to ensure a shared understanding between both acquirers and schemes, helping to prevent future issues. For example, a meaningful response could be defined as a response that directly addresses the acquirer's query, provides actionable information and clarifies any uncertainties around the fee application and billing logic. In cases where a full resolution is not possible within the proposed time frame, the schemes should clearly outline the next steps and provide a timeline for delivery of a complete solution.

- **Timeline:** The time frame of three working days to provide a response could be an unrealistic deadline for schemes to turn around a response. [REDACTED]

[REDACTED] To cut this time down to three working days, schemes may need additional resources, increasing schemes' operational expenditure. For this reason, we propose a more realistic five working days for schemes to deliver a meaningful response. We also recommend imposing the timeline on more important queries such as the financial impact of fee changes. Other queries may be less time-sensitive and therefore do not require the same level of urgency.

- **Escalation mechanism:** More detail is needed to clarify the operational logistics of this remedy. There is no detail on what actions will be taken should schemes fail to respond within the allocated deadline. This could

be improved through the outline of an escalation mechanism which would allow acquirers to formally flag delayed or unresolved queries. Such a process would help ensure accountability and reduce the risk of queries going unanswered.

Improved responsiveness would reduce delays in fee implementation and merchant communication, thereby improving efficiency across the ecosystem. Acquirers would be better able to plan and allocate resources, merchants would receive clearer, timelier explanations of changes affecting their pricing, and the broader payments system would benefit from improved transparency and coordination.

#### ITC Proposal 4: Schemes should provide merchants with information on fees charged to acquirers - Covering Questions 17-19.

We do not agree with the proposal of schemes directly providing merchants with increased information about the fees they are charged. Schemes do not have an established relationship with merchants. It is the acquirers who are responsible for pricing to merchants, many of whom are on different pricing structures (e.g. Blended, Interchange+, Interchange++). Given this, we question the value of schemes investing time setting up a separate communication channel with merchants, independent of acquirers. Specifically:

- [REDACTED]  
[REDACTED] Therefore, any website produced by schemes with this information will not align with the simplified way fees are presented to these merchants. These merchants are often billed one price that incorporates additional costs faced by the acquirers; therefore, giving merchants specific scheme fee rates will only create confusion.

Instead, we propose:

- **Merchant friendly bulletin translations:** Mandating the publication of merchant-friendly bulletins to coincide with the release of the technical bulletins. These should be directly shared with acquirers, who can then decide which bulletins to forward onto merchants based on their relevance. This approach would increase the likelihood that merchants receive relevant, digestible updates that support their understanding without being overwhelmed by technical details that do not correspond directly to the way they are billed.

We believe our proposal, alongside the other ITC proposals, is sufficient in addressing the current lack of clarity around the fees that merchants are charged. This approach respects the existing commercial and contractual relationships, recognising that acquirers are best placed to pass on the relevant information to merchants. Improved merchant understanding in this way will reduce the risk of fee misinterpretation, support clearer behavioural incentives and enhance overall efficiency in the payment's ecosystem.

#### Fee volume reductions – covering Questions 14-16.

Schemes have stated a reduction in fee volumes would lead to bundling, with associated risks such as reduced service flexibility, dampened incentives to innovate and weakened behavioural signalling. [REDACTED]

[REDACTED]

We agree that reducing the overall volume of fees could be desirable across the payment's ecosystem, but we are concerned that this may create a divergence in the way schemes operate in the UK vs globally. Even if the divergence is not an issue, now may not be the best time to implement. Specifically:

- **Risk of regulatory divergence:** As schemes operate globally, [REDACTED]  
[REDACTED]
- **Transparency as a natural driver of reducing fee volumes:** Our opinion is that increased transparency will naturally encourage greater evaluation of the fee structure, prompting schemes to reassess whether certain fees are necessary and add value. As schemes are required to justify the purpose of each fee, we expect a

more targeted and thoughtful approach to fee setting, which could in turn lead to a gradual and organic reduction in fee volume.

We do not wish to rule out the possibility of the PSR considering a reduction in fee volumes in the future. However, we believe the current focus should be on establishing the appropriate structures and monitoring frameworks to implement the ITC remedies effectively. Enhanced fee transparency and data provision will create a clearer picture of the market, which can inform whether further remedies (such as a reduction in fee volumes) are necessary.

### Implementation and timelines – Covering Question 20-23

We agree that a reporting requirement is an appropriate mechanism to ensure good outcomes. For the ITC remedy to be successful, schemes should be subject to ongoing monitoring to ensure compliance with the mandated requirements, however this should not be the responsibility of acquirers. We therefore propose the following:

- **The regulator should be responsible for monitoring the remedies directly with the schemes:** We believe that monitoring scheme compliance should sit with the regulator, with schemes attesting their compliance directly to this body. This responsibility is currently within the remit of the regulator. It would be neither efficient nor proportionate for individual acquirers to undertake or be involved in this task, as it would be highly complex, resource-intensive, and could disproportionately disadvantage smaller acquirers, who may lack the capacity to monitor scheme compliance effectively. A centralised approach, led by an independent regulator, would ensure consistency, reduce duplication, and promote fair oversight across the market.

A well-designed and centrally coordinated monitoring framework, led by the regulator, would ensure that the ITC remedies deliver their intended impact across the market. It would support consistent compliance by schemes and reduce the monitoring burden on individual acquirers. Ultimately, robust oversight will enhance trust, improve transparency, and strengthen the efficiency and fairness of the payment ecosystem.

### Remedy 2-4: Regulatory financial reporting, pricing governance and publication of scheme information

We do not have detailed comments on regulatory financial reporting (Remedy 2) and pricing governance (Remedy 3). However, we do not think the publication of scheme financial information (Remedy 4) is appropriate or proportionate to deliver meaningful benefits to acquirers or merchants in the near term. We also caution that

[REDACTED] This, in turn, could hinder the regulator's ability to obtain a full and accurate picture in future reviews or consultations.

We believe the immediate priority should be the effective implementation of the ITC remedy, alongside the regulator setting up a robust structure to monitor and enforce compliance. Ensuring this core remedy delivers its intended outcomes will provide a stronger evidence base to assess whether additional interventions, such as publication obligations, are necessary or proportionate in the future.

## CONCLUSION

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We agree with the PSR's focus on enhancing the transparency of fee information. We believe that the ITC remedy has the potential to significantly improve the efficiency of fee cost allocation for acquirers—ultimately reducing unnecessary complexity and driving down costs for merchants. Greater transparency will also support clearer fee justifications and improve price signalling, which should encourage more efficient behaviours across the value chain.

In turn, this will foster a more efficient, secure, and competitive payment ecosystem, delivering long-term benefits to both merchants and consumers. For these remedies to succeed, robust and centralised monitoring by the regulator is

essential. We believe the PSR's priority should be ensuring the full and effective implementation of the ITC remedy. This would help inform whether additional remedies may need to be pursued in the future.

# Mastercard

# Mastercard response to PSR “*Market review of card scheme and processing fees – Remedies consultation*” CP25/1

28 MAY 2025

## Executive summary

### **No justification for the proposed remedies**

The PSR's conclusions on both competitive dynamics and market outcomes are not supported by the evidence it presents. Accordingly, the remedies are not justified. Indeed, in the case of some of the proposed remedies, they risk giving rise to harmful unintended consequences.

The Final Report underestimates the extent to which the threat of potential entry and expansion operates as an effective competitive constraint today. In particular, it concludes that *"Open Banking is unlikely to result in a competitive constraint on the schemes in the short to medium term"*. This is, however, inconsistent with the evidence in Annex 1 of the Report where the PSR concludes, based on views from stakeholders, that effective competition with card schemes could emerge within a few years.

While the Final Report states that *"Our findings [on market outcomes] were consistent with our finding of a lack of competitive constraints"*, the evidence presented by the PSR does not support this conclusion. The PSR has not concluded on the extent to which prices and profits exceed those expected in a competitive market, and whether the increase in prices over the relevant period is disproportionate to the improvements in service and innovation delivered by Mastercard.

Mastercard does not accept therefore that the proposed remedies are justified. Furthermore

- The Final Report concludes, on very limited evidence, that only a handful of optional services are not subject to competitive constraints. This conclusion should not be used to apply remedies to optional services across the board.
- The PSR has made no finding of a lack of competitive constraint in the market for services to issuers. To the contrary, the Final Report finds that competition on the issuing side places downward pressure on fees. There is no justification therefore to apply remedies to the issuing side of the market.
- Some of the PSR's proposed remedies (particularly pricing governance and RFR) have the objective of facilitating further regulatory intervention in the future. Given the likely emergence of Open Banking as a competitive constraint in the medium-term, it is questionable whether this objective can be justified.

### **Information Transparency and Complexity**

Mastercard sees the benefit of customers having full transparency and clarity regarding the fees that they pay. The question is how that outcome is best achieved in a proportionate manner, especially in light of the initiatives Mastercard has already taken and the information it already provides, including the suite of tools it provides to customers on Mastercard Connect and pricing bulletins. Indeed, in view of the initiatives that Mastercard has already taken and the limited customer feedback on which the PSR's conclusions are based, Mastercard does not accept that ITC remedies are justified. If the PSR nevertheless concludes that ITC remedies are required, it should focus any remedies on outcomes, rather than prescribing inputs, allowing Mastercard some discretion to determine the way those outcomes should be achieved.

In some cases, the PSR's specific proposals are feasible with little extra cost. In other cases, the proposals would be extremely burdensome and/or provide no meaningful benefit to customers. For instance:

- Providing acquirers with a history of fee levels beyond e.g. the last 12 months, including fee levels that are no longer applicable, would be of no relevance to them.
- Providing transaction level information 6 months prior to implementation would significantly delay the introduction of new services.
- Providing at least one month of transaction-level data for fee changes would require the provision of a large volume of data with little or no meaningful value.



- Requiring Mastercard to respond to fee-related queries within three days is impractical and unnecessary given the wide variety of queries that it receives and the sophisticated nature of its customers.

Where appropriate, Mastercard suggests workable alternatives.

Finally, Mastercard continues strongly to oppose the PSR's proposed requirement for the schemes to reduce the number of fees that they charge. This would lead to either the reduction in the number of services, limiting innovation and service quality, or the bundling of services under one fee, reducing transparency and raising barriers to entry.

### **Pricing Governance**

Mastercard does not agree that the proposed remedy is necessary or justified by the PSR's findings. Nevertheless, Mastercard will work closely with the PSR to develop a workable and proportionate remedy which meets the PSR's objectives. It is important that the way the remedy is implemented recognises that Mastercard is a global organisation and does not typically set UK-specific fees.

There are two aspects of the proposed remedy which raise specific concerns:-

- Scope of the remedy: Mastercard considers that the scope should be narrowed significantly, reducing the regulatory burden without undermining the remedy's effectiveness. In particular, the remedy should not cover either issuer fees or fees for optional services where there has been no finding of lack of competitive constraint; and should also include a materiality threshold so that fee changes with little value impact in the UK do not incur a disproportionate regulatory burden.
- Pricing principles: The PSR's proposed Pricing Principles are broadly consistent with the PSR's stated objective of understanding the basis on which pricing decisions are taken, rather than influencing the pricing decisions themselves. However, references to cost, as well as quality, in the third pricing principle require clarification to ensure that this is the case. Any requirement that Mastercard sets prices with reference to costs for each service would not be consistent with the PSR's stated objective, nor would it be effective or proportionate with regard to the PSR's findings. Additionally, measuring costs for each individual product is not meaningful or informative.

### **Regulatory Financial Reporting (RFR)**

Mastercard does not believe that the RFR remedy is justified, either by its findings or the evidence on which those findings are based.

We assess each of the PSR's proposals against their stated objectives. With the exception of fully loaded P&L accounts, Mastercard does not believe that the PSR's proposals would meaningfully advance the PSR's objectives (beyond what can be achieved based on the fully loaded P&L). They would therefore significantly increase the regulatory burden on Mastercard with no discernible benefit. Where appropriate, we suggest alternatives which would be more effective in meeting them.

- Mastercard has, over the course of the market review, prepared fully loaded P&L accounts following detailed discussions with the PSR. While the PSR has raised questions about certain aspects of the methodology, Mastercard has responded to these questions and considers that the current UK P&L provides a robust and agreed basis for the RFR. Mastercard considers that the UK P&L offers a sound framework for analysing UK margins and supports a RFR remedy that is consistent with the PSR's objectives, as well as being economically meaningful, proportionate, and operationally feasible.
- It is unclear how the PSR's proposal to extend the scope of the proposed remedy to non-card products, as well as undertaking an analysis of profitability at the product and customer level, would provide the PSR with economically meaningful insights into Mastercard's margins for its UK

cards activities. As a more effective and proportionate means to assess whether revenues and costs have been appropriately captured and allocated to the UK in relation to Mastercard's card activities, Mastercard proposes instead to describe the process used to identify UK-based staff who work on card-related activities and those who support non-card operations. Mastercard would also explain which staff members have been excluded from the UK fully loaded P&L account. In any event, Mastercard does not believe that the PSR has the power to impose remedies on a part of Mastercard's business, which is clearly outside the 2015 Designation Order, which only encompasses "*transactions effected using MasterCard-badged payment cards*".

As an alternative to measuring profitability disaggregated by customer and product, Mastercard proposes to provide a breakdown of revenues by product and customer. This would provide the PSR with useful insights into the revenue drivers and can be consistently tracked over time, and aligns with established regulatory practice.

- Mastercard considers that a ROCE analysis, based on a balance sheet prepared by Mastercard, would not overcome the challenges that the PSR perceives that it has faced in the context of the margins analysis. On the contrary, undertaking a ROCE analysis will raise a number of significant challenges. In particular, it would require the construction of a UK-specific balance sheet, which would involve an allocation exercise similar to that carried out for the UK P&L account, with an additional challenge concerning the valuation of Mastercard's intangible assets. Therefore, the outcome of a ROCE analysis would greatly depend on the assumptions made for the preparation of a balance sheet capturing Mastercard's UK activities, and in particular the assumptions applied for the valuation of Mastercard's intangible assets. This would make it therefore a much poorer tool than the UK P&L for assessing the level of profitability of Mastercard's UK card operations, as well as for understanding the profitability drivers and trends.
- While ROCE is used in other UK regulated sectors, card payment schemes are far less suitable for using such a tool given their global rather than UK-specific network, significant importance of intangible rather than tangible assets and the much more dynamic nature of payment services compared to most regulated utilities.
- Although it may be useful to continue to make some data (e.g. on the mix of transactions) available to understand changes in revenues over time, the remedies consultation lists a very broad set of contextual factors, the usefulness of which is open to question. As an alternative approach, Mastercard suggests submitting transaction data (i.e. transaction mix) on an annual basis and submitting further information if and when needed, when the fully-loaded P&L has been submitted and reviewed.

## **Publication**

Mastercard supports efforts to increase proportionate transparency. However, Mastercard considers that the PSR's proposed remedy is both highly inappropriate and likely to be ineffective. Mastercard can only provide more detailed comments once the PSR has clearly and properly defined the purpose, audience, scope, and format of publication.

The PSR's proposal rests on an assumption that greater transparency will lead to increased scrutiny and in turn exert pressure on scheme behaviour. But this remains untested, particularly given the limited engagement observed during the PSR's own market review. Unlike other transparency initiatives designed to support meaningful comparison or informed decision-making, the current proposal appears to be aimed at generating mainly negative publicity as a form of market discipline, rather than proper assessments aimed at improving market outcomes. It is not a legitimate regulatory objective to generate negative publicity or invite reputational harm to regulated entities.

In addition, the publication of potentially commercially sensitive data (particularly at a granular or disaggregated level) could create strategic risks and be misinterpreted by both market participants and

investors. If transparency is to support better outcomes, it must be designed with care, not in a way that invites misunderstandings, unfair comparisons or speculation.

### **Cost Benefit Analysis (CBA)**

Mastercard has the several concerns with the PSR's CBA:

Firstly, the PSR does not assess the remedies against the appropriate counterfactual. The counterfactual should take into account the constraints provided by potential as well as existing competition. This includes the effects of the PSR's own, and the FCA's, policy interventions relating to Open Banking. The JROC report (published in 2023) finds that Open Banking is set to expand significantly and become a viable competitor to cards within the next 18-36 months, which is well within the ten-year timescale over which a CBA is typically conducted. The correct counterfactual should also take account of Mastercard's own improvements to information and transparency measures, which the PSR acknowledges are independent of the PSR's proposed interventions.

Secondly, the PSR has not carried out a meaningful options analysis. Under the initial draft CBA, only the remedies being proposed are analysed. Alternative options, or alternative versions of the remedy, which might also achieve the PSR's objectives are not considered. The PSR's CBA is therefore not able to determine whether there are alternative more proportionate remedies that would achieve the objectives at lower cost.

Thirdly, the PSR should quantify the benefits, as well as the costs, associated with each remedy. The PSR will not meet its aim of "*establishing whether the benefits associated with a proposed intervention are likely to outweigh any costs*", without quantifying the benefits. Even in cases where benefits cannot be quantified precisely, both the PSR's own guidance and the Green Book indicate that some quantification should still be done.

More specifically, Mastercard has two particular concerns, namely:-

- The PSR should not include in its CBA the benefits of speculative future policy interventions. The PSR appears to be including a benefit of a potential future action it *may* take as a benefit of the pricing governance and RFR remedies currently proposed. The RFR and pricing governance remedies in themselves will not lead to lower (or somehow better) pricing outcomes for acquirers and merchants. The benefits of a speculative future intervention to which a regulatory authority has not yet committed, and which has not been justified, should not be included in a CBA.
- The PSR should take into account the probabilities of each of the benefits of the proposed remedies materialising. It is not clear that all of the benefits of the proposed remedies which the PSR cites will materialise. Several benefits cited by the PSR are uncertain or speculative. Once the probabilities of benefits materialising are taken into account, the benefits from the proposed pricing governance and RFR remedies are unlikely to outweigh the costs. For example, while the RFR and pricing governance remedies impose significant costs, the PSR's main aim is information gathering to inform future regulatory intervention. As such, there will be no immediate impact on the prices which acquirers and merchants pay, while any longer-term benefit is uncertain and unlikely to outweigh the costs to new entry and innovation if it does.

# 1. Review of the PSR's findings: remedies are not justified

This section assesses the evidence base underpinning the PSR's conclusions and proposed remedies.

A robust market review must evaluate both the competitive process and the outcomes it produces, such as price, volume, choice and service quality, to determine whether the market is delivering for users. Weak outcomes may indicate ineffective competition. However, the PSR's conclusions on both competitive dynamic and market outcomes are not supported by the evidence it presents. Its analysis of competitive constraints does not give sufficient weight to the potential influence of alternative payment methods (APMs). The evidence of market outcomes do not link to the conclusions drawn. This exposes significant weaknesses in the PSR's evidence base and raises serious doubts about the justification for the proposed remedies.

## ***Competitive constraints***

The PSR concludes that Mastercard is not subject to competitive constraints. This conclusion is based on its finding that there are no viable alternatives to card schemes at present and its view that *"Open Banking is unlikely to result in a competitive constraint on the schemes in the short to medium term"* [emphasis added].<sup>1</sup>

The PSR explains that this view is based on its analysis in Annex 1 of its Final Report. However, in Annex 1, the PSR concludes, based on views from stakeholders, that effective competition with card schemes could emerge within a few years.<sup>2</sup> Thus a key evidential conclusion drawn by the PSR is contradicted by the PSR's own analysis. This is explored further in section 8.1.

The PSR also fails to recognise that the threat of future entry and the development and expansion of existing players in the market can influence behaviour in the present, reflecting that potential competition already exerts competitive pressure today. Indeed, Mastercard cannot afford to underestimate these future threats and must enhance its products and services, must innovate, and must ensure that its value proposition strongly resonates with customers to avoid existing players and entrants tipping the market. This continued and careful consideration of these competitive threats is evident from Mastercard's internal documents.

## ***Market outcomes***

The PSR states that *"Our findings [on market outcomes] were consistent with our finding of a lack of competitive constraints"*.<sup>3</sup> However, a review of the evidence presented by the PSR does not support this conclusion (further details of this are set out in section 8.2):

The PSR has not concluded on the extent to which prices and profits exceed those expected in a competitive market, or on the level of harm that may result.<sup>4</sup> The PSR finds that average fees have increased by 25% over seven years. It does not present any evidence that would demonstrate that this rise is disproportionate to the improvements in service and innovation delivered by Mastercard during this period. In fact, the PSR acknowledges that Mastercard has introduced numerous innovations in recent years, benefitting both

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<sup>1</sup> PSR (2025), ['Market review of card scheme and processing fees: Final report'](#), March, para 1.10.

<sup>2</sup> Ibid, para 4.83

<sup>3</sup> PSR (2025), ['Market review of card schemes and processing fees: Remedies consultation'](#), April, para 2.7

<sup>4</sup> PSR (2025), ['Market review of card scheme and processing fees: Final report'](#), March, para 6.193

issuers and acquirers, as well as merchants and consumers.<sup>5</sup> Thus the PSR has not established that these price changes are out of line with what would be expected in a well-functioning competitive environment.

The PSR stated its intention to “*consider whether the high fees charged by the schemes on the acquiring side are commensurate to the schemes’ investments*” in innovation and service enhancements.<sup>6</sup> Without conducting any substantive analysis, the PSR simply asserts that “*we consider that the current level of fees charged is not a necessary condition to support the level of investment and innovation in the card industry. Increased competition would lead to more innovation to the benefit of card users*”.<sup>7</sup>

This line of reasoning, particularly in the conclusions on quality and innovation, is circular.<sup>8</sup> Rather than objectively assessing whether trends in fees and innovation align with expectations for a well-functioning market, the PSR reverts to its prior finding that Mastercard is not subject to competitive constraints and assumes that, in a more competitive market, fees would be lower and innovation greater. As set out above, this prior finding is not well supported.

### ***Optional services***

The PSR had previously concluded that all scheme and processing services on the acquiring side were not subject to effective competitive constraints. Having undertaken further analysis, it now finds that some optional services offered by the schemes are subject to competitive pressure.

Even with these changes, the PSR’s finding that some optional services are not subject to competitive constraints is not grounded in a robust competition analysis consistent with established best practice. Instead, it relies primarily on qualitative feedback from individuals within a subset of acquirers. These views, while informative, do not reflect a comprehensive understanding of the competitive dynamics across all relevant service components.

The PSR’s analysis of Mastercard’s foreign exchange (FX) services offers a useful case study. Initial feedback from some acquirers questioned whether these services were genuinely optional. However, as acknowledged in the Final Report, acquirers can source FX services from alternative providers. In fact, the PSR itself references instances where acquirers report being charged a markup by banks when sourcing FX externally which is a clear indication that alternatives are available but may be less competitively priced than Mastercard’s offering.<sup>9</sup>

This is not evidence of a lack of competition, but rather a reflection of Mastercard’s ability to offer a better value proposition compared to available substitutes. The fact that acquirers actively compare options and cite less favourable pricing from third parties, suggests that Mastercard’s FX service is chosen because it is competitively priced, not because no alternatives exist. Relying on subjective perceptions by customers of convenience or relative pricing is not a basis for any conclusion that effective competition is absent. A structured competition analysis should be undertaken.

Further detail on the competitive process and constraints, market outcomes and consumer/ merchant harm are set out in chapter 8 (Annex 1) of this document.

### ***Implications for remedies***

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<sup>5</sup> Ibid, para 1.12.

<sup>6</sup> Ibid, para 6.15

<sup>7</sup> Ibid, para 1.12.

<sup>8</sup> Ibid, paras 6.186 - 6.190.

<sup>9</sup> PSR (2025), [‘Market review of card scheme and processing fees: Optional services’](#), Annex 4, para. 4.186.

The PSR has proposed a range of remedies, specifically on information, transparency and complexity (ITC), regulatory financial reporting (RFR), pricing governance and publishing scheme information. The remainder of this document provides detailed responses to each of the remedies in turn.

On the basis of the above, Mastercard has a number of substantive and cross-cutting concerns over the PSR's remedies and in particular, the extent to which they can be justified given the PSR's evidence base.

- **There is no justification for applying remedies to the issuing side of the market:** In its consultation on remedies, the PSR does not specifically set out that the proposed remedies would also be applied to the issuing side. We assume therefore that the PSR's intention is to apply the remedies to the acquiring side only. For the avoidance of doubt, we want to clarify that the findings would not justify remedies for the issuing side since the PSR has conducted no substance analysis, nor made any finding of a lack of competitive constraint in the market for services to issuers. To the contrary, the Final Report finds that competition on the issuing side places downward pressure on fees.<sup>10</sup> The remainder of this submission is prepared on the general basis that the remedies would not apply to issuer fees. To the extent that is wrong, the impact on Mastercard of those remedies would be far more onerous and objectionable.
- **There is no justification for applying remedies to optional services:** while the PSR concludes that there is a lack of competitive constraints for core fees it makes no such finding in relation to optional services as a whole. The PSR's analysis does not justify remedies in relation to optional services:
  - Firstly, the PSR has made no analysis of the vast majority of optional fees and thus did not make any findings on these. The PSR cannot impose remedies on services that it has not even considered.
  - Secondly, the ten optional services which the PSR has considered are not representative. Indeed, they have been *selected on the basis* that the PSR believed they face limited competitive constraints.<sup>11</sup> The fact that, even within this narrow subset, the PSR found a variety of alternatives exerting competitive pressure on several of the selected optional fees further highlights the presence of competition.<sup>12</sup>
  - Thirdly, even the analysis of the ten optional services undertaken by the PSR is not robust, hence its conclusions are not sound even for the few where it has found there are concerns. The PSR relies primarily on qualitative feedback from individuals within a subset of acquirers rather than a rigorous competition analysis. The example of FX services illustrates how such an approach does not result in a robust analysis and can result in incorrect findings.

Therefore, the PSR has not provided sufficient evidence on the lack of competitive constraints on optional services. Even if one were to accept the PSR's conclusion that certain specific optional services are not subject to competitive constraints (which is not supported by a robust analysis), there is no basis for applying the full range of proposed remedies to all optional services.

- **There is no justification for remedies which prepare for further regulation in the future:** The PSR's statutory objectives are to promote innovation, effective competition and service user interests. As the PSR acknowledges, regulatory oversight should not prejudice the innovation that effective markets offer.<sup>13</sup> Further, it is important for the PSR to ensure that any proposed remedy

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<sup>10</sup> PSR (2025), '[Market review of card scheme and processing fees: Final report](#)', March, para 5.41

<sup>11</sup> *ibid*, para 4.199

<sup>12</sup> *ibid*, para 4.200

<sup>13</sup> *ibid*, para 6.173.



does not inadvertently inhibit innovation or pre-judge future developments in the market. However, some of the PSR's proposed remedies (particularly pricing governance and RFR) have the explicit or implicit objective of facilitating further regulatory intervention, particularly with respect to fees.

In Annex 1 of the Final Report, the PSR recognises that APMs such as Open Banking are beginning to emerge and therefore that effective competition will materialise in the medium term. Yet it does not distinguish between true entry barriers (which may preclude effective competition in the future) and transitional obstacles. The PSR discusses "*barriers to wider adoption of open banking payments*", which are obstacles and challenges that can be overcome rather than structural barriers to entry in payments. These obstacles and challenges can be addressed with the assistance of the PSR and FCA themselves.

Instead of considering ways to facilitate competition, the PSR has focused the development of its remedies on the basis that there will be no future competition due to lack of APMs and that therefore further regulatory intervention (which risks serious unintended consequences) may be needed in the future. As we explain in section 8 (annex 1), such an approach is not justified by the findings of the PSR's analysis.

- **There is no justification for remedies which restrict Mastercard's commercial freedom:** The PSR explains that price regulation is not currently being considered due to an insufficient evidential basis and "*the complications in designing any fair price cap that reflects the nature of operations*". We agree that the findings do not justify any form of price regulation or caps and that such an approach would conflict with the PSR's statutory objectives and powers. This also means that any remedies which would directly or indirectly interfere with Mastercard's commercial freedom would not be justified.

We have identified some elements of the remedies that risk affecting Mastercard's commercial freedom which are explained in our detailed assessment of the remedies.

## 2. Criteria for effective remedies

In its consultation, the PSR sets out its criteria for assessing remedies. Specifically, it stated at para 2.22 that remedies should be “*effective and proportionate in achieving their aims*”. In its consideration of proportionality, the PSR assesses whether the remedy meets the following four criteria:

- be effective in achieving its aim;
- be no more onerous than is required to address that aim;
- incorporate the least onerous among the available options that are effective in addressing that aim;
- not produce adverse effects which are disproportionate to the objective of addressing that aim.

The PSR’s criteria of effectiveness and proportionality come from its Market Guidance.<sup>14</sup> This document refers to the CMA’s (formerly the CC’s) Market Guidance, revised in April 2014, from which the criteria of effectiveness and proportionality and the sub-criteria for assessing proportionality, are drawn.<sup>15</sup> The CMA has since revised its Draft Market Guidance in November 2024. In particular the CMA Draft Market Guidance elaborates on what it means by effectiveness, stating that it will give regard to:

- the likely impact on the AEC [adverse effect on competition] and, in addition, any detrimental effects, either already arising or expected to arise from it;
- the timescale over which the remedy is likely to have effect (i.e. how timely its impact is expected to be);
- practical consideration associated with the remedy, including relating to effective implementation, monitoring and enforcement; and
- the risk of the remedy not meeting its intended purpose and/or giving rise to unintended consequences.<sup>16</sup>

Mastercard considers that for the purposes of assessing the PSR’s proposed remedies in the context of this review, all eight of the CMA’s criteria from its updated Draft Market Guidance are relevant.

As such, Mastercard’s response comments on the PSRs proposed remedies are made in the context of the following criteria, which encompass the CMA’s criteria above, as well as the additional FCA criteria.

- **Effective:** the remedy addresses the identified harm and any identified effects arising from it and there is little risk of the remedy not addressing the harm.
- **Proportional:** the benefits of the remedy outweigh the costs and the remedy is no more onerous than it needs to be to achieve these aims and is the least onerous of the remedies identified by the PSR. The remedy does not produce disadvantages which would be disproportionate to its intended purpose.
- **No unintended consequences:** the remedy minimises risks of unintended consequences, including on competition and innovation.
- **Operationally feasible and timely:** the remedy can be effectively implemented by the relevant parties in a suitable timescale and effectively monitored and enforced if necessary.

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<sup>14</sup> Specifically, the PSR states that ‘We aim to ensure that any action we take is effective and proportionate to the concerns identified.’ See PSR (2015), ‘Market reviews, market studies and market investigation references: a guide to the PSR’s powers and procedures (Markets Guidance)’, para 3.29.

<sup>15</sup> Competition Commission (2013), ‘Guidelines for market investigations: their role, procedures, assessments and remedies’, April, para 344.

<sup>16</sup> Competition and Markets Authority (2024), ‘[Draft] Markets Guidance: [Draft] Markets Remedies Guidance’, November, para 3.23.



## 3. Information transparency and complexity

### 3.1 Overarching response

Mastercard recognises the need to ensure simplicity and transparency as regards the fees that it charges for the wide range of services that it provides. There is no reason why Mastercard's customers should not have full transparency and clarity regarding the fees that they pay. The question is how that outcome is best achieved in a proportionate manner. Mastercard has previously noted that the wide range of services it provides and continues to develop can contribute to a degree of complexity in billing. However, acquirers as sophisticated institutions and have significant capability and capacity to understand fees and the billing process. Notwithstanding, and as the PSR acknowledges, Mastercard has itself undertaken a number of initiatives to help improve its customers' understanding of its fees.

Specifically, as the PSR is aware,<sup>17</sup> Mastercard offers a wide and expanding suite of tools to its acquiring customers free of charge on Mastercard Connect. These tools include the Technical Resource Center with a full archive of published pricing bulletins, which are the primary means of fee updates, and the Pricing and Billing Resource Center, which offers various search methods and summary presentations to allow customers to easily understand pricing and billing.

For instance,

- the Billing Analytic Tool provides users the ability to ✕.
- the Transaction Detail Tool provides ✕.
- Mastercard implemented ✕
- The levels and billing criteria for all Mastercard fees in place are available in the Pricing Guide, which is electronic and continually updated.
- All Announcements ✕.

As the PSR acknowledges, Mastercard already provides much of the information which the PSR is proposing be included in the remedy<sup>18</sup> and the PSR has confirmed that this will be taken into account in the design of remedies.<sup>19</sup> However, the same recent improvements should have been, explicitly taken into account when considering the necessity for remedies. Indeed, the PSR states that it considers the remedies necessary since only a subset of acquirers *proactively* mentioned recent improvements in scheme tools.

Part of the challenge in developing these tools is making customers aware of them and the available training options, which is an ongoing process. As the PSR is aware, there is a wide spectrum of acquirers active in the UK. For example, some acquirers have grown by leveraging their technology experience to develop innovative service offerings and a simple pricing model for both large and small merchants. Others rely much more on legacy systems and less sophisticated models.

The broad-brush approach which the PSR took in its evidence base is in contrast with the highly prescriptive and detailed approach to its remedy design. While the prescriptive approach (which includes references as detailed as requiring websites to include 'links') may be appropriate if the schemes' customers were consumers, it is not appropriate where their issuing and acquiring customers are large sophisticated business. Acquirers already have their own systems to analyse information which Mastercard currently provides and the PSR's proposals will provide little additional benefit (and is likely to cause

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<sup>17</sup> PSR RC, FN 100

<sup>18</sup> PSR RC, FN 100

<sup>19</sup> PSR FR, 7.28

disruption if acquirers have to adapt their systems to receive or retrieve the information in a different form).

The PSR proposes to impose costly additional requirements and ongoing compliance monitoring which risks diverting resources from further developing Mastercard's existing tools based on the feedback received from customers. This risks undermining or delaying upgrades that may have more efficiently addressed customers' concerns.

Given the large variety of proposed remedies, their effectiveness, proportionality, adverse consequences and feasibility will vary. In line with good practice they should be market tested with acquirers to ascertain their consequences and feasibility. Mastercard considers each of the proposed remedies in detail below.

As already outlined in section 1, it is essential that the scope of the ITC remedies is limited to acquiring fees charged in relation to services provided by acquirers to UK merchants. The PSR has not investigated the vast majority of optional services offered by Mastercard. While some proposals (such as the need to identify optional services in a PSR-defined categorisation) may extend to optional services, it is clear that several proposed requirements would not be effective or proportionate if they had to be applied to optional services purchased by acquirers.

### **3.2 Specific requirements set out by the PSR**

Beyond the question of effectiveness, the PSR's prescriptive proposed approach has resulted in some specific requirements being included in the proposed ITC remedies which are far from the least onerous means of achieving the PSR's aim. It should be possible in many cases to find pragmatic solutions to address the PSR's stated objectives while reducing the amount of unnecessary work. It is also important to balance any potential adverse consequences that may arise from the implementation against the benefits.

#### **3.2.1 Box 1**

##### **Detailed definition of the fee**

The PSR's requirements to add 'detailed definitions' is feasible in principle. Indeed, Mastercard already provides ✕.

Without further detail, Mastercard cannot comment on if and how the PSR's requirement for it to provide 'detailed' definitions would deviate from its existing practices and if this would result in any benefits to customers. If the PSR's requirement diverges from the current categorisation provided, it will necessarily involve a manual review of every definition included in Mastercard's systems.

Such a manual exercise would result in implementation costs and ongoing monitoring costs. Given that these requirements are (at most) incremental to the similar information already provided by Mastercard, it is questionable whether such a requirement would result in benefits that outweigh the implementation costs, especially where the relevant service is insignificant in scope.

##### **Detailed technical specifications**

The PSR's requirements to add 'detailed technical specifications' are also feasible in principle. Indeed, Mastercard already provides ✕ in the ordinary course of business, typically in Announcements.

The requirement to do so on a more detailed basis and for all fees will, however, necessarily result in manual steps being added to the information provision process. This will inevitably introduce the potential for human error and divert resource from the development of automated tools in pursuit of the specific requirement imposed by the PSR. The PSR's remedy will thus delay and replace the very market-based improvements to Mastercard systems that the PSR has acknowledged have improved outcomes for acquirers and form the basis of some of its proposals.

##### **Appropriate PSR defined fee categorisation**

The PSR's requirements to add a PSR-defined categorisation are feasible in principle. Indeed, Mastercard already provides ✕ in Announcements and the Pricing Guide.

Without further detail, Mastercard cannot comment on if and how a PSR-set categorisation would deviate from these and if this would result in any benefits to customers. If the PSRs requirement diverges from the current categorisation provided, it will however necessarily involve a manual review of every categorisation included in Mastercard's systems.

Furthermore, a PSR-defined fee categorization which duplicates that already used by Mastercard will likely result in confusion to customers. Should the PSR, for instance insist on a different definition of 'optional', it may result in fees being labelled as both optional and mandatory. Especially where acquirers operate both within the UK and beyond it, such a discrepancy may not easily be resolved.

The PSR should therefore ensure that its categorisations do not duplicate or conflict with the existing categorisations already used by Mastercard.

### **Clear justification**

A 'clear justification' of a fee can, in principle, be provided, but will require an additional manual and ongoing process.

However, the PSR's proposed list of justifications appears to be focused on mandatory and behavioural fees. As the PSR is aware, the majority of Mastercard's fees relate to optional services, where the justification is simply the customers' decision to take up the particular service or product to which it relates. Regardless of the scope of the remaining remedies, Mastercard therefore considers that this requirement should be limited to mandatory and behavioural fees for which the justifications would be meaningful.

### **Rates and units of billing**

This information is already available through existing mechanisms, such as the invoices, Announcements and the Pricing Guide.

### **The history of the fee level over time with links to creation and change event documentation**

Providing a history of fee levels that no longer apply (and might not have done so for several years) will not help achieve the outcomes specified by the PSR. Prior fee information cannot be used to understand or forecast fees and cannot be used to allocate fees to merchants. Past fee levels are also irrelevant to acquirers' ability to access, assess and act upon relevant current information. At most, such information would only be useful following recent price changes to assess how any change reflects the value delivered by Mastercard. Therefore, the only appropriate place to include current and future fee levels would be the Announcements of upcoming pricing change.<sup>20</sup>

In any case, Mastercard considers that at most one year of historic price levels may be useful to help acquirers assess the impact of recent changes and the remedy should be explicitly limited to this time frame. In order to ensure proportionality, only recent and relevant information should be considered within the scope of this remedy.

Similarly, the PSR appears to be concerned with the format of the information, specifying that it should include 'links'. This approach is unjustified as it would necessitate a redesign of Mastercard's existing tools and would be extremely onerous, incurring significant costs. The addition of links would create negligible benefit because Mastercard's tools already include unique identifiers for the relevant fees which can be searched and filtered. They are therefore easily accessible to acquirers in the 'user friendly' format specified by the PSR.

#### **3.2.2 Box 2**

This information is ✕. While the PSR's proposed remedy would therefore result in limited additional costs to Mastercard, it would also not generate any additional benefits to ecosystem participants beyond what

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<sup>20</sup> This may result in additional announcements being published, as the format of UK announcements departs from the ones used in the EEA.

Mastercard already delivers. We look forward to discussing with the PSR how Mastercard's existing systems can meet their requirements, either obviating the need for this element of the remedy or confirming that no further steps are required by Mastercard to comply.

The PSR states that this is only available for 'some' fees<sup>21</sup>, but this is incorrect. The current tools  $\mathbb{X}$ . That means the only cases in which transaction information is not available is if a fee is not triggered by any transaction e.g. the License Fee is a non-transactional fixed monthly fee.

### **3.2.3 Information to understand changed and new fees—Providing this information with 6 months' notice prior to implementation**

The PSR considers that acquirers should be provided with the transaction level information and financial impact (based on historical transactions) information in Box 1, at least six months prior to implementation.

While Mastercard already provides acquirers with  $\mathbb{X}$  notice of fee changes, the additional information the PSR is proposing to require be provided alongside such announcements is not usually available at this time. For instance, the network logic would be defined over the course of the implementation period which runs concurrently with the notice period. The network logic would also need to be fully defined before any samples of transaction data or impact estimates could be prepared.

Therefore, the proposed remedy will necessarily result in potentially significant delays to the introduction of new products to the UK, if additional time must be allowed to meet these requirements. Similarly, it will delay the implementation of behavioural pricing, which will mean delays to the ecosystem benefits which such pricing incentivises. At a minimum, there should therefore not be any requirement of advance notice for new and changed optional and behavioural services.

Furthermore, the PSR is creating an additional burden for acquirers and merchants. As the PSR is creating separate levels of detail and different timelines (and consequently different live dates) for changes applicable to UK merchants (as opposed to those applicable for EEA merchants) this will also create a parallel process for international acquirers and merchants to manage. It is unlikely that the incremental benefits of the additional information required by the PSR will outweigh the costs on acquirers and merchants created by this parallel process. However, the information required by the PSR can be prepared and made available three months ahead of implementation without significant adverse consequences, whilst still achieving the PSR's broad objectives.

### **3.2.4 Technical information for acquirers to be able to forecast how each fee change will impact each acquirer**

The concerns outlined above in relation to Box 1 for existing fees apply equally to new fees.

### **3.2.5 Box 3**

- **At least one month of transaction-level data for the fee changes**

Mastercard understands that the PSR is proposing to impose this requirement to be "*able to forecast the impact of fee changes and the introduction of new fees*", but it is unclear why this requirement creates a need for acquirers to receive data at the transaction level.

Indeed, the rules and data elements that trigger a fee are fully explained on the basis of the network logic set out in Box 1. Based on such a description there is no ambiguity about which transactions are affected by the fee change. While a sample of transactions may help an acquirer reverse-engineer the fee logic, this is not required if the fee logic is already available, meaning that a sample of transactions creates no incremental benefit to acquirers.

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<sup>21</sup> PSR Remedies consultation, FN 100

Furthermore, these files will be extremely large (although many transactions and data elements will be irrelevant to the fee in question). Sharing files of this size regularly will create unnecessary and avoidable operational challenges and ongoing costs for the acquirers.

This operational challenge is compounded by the fact that there is currently no infrastructure that would be able dynamically to identify and store acquirers' specific transactions impacted by fees that are not yet live. This requirement would therefore require the bottom-up development of new platforms and the re-engineering of parts of Mastercard's infrastructure, which will make it the most costly of all ITC requirements to implement. Indeed, even if Mastercard were able to do so, the forecasts would have material limitations, due to the potential for fee drivers to change over time (such as transaction mix or behavioural change by acquirers).

Against this backdrop of significant implementation costs, the PSR should consider workable alternatives that allow acquirers to achieve the PSR's aim. For instance, sharing aggregated data does not have the same operational impact and aligns with how Mastercard already calculates fees (i.e. not on a transaction-by-transaction basis).

- **The expected financial impact to acquirers over a period based on historic usage**

Mastercard, already provides  $\propto$  to acquirers which request it. However, these calculations cannot be characterised as an 'expected financial impact' as an acquirers' volume and transaction mix can vary significantly over time and may also be affected by other factors such as the take up of optional services, which will be influenced by the level of the associated fee. Presenting this information as Mastercard's 'expected' impact may therefore mislead acquirers and generate queries and misunderstandings which the PSR is trying to reduce.

Furthermore, the implementation of these requirements may necessitate the development of a new tool or extensive manual work, which will result in significant implementation and maintenance costs. In circumstances where the definition of the fee and the calculation of charges are already transparent, the specific benefits of this requirement are limited and may be outweighed by the costs.

### **3.2.6 Responding meaningfully and promptly to acquirers on their fee-related queries in appropriate timeframes**

Mastercard currently maintains a system to triage all queries received through its customer contact centre. Through the proper channels this system allows Mastercard to prioritise important high-value and high-impact queries and to respond and resolve those queries as quickly and efficiently as possible. Indeed, Mastercard's data show that this system works well with UK and European billing inquiries being resolved within  $\propto$  on average. Replacing this system with a blanket three-day requirement to respond to all fee-related queries does not add value to this process and ignores the reality that not all queries are equally urgent and impactful. Indeed, it is often not fee-related questions but operational issues that require the most expedient solutions.

It is also important to consider that some fee-related queries will initially be sent to account managers, rather than through the contact centre. Whilst the PSR rightly recognises the value which the account manager relationship provides, it is not as well suited to the imposition of strict SLAs. Acquirers will clearly benefit from the one to one support which an account manager provides, but on occasion that person might not be immediately available or may have to prioritise other customers. It is therefore not reasonable to expect individuals to operate within such timescales, when the role which they perform is much wider than responding to these types of queries.

In any case, the timeframe of three days does not appear to be based on any evidence that would suggest this timeframe is either necessary or proportionate. An evidence-based SLA criterion that seeks to fix a uniform requirement across all queries would need to consider the most complex queries, which may in some cases require development work and changes to live systems. It would also need to consider the fact that not all queries raised by acquirers to Mastercard can be resolved by Mastercard.

The PSR's proposed remedy refers generically to "*fee-related queries*", but Mastercard's internal data indicate that there are significant differences between the types of queries which might fall within this broad description. Simpler queries that can be handled by customer support are resolved on average within two days. However, there are more complex queries that rely on input from several internal Mastercard teams. These clearly require more time to respond to.

It is therefore not reasonable for the PSR to expect Mastercard to treat all "fee-related queries" in the same way or within the same timeframes and nor would it be appropriate for Mastercard to do so. The PSR should define much more clearly what is meant by "fee-related queries" and should limit that definition to operational matters or questions about the level of the fee charged i.e. questions to which a simple factual response can be provided. It is not reasonable to expect Mastercard to respond meaningfully to any 'query' which in some way relates to fees, within a specific timeframe because there may be no simple answer that can easily be provided. Therefore the phrase "fee-related queries" should be replaced by a much more precise description of the type of question which would trigger this remedy.

More complex queries will inevitably take significantly longer than three days meaningfully to address. While we believe that an SLA requirement with a blanket time period is unsuitable for billing queries that vary greatly in scope, as the PSR is nonetheless proposing to use such a blanket requirement, the requirement should then be based on the most complex queries. Mastercard considers that a more reasonable timeframe for the complex nature of acquirer queries is therefore 15 days.

### **3.2.7 Providing merchants with information on fees charged to acquirers**

The nature of the four-party model means that Mastercard has contractual relationships with acquirers and issuers rather than merchants. Therefore, it is acquirers rather than Mastercard which sets the fees which merchants pay. That is particularly the case for SME merchants which are more likely to be on blended, rather than interchange ++ rates. Indeed, Mastercard does not have visibility of the fees charged by acquirers to merchants, as that is commercially confidential between those parties and may vary significantly between merchants.

Mastercard does not necessarily accept there is a problem with the fee information which acquirers currently provide to merchants. However, in view of the PSR's perception regarding SME merchants' ability to understand fees, Mastercard considers that a merchant portal could be a reasonable approach.

A portal would be designed to give merchants a comprehensive overview of the different categories of fees and the services which are likely to be relevant for different types of merchants. The portal cannot include details of the level of those fees, as Mastercard will not know the fees charged to merchants and therefore providing details of the fees which it charges to acquirers is likely to cause significant confusion. For example, the portal could allow a merchant to enter some specified information relevant to its business (such as volume of card transactions, domestic/cross-border split and card present/not present split) and the portal would provide a bespoke response about the particular types of fees the merchant's acquirer is most likely to pay.

### **3.2.8 Fee volume reduction**

Mastercard continues strongly to oppose the PSR's proposed requirement for the schemes to reduce the number of fees which it charges. We note that these concerns are shared by acquirers.<sup>22</sup>

This requirement would impose a major restriction on innovation and the introduction of new services, because it would not be possible to introduce an associated fee. At the extreme, the proposal could even require certain services to be withdrawn, if the number of associated fees had to be reduced. Clearly, this would have a hugely negative effect on the attractiveness of the UK market to Mastercard and would likely

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<sup>22</sup> PSR summary of stakeholder roundtable, p. 5



lead to services available in other markets, not being made available in the UK, to the obvious detriment of all participants in the ecosystem and the economy as a whole.

Alternatively, rather than leading to a reduction in the number of services, a fee volume reduction requirement could lead to the bundling of several services under one fee. We share the concerns raised by acquirers around such bundling.<sup>23</sup> Bundling of fees would lead to customers losing visibility over the services they receive for the fees which they pay. This would work directly against the objectives of the transparency and complexity remedies. It could also raise barriers to entry and expansion.

It is also impossible to imagine how this remedy could be applied only at UK level. As the PSR is aware, Mastercard fees are set at a Europe and global level. It is not practical to combine fees in the UK, whilst keeping those same fees separate elsewhere. Acquirers would certainly object to that approach, because of the obvious confusion it would create and the detrimental impact on fee transparency. It would very significantly undermine the other ITC remedies which the PSR is proposing. At the same time, Mastercard would very strongly object to a requirement being imposed in the UK, which forced it to make changes to fees outside of the UK, which we believe would be entirely unjustified.

It is therefore clear that a fee volume reduction would have negative consequences for scheme users either in the form of a reduction in the number of services offered or reduced transparency of fees both through bundling and UK vs non-UK approach. Mastercard believes that these detrimental consequences can and should be avoided and the fee volume reduction should not be pursued.

We also note the acquirer concerns around the proportionality of this measure. A process to examine the simplification of fees would create work that adds no benefits to acquirers and may in fact be detrimental by significantly changing the familiar structure. In particular, the appointment of a skilled person would itself create a major disruption and operational burden on Mastercard. It is likely that such a person would require significant support from Mastercard's small Europe pricing team for an extended period of time. Even so, it will be incredibly challenging for such a person to provide a meaningful view of Mastercard's billing to the PSR. Given lack of benefit arising from this requirement, it does not correspond to the principle of proportionality required of these remedies.

### **3.3 Conclusion**

The examples in the preceding section illustrate the challenges associated with the PSR's prescriptive approach to designing the ITC remedies. Therefore, while Mastercard agrees with the aims of the ITC remedies and indeed has been making several improvements to the way information is available, the specific proposals are often neither effective nor proportionate.

Nevertheless, in many cases Mastercard considers that similar or alternative arrangements could be made to achieve the outcomes set by the PSR. Mastercard therefore strongly suggests that the PSR re-frame the remedies considered as outcomes rather than prescriptive lists of actions. This would also allow for the improvements that have already been made to the systems to be optimally utilised.

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<sup>23</sup> PSR summary of stakeholder roundtable, p. 5

## 4. Pricing Governance

In its Final Report, the PSR states that its “*understanding of the drivers of fee changes was limited*” as not all factors are consistently recorded in writing.<sup>24</sup> The pricing governance remedy aims to address the perceived problem that the PSR outlines by giving the PSR the ability to “*sufficiently investigate or understand the basis on which pricing decisions are taken, and therefore to investigate the concern that prices are set at an unduly high level contrary to the interests of service users*”.<sup>25</sup>

We understand that the pricing governance remedy is not intended to design or prescribe a methodology for setting prices or to interfere with Mastercard’s freedom to set prices in any other ways (which would not be justified by the PSR’s findings).

While the PSR’s objective in proposing the remedy is to improve its understanding of fee changes, it also implies that a key purpose of this remedy is to prepare for future regulatory intervention. Specifically, the PSR states that a key benefit of this remedy is that “*acquirers and merchants benefit from appropriate constraints on pricing [...] following PSR intervention.*”<sup>26</sup> While Mastercard does not object in principle to the PSR’s aim of gathering information, it considers that the benefits to acquirers and merchants of this remedy are unlikely to outweigh the costs.

Firstly, any benefits from potential future intervention will only arise if the PSR finds that prices are set above competitive levels. As the PSR acknowledges, this is uncertain as it is still investigating whether ‘prices are unduly high’<sup>27</sup> and it still has limited understanding of the drivers of fee changes.<sup>28</sup>

Secondly, any potential benefits will only materialise following future intervention, which will only occur after the PSR has indeed been able to establish that there is evidence that Mastercard’s fees are not commensurate with its high quality, innovative offering and that it is not constrained by alternative payments. Given the expected growth of Open Banking in the next few years (driven by the PSR’s and FCA’s regulatory interventions (see annex 1), intrusive price regulation on Mastercard and Visa is not likely to be an appropriate remedy to support the continued success of APMs. Thus, if there is little expected benefit from the remedy now and little benefit in the future given expected market changes, it raises questions as to whether the benefits of the proposed remedy outweigh its costs.

Nonetheless, Mastercard looks forward to working closely with the PSR, as the PSR itself envisages<sup>29</sup>, to develop a workable and proportionate remedy which meets the PSR’s objectives. Mastercard is a global company that operates a global card scheme and pricing decisions related to the UK scheme are taken principally at a European level. Indeed, very few pricing decisions are UK-specific and hence will relate to considerations in other jurisdictions as well. It is within this broader context that, working closely with the PSR, Mastercard will aim to develop a governance framework that meets the PSR’s needs but which is nevertheless workable and proportionate given the wider governance and management context in which Mastercard operates as a global business.

There are two specific aspects of the proposed remedy which raise particular concerns.

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<sup>24</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Final Report*’, March, para 6.102.

<sup>25</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, para 6.1

<sup>26</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, Figure 5.

<sup>27</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, para 6.9.

<sup>28</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, para 2.16, Final Report, para 1.11.

<sup>29</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, e.g. para 6.14



- Scope of the remedy: The PSR is consulting on the appropriate scope of the remedy.<sup>30</sup> Mastercard considers that the scope should be narrowed significantly, reducing the regulatory burden without undermining the remedy's effectiveness in achieving the PSR's stated objective.
- Pricing Principles: The PSR's proposed Pricing Principles are broadly consistent with its stated objective of understanding the basis on which pricing decisions are taken, rather than influencing the pricing decisions themselves. However, references to cost in the third pricing principle require clarification to ensure that is the case. Any requirement that Mastercard sets prices with reference to costs would not be consistent with the PSR's stated objective, nor would it be effective or proportionate with regards to the PSR's findings. Additionally, as we explain below, measuring costs for each individual product is neither meaningful nor informative.

#### 4.1 Scope of the remedy

The effectiveness and proportionality of applying the remedy to different types of services (and therefore fee changes) varies and hence we outline the specific relevant factors that should be considered.

- **Services to issuers**: As explained in section 1, there is no basis to apply these remedies to fees charged to issuers. The PSR has made no finding of a lack of competitive constraint in this respect and in fact finds that competition places downward pressure on fees. The PSR has provided no justification for including fees related to issuing services within the scope of this remedy and indeed doing so would run contrary to its own conclusion that competition in the market for issuers is working well. Given the lack of adverse findings in relation to issuers, extending the remedy to fees related to issuer services would be completely unjustified, as well as clearly disproportionate.

We acknowledge that, in some circumstances, it may be necessary to extend the scope of a remedy beyond the competition concern identified, in order to ensure the viability or the effectiveness of the remedy. This is not, however, the case here. There is no reason why limiting the scope of the remedy to fees for acquiring services would mean that the remedy is any less viable or effective.

- **Optional services to acquirers**: Similarly, as discussed in section 1, while the PSR draws some conclusions in relation to the lack of competitive constraints for core fees, it makes no such finding in relation to optional services as a whole. The PSR finds that some optional services are subject to competitive pressure on optional fees and where it makes findings to the contrary these findings are not grounded in a robust competition analysis (see section 1 and annex 1). Therefore, applying the remedy to optional services would not be proportionate or appropriate.
- **Materiality**: Question 33 asks whether this remedy (e.g. the PDR and compliance reporting requirements) should apply to all fee changes or only material fee changes. The PSR's proposed remedy would impose a disproportionate regulatory burden unless a materiality threshold is introduced. Pricing decisions are taken on a European basis and often relate to services which may be material in other European countries, but which have only a negligible demand in the UK. Given negligible UK demand, it would be disproportionate to require Mastercard to apply the governance requirements to such pricing decisions. As such, the pricing governance remedy should apply only to pricing changes which are forecast to generate UK revenue above a minimum value threshold.

While Mastercard acknowledges the PSR's desire to obtain more information as to how fees are set, the proposed remedy creates a significant additional regulatory burden. Recording and documenting the process by which fee proposals evolve (potentially over many months) in the way that the PSR has

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<sup>30</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, Q33.

proposed would be a burdensome process. As such, the remedy should only be implemented for fees where the benefits of the remedy outweigh the costs of doing so. Implementing the remedy outside of the scope described above would not be proportional.

## 4.2 Pricing principles

As discussed above, the Pricing Governance remedy is intended to enable the PSR to understand the basis for Mastercard's pricing decisions, but not to interfere with Mastercard's commercial freedom to determine prices or the methodology it uses to do so. Mastercard considers that aspects of the proposed principles are aligned with how Mastercard thinks about pricing and can be useful in meeting the PSR's objective of better understanding how Mastercard sets its prices. While Mastercard understands that the pricing principles as currently formulated will not interfere with its commercial freedom, clarification on the third pricing principle is required to ensure that this is indeed the case.

At para 6.18, when describing the third principle of reasonableness, the PSR proposes that the scheme should have regard to quality "and/or" cost when setting fees:

*"Schemes must pay due regard to the reasonableness of their fees, when considering: (i) the costs incurred in delivering the service, **and/or** (ii) the specific quality of the service provided, and/or (iii) where the fee is a behavioural fee, whether it effectively and efficiently induces the intended behaviour at lowest cost to users."* [highlighting added]

Mastercard can comply with the Pricing Principle as formulated above because the formulation with "and/or" means that Mastercard can have due regard to reasonableness of their fees when considering the specific quality of the service provided, without the need for it also to consider the costs of delivering the service. This is also consistent with how Pricing Principle 3 is described in paragraph 6.28:

*"In the absence of a competitive pricing process for scheme and processing fees on the acquiring side, it is important for the PSR to be able to examine the extent to which Mastercard and Visa focus on cost increases **or** quality improvements when setting fee levels."* [highlighting added]

However, at paragraph 6.27, "or" is omitted, creating ambiguity as to whether Mastercard might be required to consider cost as well as quality in relation to each pricing decision. Mastercard hopes that this is a drafting oversight and requests that the PSR ensures that this is carefully addressed in the wording of any future remedy.

To the extent that the PSR requires Mastercard to consider quality "and/or" costs when setting its fees, Mastercard can comply with the principle and considers that this does not interfere with its commercial freedom. Indeed, Mastercard already performs an assessment of how a change in fees will affect specific segments of the market. Mastercard's existing pricing principles currently consider the value provided to scheme users, which is closely related to the quality of service.

However, in the case that the PSR intends that the principle requires the consideration of cost in relation to any individual service line and thus fee, this would not be appropriate or practicable. Mastercard repeats below why this is the case.

The ability to recover costs in the aggregate, to recover common costs that Mastercard incurs and to generate a sustainable profit margin is an important consideration in any sustainable business model and indeed for Mastercard.

However, a requirement to set prices at the level of each individual service line would be inappropriate (see section 5 for further discussion of tracking profitability).

- Firstly, as a high fixed-costs commercial business, Mastercard should have discretion in how and where it recovers its common costs.
- Secondly, Mastercard does not segregate its staff, operations and business reporting on the basis of individual services and doing so for the purposes of complying with a UK-specific remedy would be extremely burdensome, costly and in many cases impossible. Costs estimates for

individual UK-specific service lines would be driven by assumptions and therefore uninformative and meaningless.

- Thirdly, the remedy is not proportional to the PSR's findings and intended objectives of the remedy and it is likely to result in unintended consequences, including to competition and innovation.

Mastercard is concerned that any remedy that requires it to consider costs in determining prices for each individual service may lead to an expectation that such prices will be based on 'costs' i.e. cost-based pricing tantamount to price regulation. As the PSR itself acknowledges, implementing price regulation is not appropriate in the context of the payments market.<sup>31</sup> As outlined in Mastercard's previous submissions, price regulation significantly reduces players' incentives to innovate.<sup>32</sup> It is therefore not appropriate in markets where investment and innovation are important to the ongoing functioning of the market and barriers to entry are not so large as to prevent competition, as is the case with payments.<sup>33</sup>

Furthermore, introducing a pricing intervention in the UK specifically is likely ✂ Indeed there are costs to launch a new product or innovation in each market.

The UK often serves as a test-bed for Mastercard's new services and service enhancements and is one of the first countries in which new services are rolled out. This is both because of, and a contributing factor to, the fact that the UK is at the 'forefront of payments innovation',<sup>34</sup> with one of the 'most dynamic fintech sectors in the world', which is driven in part by 'regulators who support, rather than constrain, innovation.'<sup>35</sup> ✂ Although Mastercard conducts innovation at a global level, due to the UK's position as a test bed for new ✂

A reduction in payments innovation in the UK is likely to have knock-on effects both for UK merchants and for economic productivity in the UK overall. For merchants, delays to the introduction of new services which may increase approvals and reduce fraud will have a direct impact, for example by reducing incremental sales. Innovation in the payments system also plays a vital role for the economy as a whole. For example, the FCA is currently looking to increase the contactless limit, a decision which is possible because of Mastercard's innovations to protect against fraud, on the basis that contactless payments result in higher sales and productivity and may benefit innovation in the economy as a whole.<sup>36</sup>

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<sup>31</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, para 3.53.

<sup>32</sup> Mastercard, Post-Oral hearing voluntary submission

<sup>33</sup> See section 1.

<sup>34</sup> Bank of England (2025), 'Progress update: The digital pound and the payments landscape', 14 January, section 4.3, and HM Treasury (2021), 'Payments Landscape Review: response to our call for evidence', October, para 2.17.

<sup>35</sup> UK Finance (2021), 'Future ready payments 2030', February, p3.

<sup>36</sup> FCA (2025), 'Engagement Paper: Contactless Payment Limits', March, para 1.2.

## 5. Regulatory Financial Reporting (RFR)

### 5.1 Introduction to Mastercard's review of the PSR's proposed RFR remedies

The PSR proposes in the remedies consultation to 'introduce regulatory financial reporting (RFR) as [the PSR is] currently unable to effectively monitor and understand Mastercard's and Visa's financial performance in the UK'<sup>37</sup>, as a result of a perceived 'limitations of the data'<sup>38</sup> made available during the market review.

The PSR sets out three key questions in the remedies consultation: (i) to assess the level of profitability of Mastercard's UK card operations (ii) to identify the key activities contributing to this level of profitability (iii) to examine any observable trends associated with both.

To this end, the PSR proposes the following set of remedies:

- Preparation of P&L accounts covering both Mastercard's UK card activities and its broader UK operations (i.e., including non-cards activities), with disaggregation by product, service, or customer;
- A balance sheet covering the same scope, with an aim to undertake a return on capital employed (ROCE) analysis;
- Provision of contextual information, including transaction volumes, innovation and customer satisfaction metrics, and board reports.

Section 5.2 discusses the fully-loaded P&L that Mastercard has prepared and Sections 5.3-5.5 set out Mastercard's review of the RFR remedies proposed by the PSR. We assess whether the remedies proposed by the PSR are effective in answering the three questions identified by the PSR and whether the proposed remedies are likely to be economically meaningful, proportionate, and operationally feasible. Where Mastercard considers the proposed remedies fall short in terms of economic rationale, proportionality, or practical implementation, we offer, as requested, alternative options that are more appropriate to achieve the PSR's objectives.

We first explain in section 5.2 that Mastercard has, over the course of the market review, prepared fully-loaded P&L accounts following discussions with the PSR on the financial information required.<sup>39</sup> While the PSR has raised questions about the methodology used to prepare the UK P&L, Mastercard has responded to these questions and considers that the current UK P&L provides a robust and agreed basis for the RFR. Mastercard considers that the UK P&L offers a sound framework for analysing UK margins and supports a RFR remedy that is consistent with the PSR's objectives, as well as being economically meaningful, proportionate, and operationally feasible. In particular, it meets the PSR's three objectives discussed above.

Section 5.3 reviews the PSR's proposal to extend the scope of the proposed remedy to non-card products, as well as undertaking an analysis of profitability at the product and customer level. Mastercard considers that it is unclear how this broader scope would provide the PSR with economically meaningful insights into Mastercard's margins for its UK cards activities. Mastercard presents in this section alternative approaches that it considers more meaningful, proportionate, and operationally feasible, while addressing the PSR's stated objectives.

Section 5.4 examines the PSR's proposal to conduct a ROCE analysis in the UK. The PSR considers that a ROCE analysis will enable it to 'take a more rounded view of Mastercard's and Visa's financial performance, alongside margin-based measures, including taking into account capital intensity and being able to compare

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<sup>37</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, Section 5.

<sup>38</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.25.

<sup>39</sup> Mastercard initially prepared the UK P&L accounts for each of the 3 years ended 31 December 2019, 2020 and 2021 and then additionally for the years 2022 and 2023.

*each scheme's ROCE to its weighted average cost of capital (WACC)'<sup>40</sup>. It also seeks to 'potentially overcome some of the challenges of a margin-based approach to profitability analysis'.<sup>41</sup>*

However, Mastercard considers that a ROCE analysis will not overcome the challenges that the PSR perceives that it has faced in the context of the margins analysis. In particular, it would require the construction of a UK-specific balance sheet, which would involve an allocation exercise similar to that carried out for the UK P&L account, with an additional challenge concerning the valuation of Mastercard's intangible and tangible assets. Therefore, the outcome of a ROCE analysis would greatly depend on the assumptions made for the preparation of a balance sheet capturing Mastercard's UK activities and in particular the assumptions applied for the valuation of Mastercard's intangibles (most of which are not on Mastercard's balance sheet). This would make it therefore a much poorer tool than the UK P&L for assessing the level of profitability of Mastercard's UK card operations, as well as for understanding the profitability drivers and trends.

Finally, the PSR is proposing to collect UK-specific contextual information to enhance its understanding of Mastercard's financial performance in the UK. While Mastercard agrees that it may be helpful to continue sharing certain data points (such as the transaction mix) to support the interpretation of trends in the UK margins, the remedies consultation sets out an extensive list of contextual factors, the relevance of several of which is unclear. We explain these points in detail in section 5.5.

Section 5.6 sets out a number of observations that Mastercard would like to emphasise regarding the implementation of remedies. Section 5.7 summarises Mastercard's assessment of the RFR proposed by the PSR alongside the alternatives it has put forward. This section also outlines the set of remedies that, in Mastercard's view, address the PSR's stated objectives in a manner that is economically meaningful, proportionate, and operationally feasible.

## **5.2 The fully-loaded UK P&L**

The PSR initiated discussions with Mastercard regarding the preparation of the UK P&L in the summer of 2022. These discussions informed the approach for preparing the UK P&L, where Mastercard and the PSR agreed that:

- the profitability would take the form of an operating margin analysis for the UK card business;
- the period of analysis would cover each of the three years from 2019 to 2021 (later extended to 2022 and then 2023);
- revenues would consist of all scheme and switch fees charged to issuers and acquirers, along with associated costs, taking into account rebates and incentives;
- global costs would be allocated to the UK on a fully-allocated cost basis (using activity-based costing, in line with the principles set out in the PSR disclosure paper<sup>42</sup>).

During the market review, the PSR raised a number of questions about the UK P&L prepared by Mastercard; these questions were addressed by Mastercard:

- The PSR was concerned that the fully-loaded P&L had underestimated Mastercard's profitability as a result of the accounting treatment of rebates and incentives in relation to new contracts for debit cards. Mastercard undertook further analysis which showed that this was not the case; we reallocated incentive costs across years and demonstrated that these timing differences had only a limited effect on UK operating margins.

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<sup>40</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 3.29.

<sup>41</sup> Ibid.

<sup>42</sup> PSR (2023), 'Scheme and processing fees market review. Disclosure paper – Profitability (margins analysis)', 1 December, para. 5.4.



- The PSR had asked Mastercard to prepare the fully-loaded P&L based on a fully-allocated costs approach and such an approach is in line with good practice but later the PSR suggested that an incremental cost approach should be used. Such an approach, in the context of a market investigation, is not in line with good practice and not appropriate for a technology company with substantial common costs.
- The PSR questioned the choice of cost drivers used in the UK P&L and suggested alternative cost drivers in a sensitivity analysis presented in the Interim and Final reports. The sensitivity scenarios with alternative cost allocations presented by the PSR appear to have a limited impact on the fully-loaded P&L's margin.
- Revenues included in the UK P&L are geo-coded to the UK. In other words, no allocation exercise was required to identify the revenue streams relevant to the UK P&L, as these revenues were already directly attributed based on geographic coding. Mastercard considers that FX revenues fall outside the scope of the market review, as cross-border transactions do not involve a fee charged to issuers. Nevertheless, Mastercard has provided the FX revenue data to the PSR.

Mastercard has demonstrated that the original questions and concerns raised by the PSR are either not material or have been resolved by providing additional data and/or analysis. If the PSR considers that these issues have not been resolved, Mastercard considers that they are eminently solvable and is ready to engage in further discussions with the PSR, for example regarding alternative allocation keys that the PSR may deem relevant for allocating costs to the UK.

Importantly, if there were any residual concerns about cost allocation then these would not be addressed by undertaking a ROCE approach, which would also involve a cost allocation exercise. In addition it would involve a very challenging exercise to prepare a balance sheet specifically for Mastercard's card activities in the UK (which would require an allocation methodology and an approach to valuing intangible assets).

The benefit of using the fully-loaded P&Ls as a core element of the RFR is that they will provide data on a consistent basis to what the PSR has already collected. On day 1 of the remedy, the PSR will have five years' of history against which to analysis the RFR submissions. It provides therefore a robust basis for not only assessing the profitability of Mastercard's UK card operations, but also for understanding the drivers of this profitability as well as trends over time.

### 5.3 "Other UK operations"

#### 5.3.1 Measuring profitability of non-cards UK products

The PSR proposes to define Mastercard's relevant activities as comprising both the supply of scheme and processing services in the UK (referred to as 'relevant UK operations') and other products and services provided by the schemes either in the UK or to, or on behalf of, UK customers ('other UK operations'), including *'products and services provided outside of the UK or to non-UK customers that utilise, as their input, information derived from the relevant UK operations (for example, transaction data)'*.<sup>43</sup> This broader definition encompasses *'information for both, scheme and processing services that are subject to our market review, as well as other revenues that the schemes generate in the UK or with a UK nexus'*.<sup>44</sup>

This scope is significantly broader than that adopted earlier in the process, which focused exclusively on scheme and processing services. The PSR believes that expanding the scope in this way would help ensure that *'the financial information reported for Mastercard's and Visa's relevant UK operations has been accurately captured and appropriately allocated within the UK'*.<sup>45</sup> It would also, in the PSR's view, enable it

<sup>43</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.16.

<sup>44</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.17.

<sup>45</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.18.

to ‘fully understand what trends can be identified in their relevant UK operations by contextualising these figures in relation to their UK business’.<sup>46</sup> The PSR also argues that it would allow it to assess ‘whether all revenues that form part of the relevant UK operations are identified and continue to be identified – for example, as and when the schemes introduce new services’.<sup>47</sup>

It is unclear how this broader scope would provide the PSR with economically meaningful insights into Mastercard’s margins for its UK operations. Below we first set out an assessment of the PSR’s proposed scope and then propose an alternative approach which is both more proportionate and more effective in answering the three key questions that the PSR has identified.

- Firstly, the fully-loaded P&Ls already included revenues, costs and an operating margin for each of ‘scheme’, ‘switch’ and ‘other’. This ‘other’ category for instance includes the revenues and costs for gateway services and open banking.
- Secondly, the broader scope of remedies proposed by the PSR would not meaningfully help it assess whether revenues and costs have been appropriately captured and allocated to the UK in relation to Mastercard’s card activities. Mastercard operates on a global scale, with costs incurred across multiple geographic regions. The nature and location of these costs vary depending on the product or service in question. For example, certain non-card services such as Open Banking may give rise to revenues earned or costs incurred in the UK, but UK-specific financial reporting (UK revenues and UK incurred costs) would not offer a complete or meaningful view of their profitability.

Applying the PSR’s proposed approach to non-card activities would therefore require Mastercard to undertake a cost allocation exercise similar to the one implemented for card-related services, but for each non-card business line. Thus, for each non-card business line which generates costs or revenues in the UK, Mastercard would need to identify all associated costs and prepare a fully allocated P&L account for this service. Preparing such fully loaded P&L accounts for each product or service would require considerable effort and may not ultimately help the PSR assess the accuracy of cost allocations for card activities beyond what is already captured in Mastercard’s UK fully-loaded P&L.

- Thirdly, in relation to the PSR concerns regarding the identification of relevant revenues for inclusion into the UK P&L, the PSR already has access to the information it requires to understand how relevant revenues are reflected in the UK P&L. The methodology note submitted by Mastercard sets out the approach used in the context of the preparation of the UK P&L: ‘For the purposes of the UK fully-loaded P&L, we have considered as UK revenues all income arising from contracts with UK-based issuers and acquirers. This includes fees paid by UK issuers when their customers use cards both domestically and abroad, as well as fees from UK acquirers when UK-based merchants accept payments from either UK or foreign cardholders’.<sup>48</sup> This methodology ensures that the UK P&L appropriately reflects the full scope of revenues associated with the UK cards business, including those linked to newly introduced card services. As such, expanding the scope of the RFR to non-card products would not yield additional relevant insight for the PSR.
- Fourthly, the suggestion to include non-UK revenues in the scope of the investigation by drawing on information derived from relevant UK operations, marks a significant departure from the approach adopted so far. Until now, the methodology has focused on identifying revenue earned in the UK and allocating associated costs to that revenue stream. Introducing non-UK revenues into this framework would require a consistent reciprocal approach, including a careful examination of

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<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Mastercard (2023), Methodology used for preparing the UK fully-loaded P&L (Part iii), PSR Request for Information on Scheme Fees 2017-2021.

the extent to which UK operations benefit from non-UK activities (i.e., to identify the net benefit or net cost to the UK).

However, implementing such a methodology would involve substantial effort and rely heavily on assumptions, raising concerns about both accuracy and proportionality. Furthermore, even if the exercise could be undertaken with a sufficient level of accuracy, it may distort management behaviour and disincentivise Mastercard from using the UK market as a pilot for new products and services. Any non-UK benefit (from the information derived from the pilot) when the product is rolled out globally would need to be reflected in UK profitability.

In sum, assessing the profitability of Mastercard's UK non-card products would not be an economically effective exercise, as it would not assist the PSR in assessing the profitability of Mastercard's UK cards business, which is the focus of its review. Moreover, such an approach is neither proportionate nor operationally feasible. It would require significant time and effort to compile the relevant revenue and cost data, which are not readily available and to carry out a detailed product-level cost allocation exercise. Importantly, the outcome of this exercise would not amount to a verifiable 'whole UK' view of Mastercard's business, as no such 'whole UK entity' exists.

### Questionable legal basis

This element of the RFR remedy explicitly seeks to impose regulatory obligations on parts of Mastercard's business which provide non-card services, but such services are clearly outside the perimeter of the PSR's legal powers.

The PSR's oversight of Mastercard is based on the Designation Order of 19 March 2015. The Order specifies that the designation does not apply to any particular Mastercard legal entity, but rather to the Mastercard payment system. That payment system is described as follows:

*"The arrangements that constitute the payment system known as MasterCard are the formal arrangements and the standardised arrangements designed to facilitate or control transactions effected using MasterCard-badged payment cards."*

The Order leaves no doubt that the extent of the PSR's powers is limited to the payment system as it relates to 'MasterCard-badged payment cards'. There is simply no basis for the PSR to regulate any other part of Mastercard's business. Indeed to do so, would fatally undermine the very precise and clear wording of the Designation Order, rendering it meaningless.

Mastercard has raised this issue with the PSR on multiple previous occasions but has never received any explanation as to why the PSR believes it can regulate the non-card elements of Mastercard's business and how doing so would accord with the wording of the Order.

Notwithstanding the wording of any future Direction which the PSR may create, Mastercard is unlikely to agree to provide any data relating to its non-card activities until such time as the PSR has been able adequately to explain the legal basis for such a Direction.

### An alternative approach

As a more meaningful and proportionate alternative (and given that the costs incurred in the UK mainly consist of staff costs), Mastercard proposes to describe the process used to identify UK-based staff who work on card-related activities and those who support non-card operations. Mastercard would also explain which staff members have been excluded from the UK fully loaded P&L account. For example, staff employed by Vocalink (a separate legal entity<sup>49</sup>) were excluded from the P&L as they do not contribute to card-related activities. Mastercard will also explain how staff costs are allocated for other services such as

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<sup>49</sup> Vocalink Limited accounts are available at Companies House.



Open Banking and other account-to-account services, which fall outside the scope of this review and the fully loaded P&L. This alternative approach would offer a more effective, proportionate, and operationally feasible way to enable the PSR to assess the profitability of Mastercard's UK card operations. In particular, it is a much more proportionate and directly focused way to address the PSR's concern that the costs of UK-based staff have been appropriately allocated between Mastercard's UK card operations and other businesses.

In addition, to provide the PSR with further reassurance that all relevant revenues are appropriately captured in the UK P&L, Mastercard proposes to submit information identifying revenues geo-coded to the UK that have either been excluded from the UK P&L (such as Vocalink revenues) or classified as 'other' within it.

### 5.3.2 Measuring profitability disaggregated by customer and product

The PSR states that '*[c]ollecting disaggregated information of their relevant UK operations could allow us to understand which products, services or customers drive the level of profitability of their relevant UK operations*'.<sup>50</sup>

It is unclear how the PSR's suggested analysis of operating margins by product and customer would help the PSR gain a better understanding of the drivers of Mastercard's profitability. We propose an alternative, more proportionate and effective approach which is consistent with good practice established by other regulatory authorities such as the FCA.

- Firstly, while the PSR notes that '*such a disaggregation could provide useful insights into the revenue drivers*'<sup>51</sup>, the notion of being 'useful' alone does not in itself constitute sufficient justification for imposing a remedy. Any analysis undertaken should meaningfully contribute to the PSR's objectives within the context of the ongoing market review. Mastercard also notes that margin analysis in itself does not provide insight into revenue drivers. If anything, it is the change in revenues that can help explain changes in margins, rather than the reverse.
- Secondly, Mastercard does not record costs at the product or customer level such as would enable it to estimate operating margins in the manner proposed. Given Mastercard's cost are primarily common costs, any cost allocation or apportionment exercise at product or customer level would not produce meaningful or reliable estimates of operating margins by product or customer. Given the difficulties the PSR has faced in identifying relevant cost drivers at the UK level, it is likely that undertaking the analysis at the product or customer level would prove even more complex and is unlikely to yield meaningful insights. The results will heavily depend on the assumptions made to allocate costs across customers or products. The PSR itself noted that '*there may be practical challenges [...] depending on the level of disaggregation involved*'.<sup>52</sup>

In addition, as noted in previous submissions, Mastercard's payment network acts as an intermediary between issuers and acquirers. Mastercard's success relies on both issuers and acquirers participating in the network. It is not economically appropriate to assume that Mastercard could operate separate issuing and acquiring activities. As a result, the costs it incurs should be considered joint costs, shared across both activities. The PSR has sought to assess the margins of these divisions separately but did so by assuming that operating costs were evenly split between them. This highlights the inherent difficulty of allocating costs across different services.

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<sup>50</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.27.

<sup>51</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.28.

<sup>52</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.14.

Mastercard therefore considers that assessing operating margins by customer or product is unlikely to provide the PSR with more meaningful or reliable insights than an analysis of revenues by customer or product

#### An alternative approach

As an alternative, Mastercard proposes to provide a breakdown of revenues by product and customer. This would provide the PSR with useful insights into the revenue drivers. This type of analysis can be consistently tracked over time and aligns with established regulatory practice. Comparable approaches have also been adopted by other authorities, including the FCA.<sup>53</sup>

### **5.4 Review of the PSR's proposed ROCE analysis**

The PSR states that *'assessing the financial performance of Mastercard and Visa in the UK would require gathering information on Mastercard's and Visa's balance sheet for their UK business'*.<sup>54</sup>

The PSR first argues that this would provide *'a more rounded view of Mastercard's financial performance, alongside margin-based measures'*<sup>55</sup> and would enable it to *'compare each scheme's ROCE to its weighted average cost of capital (WACC)'*.<sup>56</sup> The PSR notes that other regulators include balance sheet reporting within their RFR frameworks.

The PSR also argues that, given *'the time this market review has taken, and the wider evidence base indicating potential significant harm'*<sup>57</sup>, it would be proportionate to implement a RFR remedy that fully addresses the PSR's concerns from the outset. The PSR argues that a more limited remedy could ultimately prove insufficient, necessitating future expansion.

We explain below why these arguments are not valid. As outlined in these responses, Mastercard believes that alternative approaches are available (such as relying on its UK P&L supplemented by additional reporting on staff numbers and revenues as set out in this response) which would allow the PSR to form a robust view of Mastercard's profitability in the UK.

#### **5.4.1 A ROCE analysis would not address the concerns that the PSR has raised about Mastercard's margins analysis**

The PSR's arguments in support of preparing a balance sheet for the UK and conducting a ROCE analysis on this basis are twofold.

- Firstly, the PSR states that a balance sheet would enable it *'to potentially overcome some of the challenges of a margin-based approach to profitability analysis'*, enabling the PSR to *'more firmly assess the presence and magnitude of any economic profits'*.<sup>58</sup>
- Secondly, the PSR states that a balance sheet *'would enable [...] to take a more rounded view of Mastercard's and Visa's financial performance, alongside margin-based measures, including taking*

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<sup>53</sup> See the strategic review of retail banking business models conducted by the FCA: <https://www.fca.org.uk/publications/multi-firm-reviews/strategic-review-retail-banking-business-models>

<sup>54</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.31.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.31.

<sup>58</sup> Ibid.

*into account capital intensity and being able to compare each scheme's ROCE to its weighted average cost of capital (WACC)'.*<sup>59</sup>

These arguments are not valid. A ROCE analysis would *not* overcome some of the challenges of a margin-based approach to profitability analysis and would *not* result in a more rounded view of Mastercard's financial performance. On the contrary, undertaking a ROCE analysis will raise a number of practical challenges. Such an analysis is also unlikely to yield economically meaningful insights.

In the context of the margins analysis and the review of the UK P&L prepared by Mastercard, the PSR has raised questions (among other aspects) regarding the choice of drivers used to allocate costs to the UK.<sup>60</sup> Mastercard emphasises that such issues will not be addressed by preparing a balance sheet and undertaking a ROCE analysis, which would require an allocation exercise with a degree of uncertainty which is similar to, or greater than, that of the UK P&L.

As the PSR is aware, there currently exists no balance sheet capturing Mastercard's activities in the UK. Preparing a synthetic balance sheet would require the application of various assumptions, notably for the allocation or estimation of assets to the UK and the valuation of intangible assets. As the PSR has already noted in its Working Paper on profitability, the valuation and allocation of intangibles is a particularly challenging exercise which would require careful judgment and the application of a range of assumptions.

This is likely to lead to a wide range of possible ROCE estimates and a comparison with the cost of capital would then no longer be meaningful. Whether the ROCE is in line or out of line with the cost of capital would then very much depend on the approach taken for the preparation of the UK balance sheet and in particular for valuing Mastercard's intangible assets in the UK.

Both a ROCE analysis and an operating margin analysis require an estimation of operating profit. Indeed, operating margin is sometimes also referred to as 'return on sales'.

$$\text{operating margin \%} = \frac{\text{operating profit}}{\text{net revenue}} \times 100$$

$$\text{return on capital employed \%} = \frac{\text{operating profit}}{\text{capital employed}} \times 100$$

An operating margin approach is more accurate than a ROCE approach because the denominator in the margin approach (net revenue) can be calculated with a high degree of accuracy because UK net revenues can be identified (they are geo-coded in the accounting systems) and there is no need to undertake any apportionment. In contrast, all (or almost all) elements of the capital employed estimate will be an apportionment or will require several assumptions to estimate (see below for details).

We therefore consider that for Mastercard the operating margin will be a more accurate and reliable estimate of Mastercard's UK profitability. We therefore disagree that a UK ROCE will provide the PSR with a 'more rounded view' of Mastercard's UK financial performance.

We explain these points in detail below.

*Preparing a balance sheet for the UK would raise a number of challenges, notably regarding the allocation of assets to the UK and the valuation of intangibles*

Firstly, as the PSR is aware, balance sheets are normally prepared for legal entities, reflecting the assets owned and liabilities owed by the company. Given there is no single company which reflects the UK cards

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<sup>59</sup> Ibid.

<sup>60</sup> The PSR has raised a number of concerns on the UK P&L in its Final Report, notably regarding the choice of drivers used to allocate costs to the UK, the allocation of rebates and incentives costs in the UK P&L, and whether such rebates and incentives should be viewed as temporary. These concerns and Mastercard's response to these are presented in section 5.2.

business, the entire balance sheet would need to be artificially constructed. Mastercard is a global group of companies, with assets and liabilities spread over various companies and markets in which Mastercard operates.

This means that constructing a balance sheet for the UK would require a substantial allocation and apportionment exercise. In contrast, the fully loaded P&L requires significantly less apportionment because the gross revenues, rebates, incentives and some costs are directly geo-coded to the UK business without the need for a cost allocation exercise. The methodology would need to ensure that this results in a balance sheet that is meaningful and reliable. It would need to resemble a balance sheet of a company that would be able to operate Mastercard's card business in the UK and it would need to take into account the products and services and service enhancements that have been developed and tested in the UK market and the costs attributed to the UK market accordingly.

The PSR has significantly underestimated the complexity of such an exercise. In its Final Report, the PSR makes the point that the fully-loaded P&L margin is sensitive to the way costs have been allocated to the UK. If the PSR is still concerned about how costs have been allocated to the UK in the UK P&L, this would not be addressed by undertaking a ROCE analysis, as the PSR has itself recognised: *'There are practical challenges in applying margin-based approaches to UK scheme and processing fees due to the requirements to allocate costs to card schemes' UK operations for scheme and processing activities. However, the same issue applies to an asset-based approach*'.<sup>61</sup> In fact, the practical challenges in preparing a balance sheet are even greater given that Mastercard's balance sheet is unlikely to provide reliable data on either tangible or intangible assets, as we explain below.

Mastercard also notes that its global balance sheet is the result of a series of strategic financing choices regarding capital structure, cash holdings, and dividend policy, that are made at the group level rather than within the UK. As a result, preparing a UK-specific balance sheet will necessarily involve making assumptions in each of these areas as well as others, such as tax assets and liabilities. In addition, because the UK-level balance sheet is constructed, the usual fundamental principle of financial statements that retained profit corresponds to the change in equity will not materialise.

Secondly, preparing a UK-specific balance sheet presents a specific challenge in valuing both tangible and intangible assets. As the PSR rightly observes, *'intangible assets may be relevant due to the nature of the card payment scheme businesses of Mastercard and Visa and, insofar as they are present, could be an important element in ensuring an appropriate estimate of the capital employed of these businesses'*.<sup>62</sup> However, Mastercard's global balance sheet is unlikely to provide reliable data on either tangible or intangible assets. In particular, intangible assets are likely to be significantly understated at the global level.

This means that tangible assets may need to be revalued and intangible assets would need to be identified and estimated, which will raise a set of practical challenges. The PSR has already acknowledged some of these challenges in its working paper on profitability. For instance, it noted:

- *'Assets in the asset base are stated on an accounting value rather than economic value. [...] It does not reflect the revenue generating ability of the asset nor the net savings that could be made by replacing it with a modern equivalent asset. However, **obtaining an economic valuation of the assets is unlikely to be feasible**'*<sup>63</sup> [emphasis added] ;

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<sup>61</sup> PSR (2023), 'Scheme and processing fees market review. disclosure paper – Profitability (margins analysis)', 1 December, para. 3.22

<sup>62</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.32.

<sup>63</sup> PSR (2023), 'Scheme and processing fees market review. disclosure paper – Profitability (margins analysis)', 1 December, para. 3.28.

- ‘It is likely that the value of Mastercard and Visa’s assets reported in financial statements may not reflect the true economic value, as a **robust estimate for the appropriate level of intangible assets would be challenging, if not impossible**’<sup>64</sup> [emphasis added] ;
- ‘While attribution of costs to the UK card schemes is an issue common to both approaches, it is more pronounced with an asset-based approach as nearly all the asset information would need to be attributed in this way. **It is possible that some pieces of asset information simply cannot be extracted from the card schemes’ European or global accounts with any robustness, and we may need to use accounting assumptions or estimates**’<sup>65</sup> [emphasis added] ;
- ‘In summary, the low asset base, the number of assumptions needed on intangibles and cash, and the sensitivity of the results to those assumptions, suggests the estimated **ROCE may be an unreliable metric**’<sup>66</sup> [emphasis added].

Despite these concerns, which were clearly laid out in the PSR’s working paper, the remedies consultation does not address them. Instead, it suggests adopting a ‘*cost-based approach to the valuation of intangible assets. i.e., the value of the intangible assets in the RFR is based on the costs that were incurred in the creation of the intangible asset*’.<sup>67</sup> While we understand that the profitability working paper was only a working draft and that the PSR’s views may have changed, we would nevertheless expect the PSR to address each of the concerns it previously expressed.

The approach suggested by the PSR to value intangibles is not operationally feasible nor economically appropriate. Given the rapid technological change and the complexity of Mastercard’s products and services, identifying and extracting data on the expenses that over time have contributed to the development of different types of intangible assets would be a very substantial task and the data may not be directly available in Mastercard’s accounting systems.

*The outcome of a ROCE analysis would greatly depend on the assumptions made for the preparation of a balance sheet capturing Mastercard’s UK activities*

The preparation of a UK-specific balance sheet would necessarily involve the application of a range of assumptions, particularly in relation to the allocation and apportionment of assets to the UK and the valuation of intangible assets, thereby introducing additional sources of uncertainty into a ROCE-based assessment. The number and nature of these assumptions would likely give rise to a broad range of possible ROCE estimates.

This would significantly limit the usefulness of comparing ROCE to the cost of capital, as the outcome of such a comparison would depend heavily on the assumptions adopted, including as to the allocation of assets to the UK and the valuation of intangibles.

#### 5.4.2 **ROCE is not an appropriate metric for monitoring Mastercard's profitability, unlike for other regulated entities in the UK**

*ROCE not suitable to industries subject to rapid technological change*

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<sup>64</sup> PSR (2023), ‘Scheme and processing fees market review. disclosure paper – Profitability (margins analysis)’, 1 December, para. 3.29

<sup>65</sup> PSR (2023), ‘Scheme and processing fees market review. disclosure paper – Profitability (margins analysis)’, 1 December, para. 3.43

<sup>66</sup> PSR (2023), ‘Scheme and processing fees market review. disclosure paper – Profitability (margins analysis)’, 1 December, para. 3.40

<sup>67</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.32.



The PSR argues that *'in the Energy Market investigation, the CMA mandated an expansion of Ofgem's regulatory financial reporting regime to include balance sheet reporting'*.<sup>68</sup> The CMA indeed required Ofgem to expand its regulatory financial reporting framework to include balance sheet disclosures. However, the characteristics of the energy market significantly differs from those of the payment services market and therefore the nature of the balance sheet assets also significantly differs. Consequently, balance sheet reporting is unlikely to yield economically meaningful results in the case of Mastercard.

ROCEs are sensitive to accounting treatments, and distortions may arise, particularly in the case of industries characterised by frequent technological developments, such as Mastercard. For example for investment projects introducing innovation to the market (particularly those involving significant risk and early-stage losses), ROCE tends to be lower in the initial years and higher in later stages. As a result, ROCE figures can appear distorted especially if assessed over short periods.

As a result, the PSR's references to other sectors, such as the energy sector in the context of Ofgem's Energy Market investigation, are not relevant. Unlike companies active in the energy sector, Mastercard is a global technology company with operations spanning multiple jurisdictions; it delivers service enhancements and innovations. These characteristics make it much more challenging to produce balance sheets and reliable ROCE estimates.

*Assessing the ROCE for Mastercard's UK activities is particularly challenging given that the UK business is not structured as a distinct legal entity*

Most companies that are subject to economic regulation were once state-owned and were privatised with a legal structure designed to facilitate economic regulation i.e. separate legal entities (whose business perimeter closely matches that of the regulated activities), with balance sheets and regulatory asset bases. From a practical perspective, expanding regulatory financial reporting for privatized utilities is far more straightforward compared to retrospectively fitting regulatory financial reporting to Mastercard whose structure has evolved organically to enable it to develop new products and services and grown through winning business in the market.

Finally, ROCEs are typically applied in the context of UK regulated utilities whose asset bases consist largely of substantial UK-based tangible infrastructure (e.g. airports, gas and electricity networks, water systems, and telecoms). This contrasts with Mastercard's predominantly intangible and globally distributed asset base.

#### **5.4.3 The duration of the market review is not a sufficient basis for introducing balance sheet reporting**

The PSR states that *'given the time this market review has taken, and the wider evidence base indicating potential significant harm that may be occurring in the market we think that it would be proportionate to put in place a RFR remedy that fully addresses our concerns, rather than one that might not be entirely effective and ultimately needs to be expanded over time'*.<sup>69</sup>

While Mastercard acknowledges that the market review has taken considerable time and that the PSR is keen to ensure any remedy is effective and durable, this does not justify imposing balance sheet reporting requirements. A long review process does not in itself create a need for additional reporting obligations. Indeed, after a long and thorough review, the absence of an excessive profits finding and the general downward trend in Mastercard operating margins over time would suggest that a lighter-touch RFR remedy, if any at all, is more appropriate.

The PSR already has the ability to request the information necessary to monitor the market and can do so in a targeted and proportionate manner. Introducing additional reporting requirements *in anticipation of*

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<sup>68</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.31.

<sup>69</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.31.

potential future developments rather than in response to clear, present monitoring needs, does not align with principles of regulatory proportionality and necessity.

As discussed above, a ROCE analysis would not be an effective or proportionate means to assess the profitability of Mastercard's UK card business, or its drivers and trends. The time that has already been taken by the market review can never justify the imposition of a remedy that is neither effective nor proportionate.

#### **5.4.4 Conclusion on balance sheet reporting and ROCE analysis**

Mastercard considers that a ROCE analysis is unlikely to offer the PSR a more meaningful, rounded or comprehensive view of its UK profitability. This approach would not overcome the concerns raised by the PSR in margin-based assessments. In particular, it would not resolve the practical challenges of allocating and apportioning assets to the UK, which would require the selection of appropriate cost drivers, which is a challenge already faced by the PSR when reviewing the UK P&L.

A ROCE-based approach would also introduce significant additional uncertainties, notably around the identification and valuation of intangible assets and a comparison with the cost of capital would then no longer be meaningful. Whether the ROCE is in line or out of line with the cost of capital would very then much depend on the approach taken towards valuing intangible assets. By focusing on a ROCE analysis, the PSR adds to the assessment of profits margins an extremely challenging question on the appropriate approach to value Mastercard's intangible assets.

Furthermore, requiring Mastercard to produce a balance sheet exclusively for the PSR's purposes, in addition to the P&L that Mastercard has already invested considerable resources in preparing, contradicts the PSR's stated intention to rely primarily on information that already exists within Mastercard.

In light of the wide range of potential outcomes, coupled with the substantial time and effort required, Mastercard considers the preparation of a UK-specific balance sheet for the purposes of the RFR as an economically ineffective and disproportionate remedy.

#### **5.5 Review of the 'contextual factors' proposed by the PSR**

The PSR is proposing to collect UK specific contextual information to help them better understand Mastercard's financial performance in the UK.

Although Mastercard agrees that it would be useful to continue to make some data (e.g. on the mix of transactions) available to understand changes in revenues over time, the remedies consultation lists a very broad set of factors, the usefulness of which is open to question.

- Firstly, there are several factors listed for which Mastercard would not currently have existing data sources or which would be difficult to measure and collect data on. By way of example, Mastercard does not incur fraud costs itself as these are incurred predominantly by ecosystem participants i.e. issuers and to some extent acquirers and merchants. Similarly, the level of investment in fraud prevention would depend on how investments are defined, the perimeter of what constitutes fraud prevention and the allocation to the UK.
- Secondly, there are many factors that in theory could affect Mastercard's financial performance but the significance and usefulness of each of the factors can be difficult to predict in advance. There is a significant risk that the proposed data set contains factors that turn out *not* to be relevant and at the same time would not capture some of the factors which are important. For example, it is not clear how the proposed data set would have assisted the PSR in understanding Mastercard's financial performance over the past 5 years.
- Thirdly, it is unclear how certain contextual factors requested by the PSR would meaningfully contribute to assessing the profitability of Mastercard's UK cards business. For example, the PSR seeks data by customer type to *'help contextualise revenue changes and understand the average costs*

*of serving different customer types*'.<sup>70</sup> However, such information is unlikely to yield insights into UK-specific margins beyond those already reflected in the UK P&L.

Similarly, the PSR proposes to require the submission of board reports '*to help inform [...] of how management is looking at and interpreting financial performance*'.<sup>71</sup> As the PSR is aware, reports of the Mastercard Europe Board will not provide insight into margins specific to the UK cards business beyond what is already captured in the UK P&L, because financial performance reporting contained in Mastercard board reports tends to be at the level of Mastercard's European business and it is not the role of the Board to consider financial metrics on an individual market basis. Board reports will typically contain strategic confidential information that falls outside not only the scope of this market review, but outside the PSR's legal jurisdiction.

#### Alternative approach

As an alternative approach, Mastercard suggests submitting transaction data (i.e. transaction mix) on an annual basis and submitting further information if and when needed, when the fully-loaded P&L has been submitted.

Additionally, the PSR is proposing to collect information on acquirer level data to enable it to continue to monitor fee changes. As already discussed with the PSR, it would be feasible to provide the PSR with fee data, in line with the July 2024 s81, on an annual basis.

Mastercard understands that the PSR intends to use this data to undertake an econometric analysis to control for a transaction mix effect. Additional data would need to be accompanied by a careful re-examination of the econometric model, as the continued accuracy of any single model may not be taken as given. For instance, the PSR has chosen to update its model for the current market review and did not consider the econometric model employed during the CAMR to be fit for purpose.

A more proportionate approach would be for the PSR to monitor unit fee revenues over time (based on the transaction data), which is an approach that would not require ongoing econometric analysis and additional data beyond a P&L as well as contextual factors.

### **5.6 Review of remedies implementation**

In anticipation to the potential forthcoming submissions, Mastercard would like to highlight a number of key considerations.

#### Assumptions applied for the preparation of RFR

It would not be practical to engage in an annual discussion on the methodology and assumptions applied for the preparation of the regulatory financial reporting (for instance regarding the cost drivers used for the preparation of the UK P&L). Mastercard believes that such an approach would be inefficient and burdensome.

#### Framework of the RFR regime and Regulatory Accounting Guidelines

Although not included in the consultation, Mastercard understands that the PSR intends to develop Regulatory Accounting Guidelines (RAGs). Careful thought needs to be given to:-

- what is included in a Direction and what is included in the RAGs;
- how the RAGs will be maintained or updated over time; and

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<sup>70</sup> PSR (2025), Market review of card scheme and processing fees: Remedy consultation, *Consultation paper*, April, para. 5.35.

<sup>71</sup> Ibid.



- the level of prescription of the RFR e.g. whether the PSR plans to rely on high-level principles or detailed methodologies, as well as on the nature of the reporting it expects, including whether Mastercard will be required to submit fully functioning models or only the outputs of those models.

With regard to assurance, the PSR must clarify what specific approval the Mastercard Europe Board will be asked to provide in relation to these submissions. In addition, we understand that auditors will require a basis for their review, such as RAGs. It is essential to clarify what type of review will be conducted and the nature of the audit opinion to be issued.

## **5.7 Conclusion**

The PSR has set out three key questions for the RFR remedy:

- (i) assess the level of profitability of Mastercard's UK operations;
- (ii) identify the key activities contributing to this level of profitability;
- (iii) to examine any observable trends associated with both.

In this response, Mastercard has set out what analysis would be meaningful and proportionate to answer these questions:

- a fully-loaded P&L for Mastercard's card business in the UK (prepared on an annual basis);
- an analysis of revenues by product and customer type, to understand what drives Mastercard's profitability;
- a breakdown of revenues in the UK by scheme, switch and other card-related revenues, and non-card revenues together with an analysis of how staff in the UK has been allocated to card and non-card services;
- transaction mix data (on the same basis as the June 2024 s81 request); and
- assurance from board approval and external audit

When we submit the analysis, we will also provide an analysis of contextual factors that explain changes in Mastercard's profitability over time.

## 6. Remedy 4: Publication

Mastercard recognises that transparency can in principle have benefits, but has significant concerns about the PSR's motivation and approach in proposing this remedy.

In a section entitled '*Remedy purpose – Outcomes we are seeking to achieve*', the PSR refers to its expectation that the publication will lead to negative public perception and comment on the schemes' financial performance and pricing governance. Indeed, generating negative public perception appears to be the PSR's primary objective of the remedy.

Whilst Mastercard is aware that the PSR (and other regulators) have imposed certain publication remedies in other sectors, those are invariably designed to generate league tables which will help consumers make informed choices about which provider is offering the best service. These remedies therefore have a clear objective which has demonstrable benefit to the intended audience.

Unfortunately, that is not the case with the PSR's proposed publication remedy, which has no such demonstrable benefit and is intended only to generate negative publicity. Mastercard is not aware of any previous example of a regulator imposing a regulation with that objective. We do not accept that this approach is legitimate or in line with the PSR's objectives.

We therefore have serious doubts and concerns about the appropriateness and effectiveness of the PSR's proposals which will depend on the PSR clearly defining the purpose, limited scope and format of publication. The design of any publication requirements should be guided by the following principles:

- **Effectiveness:** Information should only be made public where there is clear evidence that doing so will address a specific and clearly identified problem or deliver meaningful benefits to stakeholders. To date, the PSR has not demonstrated that additional public disclosures would materially improve market outcomes or influence stakeholder behaviour.
- **Proportionality:** Disclosure requirements must be appropriately scoped. Publishing overly granular or duplicative data risks imposing unnecessary burdens without delivering corresponding benefits to stakeholders.
- **Commercial sensitivity and competitive neutrality:** Information should not be made public if it could reveal commercially sensitive aspects of Mastercard's UK-specific (or broader) strategy or create an uneven playing field, particularly where (non-scheme) competitors are not subject to comparable disclosure requirements. The level of disclosure should also not facilitate potential coordination with competitors
- **Operational feasibility and data integrity:** There are practical challenges in adapting internal reporting processes for public release. The PSR should clearly set out responsibilities for data preparation, validation and contextualisation to ensure published information is accurate and meaningful.
- **Relevance:** Information must be accessible and relevant to its intended users. If dashboards are unclear or left open to interpretation, they risk being misrepresented by those who may have an interest in doing so, particularly among SMEs or cardholders with limited analytical capacity.

In addition, any transparency remedy should be designed with a clearly defined causal mechanism for change. In other markets and sectors, regulators have published findings from an analysis undertaken for regulatory purposes such as bank stress test results where the intended audience, publication format and potential impact are understood. However, without such design safeguards, publication risks causing speculation and misinterpretation rather than informed scrutiny.

Any published information must also offer a balanced view of Mastercard's UK operations. The current proposals focus heavily on financial and pricing data, but do not include outcomes such as fraud prevention and quality of service which are highly relevant to understanding Mastercard's value to the ecosystem.

## 6.1 Effectiveness

The PSR acknowledges that this remedy will not directly affect fee levels or market dynamics. Instead, it is designed to apply reputational discipline by enabling third-party scrutiny of financial and governance trends over time.<sup>72</sup> The consultation offers no evidence that such disclosure would result in meaningful engagement or behaviour changes by the intended audience. Unlike the PSR's other information and transparency remedy, which is designed to support meaningful comparison or informed decision-making, the proposed publication remedy risks resulting in mainly negative publicity rather than proper assessments aimed at market participants and improving market outcomes. It is not a legitimate regulatory objective to generate negative publicity or invite reputational harm to regulated entities.

The PSR's proposal rests on a behavioural assumption that greater transparency will lead to increased scrutiny and in turn exert pressure on scheme behaviour. But this remains untested, particularly given the limited engagement observed during the PSR's own market review. There is little indication that merchants or the wider public are requesting this information or are equipped meaningfully to interpret it. Small and medium-sized merchants are unlikely to draw actionable insights from metrics such as UK ROCE or pricing rationale summaries, especially when these are not clearly linked to the fees they pay.

Further, published profitability data may be interpreted differently by the public and investors. While such information may be intended to support regulatory oversight, investors could view it as the UK becoming a less attractive market for service enhancement and innovation. The PSR does not seem to have considered how publication of UK-specific information would affect investors and their perception of the UK market.

While the PSR claims that stakeholder engagement revealed a perceived need for greater visibility of scheme performance and pricing decisions, this is not substantiated by its own published roundtable summary. Stakeholder feedback focused on improving the clarity and accessibility of information shared directly between schemes and acquirers or merchants, not on public disclosure.<sup>73</sup> Indeed, discussions centred on issues such as billing clarity, standardisation of terminology, and more timely notice of fee changes. There is no clear evidence of industry demand for public-facing dashboards, regulatory factsheets, or publication of revenue and profit data. Improving transparency towards Mastercard's customers does not require publication, particularly not in the form of disaggregated financials or pricing governance reports, which do not align with the issues raised by stakeholders.

Further, Mastercard already supports transparency through more tailored and effective means such as MC Connect, regular communications with account managers and structured support services. These channels offer real-time engagement, yet the PSR provides no comparison or analysis of whether public dashboards would add incremental value over the systems already in place.

More fundamentally, the absence of a clear causal mechanism combined with limited stakeholder demand, undermines the case for this remedy's effectiveness. Publication in the absence of a defined regulatory goal may offer little value. Moreover, the PSR appears to suggest that reputational damage and public commentary are intended consequences of this remedy. As already discussed, that is not a legitimate regulatory objective. The aim of publication should be to inform and improve market functioning—not invite public criticism of individual firms in ways that risk distorting market perception or undermining trust in regulatory processes.

## 6.2 Proportionality

The consultation does not clearly define what data would be included or how granular it would be. Without clarity on whether the PSR intends to publish only high-level operational indicators or more detailed financial disclosures, it is difficult to assess the commercial risks involved. Mastercard does not

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<sup>72</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', para. 7.7.

<sup>73</sup> PSR (2025), 'Stakeholder roundtables on scheme and processing fees: summary'.

oppose transparency in principle, but the risks of commercial sensitivity and misinterpretation rise significantly if the PSR moves beyond summary metrics into profitability estimates, fee-level rationales, or disaggregated UK P&L data.<sup>74</sup>

The PSR argues that, because the data is already submitted under other remedies, it should be suitable for publication. However, proportionality is not solely a question of administrative burden and incremental cost. It also requires an assessment of other potential costs such as the commercial risks involved and a clear and credible link between the information disclosed and the remedy's intended outcomes.

Regulatory data is produced for a specific purpose and audience. Placing it in the public domain risks distorting its meaning or leading to inaccurate conclusions.

For example, scheme-level profitability is a poor proxy for how Mastercard prices to acquirers. It captures both issuing and acquiring-side dynamics and is influenced by macro factors like cross-border flows, travel trends and one-off events. These are not linked to UK acquirer pricing and could lead to misleading interpretations and conclusions.

In addition, Mastercard's profitability may reflect efficiency improvements (e.g. automation, use of AI, network upgrades) which benefit all users and reduce operating expenditure, but publication risks mischaracterising these gains as evidence of overpricing. These value-enhancing changes should not be penalised through disclosure.

If the PSR wishes to pursue a publication remedy, it must undertake a proper assessment of the specific information it intends to publish and demonstrate how this would deliver meaningful benefits. Without such an assessment, there is a risk that commercially sensitive information is published without advancing the remedy's intended objectives. Absent a clear explanation of what benefit publication would offer beyond internal reporting, there is a risk that this remedy adds disproportionate complexity into the system.

### **6.3 Commercial sensitivity and competitive neutrality**

While the PSR states that publication would be retrospective, this obviously does not resolve concerns about commercial sensitivity, particularly if data is published over multiple years and at a granular level.<sup>75</sup> In such cases, it may be possible to reverse-engineer Mastercard's fee trajectories, commercial priorities or strategies thereby placing the business at a competitive disadvantage or potentially, facilitating coordination with competitors.

Other players in the payments ecosystem (including smaller card schemes, credit transfer-based payment method providers, fintechs, and other non-card providers) would not be subject to comparable obligations under this remedy. This would allow a broad set of competitive entities to gain visibility into potentially commercially sensitive information relating to Mastercard's UK operations, without being required to disclose equivalent data themselves. Such asymmetry creates an imbalance that undermines the PSR's competitive neutrality, particularly in markets where alternative providers actively compete on pricing, innovation, and user experience. Publication of commercially sensitive information also risks have a negative impact on the competitive dynamics between Mastercard and Visa.

The proposed publication of pricing governance compliance reports raises additional concerns. These reports are intended for regulatory oversight, not public dissemination, and could include commercially sensitive internal assessments of strategy, methodology, and decision-making.

More broadly, publishing detailed governance rationales could risk distorting how firms approach internal decision-making, potentially encouraging more cautious behaviour rather than supporting innovation or

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<sup>74</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', para. 7.16-7.17.

<sup>75</sup> In the absence of relevant context, stakeholders and the wider public may misinterpret financial information. This is a particular concern given the methodology differences in calculating UK profitability/margins compared to global accounts.

flexible responses to market needs. While transparency can support accountability, it should not come at the expense of dynamic and commercially sound strategy development.

## **6.4 Relevance**

To be meaningful, publication must be relevant to its intended users. However, the PSR has not explained how stakeholders (especially SMEs and cardholders) are expected to use and interpret high-level financial metrics, pricing rationales or governance summaries. The absence of a one-to-one mapping between scheme fees and merchant costs also limits the real-world utility of aggregate fee disclosures, particularly when those fees are bundled or passed through in blended acquiring arrangements.

Furthermore, some of the data points proposed by the PSR, such as UK BIN counts or aggregate scheme fee revenue may offer only limited insight into Mastercard's actual performance, operational decisions, or the value it delivers.<sup>76</sup> Meanwhile, outcomes that are more meaningful to service users such as fraud prevention or service quality are absent from the current proposal. These dimensions are essential for assessing the scheme's contribution to the wider payments ecosystem, yet they remain excluded from the PSR's proposed publication set.

As the PSR's stated objective is to generate negative sentiment towards the schemes, there is an obvious risk that the data published will be intentionally misrepresented, by those who have a self-interest in doing so. As the PSR is well-aware, merchant lobbying organisations sometimes present wildly exaggerated claims about the level of Mastercard/Visa fee increases which bear no resemblance to the PSR's own findings. The PSR must be very careful not to create the circumstances or provide the basis for such false claims. The context in which the data is provided is therefore essential and the PSR should be prepared to speak out publicly if the information which it publishes is wrongly used in this way.

If the PSR's aim is to exert downward pressure on fees by encouraging scrutiny of scheme-level profitability and trends, a more balanced presentation of the data remains important. Selectively publishing financial indicators, without relevant accompanying context, risks creating a misleading picture of performance and value. Worse still, it may invite superficial comparisons across payment methods that fail to account for important differences in service scope, customer mix, or commercial model.

## **6.5 Further engagement**

Mastercard remains committed to supporting transparency where it is useful, proportionate and targeted to stakeholder needs. However, as currently framed, the publication remedy introduces material legal, operational and competitive risks, without demonstrating how the proposed disclosures would meaningfully improve market dynamics or lead to better outcomes for stakeholders.

Given the lack of clarity around the specific data to be published, the level of aggregation, and how stakeholders are expected to assess or act on it, it is essential that the PSR commits to further engagement with Mastercard once the publication scope is provisionally determined. We must be given a meaningful opportunity to evaluate the proportionality, feasibility and potential consequences of this remedy based on a clear and concrete proposal. Otherwise, there is a significant risk that the publication remedy imposes unnecessary complexity, without delivering the intended transparency or accountability benefits.

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<sup>76</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', para. 7.14.

## 7. PSR draft CBA

The PSR has conducted an initial Cost Benefit Analysis (CBA) in line with its practice to carry out a CBA for all regulatory interventions, to inform its decision-making regarding whether and which remedies to impose alongside provisional directions or requirements, providing that this is proportional.<sup>77</sup>

The PSR's rationale for imposing remedies and hence for carrying out this CBA, is that it considers that Mastercard and Visa face 'ineffective competitive constraints' on the acquiring side of the market.<sup>78</sup> As explained in section 1, Mastercard does not agree with the PSR's underlying rationale for the proposed remedies. Nonetheless, Mastercard welcomes the PSR's decision to conduct a CBA thoroughly to assess the costs and benefits associated with its proposed remedies.

The PSR's practice is to carry out a CBA for any regulatory intervention providing that this is proportional.<sup>79</sup> Given that the remedies decision follows a three year market review and that the remedies as proposed may have significant effects on the market, a detailed CBA is indeed proportionate. This is especially the case as the proposed remedies as currently drafted may have significant effects on Mastercard and the market more broadly, including through restricting commercial freedom, forcing changes to business operations and potential impacts on innovation. Mastercard further considers that it is appropriate for the PSR to commit to and carry out a post-implementation review of any remedies imposed.

The PSR states that it has '*not sought to do a quantitative assessment*' of the costs and benefits at this stage but has focused on identifying what it believes are the main costs and benefits associated with each remedy.<sup>80</sup> Mastercard understands that the PSR intends to publish a draft CBA, which contains more details on its view of the costs and benefits associated with each remedy alongside its draft Decision. Mastercard reserves the right to make further comment on future iterations of the CBA. Nonetheless there are several aspects of the initial and proposed CBA which are cause for concern at this stage. Indeed, some aspects of the CBA are not in line with best practice, as laid out in the Treasury Green Book (which the PSR's own CBA policy relies on)<sup>81</sup> as well as the PSR's own appraisal guidance.

Firstly, the PSR does not assess the remedies against the appropriate counterfactual. The correct counterfactual according to CBA best practice is not necessarily the status quo. As outlined in the Green Book and by the Regulatory Policy Committee (RPC), the counterfactual should take into account any changes that might occur independently of the policy intervention being considered, including expected changes in other policies or regulation.<sup>82</sup> Similarly, the FCA CBA guidance states that the appropriate counterfactual is not the same as current market conditions if key factors within the market are expected to change over the relevant period or other government or regulatory interventions are in the pipeline.<sup>83</sup>

Following this guidance, the counterfactual here should take into account the effects of the PSR's own, and the FCA's, policy interventions relating to Open Banking. The JROC report (published in 2023) finds that Open Banking is set to expand significantly and become a viable competitor to cards within the next 18-36 months,<sup>84</sup> which is well within the ten year timescale over which a CBA is typically conducted. This contrasts with the PSR's proposed counterfactual in which there is no market-based impetus for the

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<sup>77</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, Annex 1, para 1.1.

<sup>78</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, Annex 1, para 1.8.

<sup>79</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, Annex 1, para 1.1, PSR (2025), 'Policy statement: statement of policy on our cost-benefit analysis framework', January, chapter 4.

<sup>80</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', Annex 1, para 1.3.

<sup>81</sup> PSR (2025), 'Policy statement: statement of policy on our cost-benefit analysis framework', January, para 5.18.

<sup>82</sup> Regulatory Policy Committee (2020), 'RPC case histories - counterfactuals', September, p2.

<sup>83</sup> FCA (2024), 'Statement of Policy on Cost Benefit Analyses', July, para 7.3.

<sup>84</sup> JROC (2023), 'The Future Development of Open Banking in the UK', section 1.4.



schemes to change their offerings or pricing behaviour as alternative payment methods will ‘*continue to provide very limited competitive constraints*’.<sup>85</sup> This proposed counterfactual is also inconsistent with the PSR’s own position on Open Banking as expressed in speeches and other communications, as well as the evidence in Annex 1 of the Final Report which suggests that Open Banking will provide competitive constraints within a few years (see annex 1).

The correct counterfactual should also take account of Mastercard’s own improvements to information and transparency measures, which the PSR acknowledges are independent of the PSR’s proposed interventions. The PSR overlooks these developments in defining a counterfactual in which ‘*the schemes do not consistently provide good quality information to acquirers*’<sup>86</sup>. By failing to include either of these developments in its counterfactual, the PSR risks overstating the incremental benefits of any proposed remedies.

Secondly, the PSR has not carried out a meaningful options analysis. Under the initial draft CBA only the remedies being proposed are analysed. Alternative options, or alternative versions of the remedy, which might also achieve the PSR’s objectives are not considered. This diverges from good practice, as laid out in the Green Book, under which a range of options to address each perceived harm should be identified and analysed.<sup>87</sup> Such option analysis would help the PSR to identify and implement remedies which may have lower costs given the level of benefits or greater benefits for a given level of costs. This would enable the PSR to meet its proportionality criterion which states that remedies should “*be no more onerous than required*” to address the PSR’s stated aim and be the “*least onerous of the options available*” which are effective in addressing that aim.<sup>88</sup>

This is particularly clear in respect of issuing services. The PSR’s remedies consultation does not rule out that some remedies will be applied to the issuing as well as the acquiring side of the market, despite the fact that the PSR does not find a lack of competitive constraints on the issuing side of the market (see section 1). The CBA should include options to apply these remedies both to issuers and acquirers as well as applying them to acquirers only. If a remedy applied to issuers as well as acquirers creates significant additional costs but does not provide significant (or any) benefits, the CBA should reflect this.

Thirdly, the PSR should quantify the benefits, as well as the costs, associated with each remedy. The PSR indicates that it intends to quantify the costs associated with each remedy, but not the associated benefits. It states:<sup>89</sup>

*“given the informational nature of our proposed remedies, we think that quantifying benefits would likely be subject to significant uncertainties and seeking to achieve a precise quantification is unlikely to be possible or reasonably practicable. However, a more precise quantification of the likely costs of the remedies will enable us to form a clearer view of whether the remedy package is likely to be proportionate to the likely magnitude of the benefits arising from our remedies.”*

The PSR will not meet its aim of conducting a CBA, i.e. ‘*establishing whether the benefits associated with a proposed intervention are likely to outweigh any costs*’<sup>90</sup>, without quantifying the benefits. Even in cases where benefits cannot be quantified precisely, both the PSR’s own guidance and the Green Book indicate that some quantification should still be done. The PSR CBA policy states that CBAs should include

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<sup>85</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, para 1.1.

<sup>86</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, para 1.6.

<sup>87</sup> HM Treasury (2022), ‘Green Book’, updated 16 May 2024, section 1.

<sup>88</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, para 2.23.

<sup>89</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, para 1.24.

<sup>90</sup> PSR (2025), ‘Policy statement: statement of policy on our cost-benefit analysis framework’, January, p 15.

quantification through ‘*plausible ranges and probabilities of impacts, supported by appropriate sensitivity analysis*’<sup>91</sup> and the Green Book states that any ‘*effects should be clearly described and visible as part of the results of the appraisal*.’<sup>92</sup> Moreover, these benefits should be quantified in as precise and accurate a way as possible, taking into account the probability of the benefits materialising, in order to estimate the net benefits or net costs associated with each remedy. This is particularly important as Mastercard believes that the benefits associated with some of the remedies are unlikely to be as large as the PSR suggests, particularly if a valid counterfactual is used.

#### *Specific concerns on PSR assessment of benefits*

In addition to these overarching concerns, Mastercard has some concerns relating to the PSR’s approach to assessing the benefits and costs associated with specific remedies.

***The PSR should not include benefits of future uncertain policy interventions in its CBA.*** For the pricing governance and RFR remedies, the initial draft CBA states that that ‘*if intervention is warranted in future, acquirers could benefit from lower scheme and processing fees (which would ultimately be passed on to merchants)*’,<sup>93</sup> and considers that acquirers and merchants will ‘*benefit from appropriate constraints on pricing [...] following PSR intervention*.’<sup>94</sup> In doing so, the PSR appears to be including a benefit of a potential future action it *may* take as a benefit of the remedies currently proposed. Mastercard does not dispute that the pricing governance and RFR remedies would provide the PSR with more information on which to base its future decisions. Mastercard does *not* agree that the RFR and pricing governance remedies in themselves will lead to lower (or somehow better) pricing outcomes for acquirers and merchants. This would only be the case if the additional information revealed a concern and the PSR then established that an additional remedy were appropriate and proportionate. The benefits of a future intervention to which a regulatory authority has not yet committed, and which has not been justified, should not be included in a CBA.<sup>95</sup>

***The PSR should take into account the probabilities of each of the benefits of the proposed remedies materialising.*** It is not clear that all the benefits of the proposed remedies which the PSR cites will materialise. As discussed above, a key benefit cited for both the RFR and pricing governance remedy is dependent on future uncertain policy interventions. Several other benefits cited by the PSR which Mastercard considers to be uncertain or speculative are discussed below. As all of the proposed remedies are certain to incur costs, yet many of the benefits are speculative, by ignoring probabilities in its CBA the PSR will overestimate the net benefits of the proposed remedies.

***Once the probabilities of benefits materialising are taken into account, the benefits from the proposed pricing governance and RFR remedies are unlikely to outweigh the costs.*** The RFR and pricing governance remedies impose significant costs with no immediate benefits. As discussed, the PSR’s main aim in imposing the proposed RFR and pricing remedies is information gathering for the PSR to enable it to “*make informed decisions on future regulatory intervention*”.<sup>96</sup> As such, there will be no immediate impact on the prices which acquirers and merchants pay. Additionally, a key longer-term benefit of both remedies, that they will lead to reductions in fees through future intervention, is uncertain to materialise and unlikely to outweigh the costs to new entry and innovation if it does.

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<sup>91</sup> PSR (2025), ‘Policy statement: statement of policy on our cost-benefit analysis framework’, January, para 3.14.

<sup>92</sup> HM Treasury (2022), ‘Green Book’, updated 16 May 2024, section 5.3.

<sup>93</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, para 1.62.

<sup>94</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, Figure 5.

<sup>95</sup> Even if it were correct to include benefits of future interventions, it would also be necessary to consider the costs.

<sup>96</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, section 5.



The cited benefit will only materialise if the following conditions all hold: the PSR establishes through its information gathering that there is need for future regulatory intervention; the PSR imposes further remedies; and that these further remedies are successful at reducing Mastercard's fees.

- Firstly, it has not been established that there will be a need for future regulatory intervention. As discussed in section 4, the PSR is still investigating whether prices are “*unduly high*”. It has similarly been “*unable to reach a firm conclusion on profitability*”.<sup>97</sup> In fact, data presented in the Final Report shows that Mastercard's UK EBIT margins fell over the course of the PSR's review period (2018-2023).<sup>98</sup>
- Secondly, as discussed above, even if the need for future regulatory intervention were to be established, it is not clear that future intervention will be put in place nor that it would take the form of price regulation. As Mastercard has previously raised, there are very important well-established arguments that price regulation in markets subject to substantial innovation is inappropriate and would be contrary to the PSR's duties of innovation and competition.
- Thirdly, even if the PSR were to impose future regulatory intervention, it is likely that this would take place in the longer term, in which timescales Open Banking is expected to expand significantly and place increasing competitive constraints on Mastercard. Thus, even if the PSR were to find that Mastercard's fees or profitability was unduly high at present, this is unlikely to continue in the future due to increasing competitive constraints.

Moreover, as explained in previous submissions, any intrusive future regulation imposed by the PSR is likely to impose significant costs by dampening incentives to innovate for Mastercard and APMs and potentially in the economy more broadly and these costs would be likely to offset any short-term price benefits.<sup>99</sup>

For all of these reasons, the benefits of the pricing governance and RFR remedies are uncertain and are likely to be small when probabilities are taken into account. Balanced against this, both the pricing governance and RFR remedies impose significant costs on Mastercard (see sections 4 and 5). The proposed RFR remedy would impose large regulatory burden on Mastercard, for example in the preparation of a balance sheet for the purposes of calculating a ROCE, while the proposed pricing governance remedy would also impose regulatory burden on Mastercard (see section 4). As a result, when the probability of future benefits is taken into account, Mastercard does not consider that the benefits of the proposed pricing governance and RFR remedies will exceed the costs.<sup>100</sup>

***The impact of the pricing governance remedy on fees in the absence of future regulatory intervention is speculative.*** In relation to the pricing governance remedy, the PSR suggests that the merchants and acquirers may benefit from lower prices as Mastercard is required to ‘*have regard to*’ quality and/or cost when setting prices.<sup>101</sup> Mastercard considers that the existence of any such benefit is highly speculative. As the PSR indicates, the aim of this remedy is not to impact prices directly but to enable the PSR to better understand the price setting process (see section 4). The PSR further acknowledges in the pricing

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<sup>97</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, para 5.1.

<sup>98</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Final Report*’, March, Annex 10, Table 1.

<sup>99</sup> Post-Oral hearing voluntary submission, p1.

<sup>100</sup> One benefit which may arise from the RFR and pricing governance remedies is optionality, as the RFR and pricing governance remedies will provide the PSR with better information and consequently the option of imposing further intervention if it is found that fees or profitability are unduly high. While Mastercard does not dispute that the RFR and pricing governance remedies will provide this increased optionality, Mastercard considers that the benefits of this to acquirers and merchants are speculative, and in the event that they do occur will be limited. First, acquirers and merchants will only benefit from further regulation in future if it is found that prices are unduly high, which as discussed above, is not clear. Second, the benefits of future intervention are only likely to materialise in the longer term, over which period fees are likely to be increasingly constrained due to competitive pressure from Open Banking.

<sup>101</sup> PSR (2025), ‘Market review of card scheme and processing fees: *Remedies Consultation*’, April, Annex 1, Figure 5.

governance section that it expects that any impact of the remedy on pricing *'would be modest'*<sup>102</sup> and that it is still investigating *'whether prices are unduly high'*<sup>103</sup> as it has not yet been able to gain a full understanding of the drivers of fee changes.<sup>104</sup>

***The benefit of the ITC remedy on acquirers purchasing fewer 'unwanted' services is speculative.*** The PSR states that it expects the ITC remedy to result in acquirers purchasing fewer *'unwanted'* services.<sup>105</sup> Mastercard considers that this is unlikely to be a substantial benefit. As the proposed ITC remedy provides information about only Mastercard and Visa's services, and does not give information about alternatives, it would have to be the case that acquirers are currently purchasing services which they do not currently understand for any benefits of the remedy to materialise. As indicated in section 3, as acquirers are sophisticated entities, Mastercard considers that this is unlikely to be the case. Indeed, the PSR has provided very limited evidence that acquirers are currently purchasing unwanted services, relying on evidence from just three minor acquirers, one of which was refunded for the unwanted services.<sup>106</sup> Even if one were to believe that acquirers are purchasing unwanted services, it does not mean that those services provide the acquirer with no benefit.

Further, the PSR has stated its views that acquirers face limited constraints, including on some optional services, due to a lack of credible alternatives amongst other factors. While Mastercard does not agree that there are a lack of alternatives for optional services (see section 1), to the extent that the PSR believes that this is the case for certain services, it is not possible for these services to be *"unwanted"* by acquirers or merchants. The fact that acquirers or merchants could theoretically benefit from switching away from certain services necessitates that credible alternatives exist or that acquirers or merchants could do without these services altogether. Therefore, to the extent that the PSR believes that there are a lack of credible alternatives for optional services, the benefits of this remedy are limited.

#### *Specific concerns on the assessment of costs*

***The PSR should consider unintended consequences of its proposed remedies.*** CBAs should include the costs of any unintended consequences of proposed remedies, including impacts on innovation (discussed below). The PSR does not include any unintended consequences in its draft CBA. Without this, the PSR would not fully assess whether remedies meet the PSR's proportionality criteria which stipulate that remedies should *"not produce adverse effects which are disproportionate"* to addressing the aim of the remedy.<sup>107</sup>

***The PSR should consider the dynamic effects on innovation as a cost of its pricing governance remedy, as well as operational and compliance costs.*** The draft CBA appears to focus solely on the operational costs of implementing the pricing governance remedy. However, as explained elsewhere in this response, some of the largest costs associated with pricing governance could be dynamic effects on competition and innovation. This can be costly for the market as a whole as opposed to just the card schemes and PSR. In particular, to the extent that the proposed remedy requires Mastercard to *'have regard to'* costs when setting prices, this would have the effect of price regulation, which would significantly impact Mastercard's, as well as other players', incentives to innovate.

Mastercard's services are not introduced simultaneously across all jurisdictions. The UK is a key country in which Mastercard rolls out and pilots its service enhancements and new services due to favourable

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<sup>102</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, para 6.11.

<sup>103</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, para 6.9.

<sup>104</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, para 2.16.

<sup>105</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, Annex 1, para 1.34.

<sup>106</sup> Indeed, the vast majority of acquirers responding to the consultation did not indicate any issues with purchasing unwanted services. See PSR (2025), 'Market review of card scheme and processing fees: *Final Report*', March Annex 12, para 12.82.

<sup>107</sup> PSR (2025), 'Market review of card scheme and processing fees: *Remedies Consultation*', April, para 2.23.

conditions including high levels of innovation and a thriving fintech sector (see section 4). To the extent that any remedy would curtail Mastercard's ability to price flexibly to reflect the value these new innovations create, it may therefore affect Mastercard's incentives to innovate in the UK. This would have negative impacts on acquirers and merchants and for economic productivity overall (see section 4). The negative effects of the remedies on competition and innovation should be accounted for in the CBA.

***The PSR should consider the distributional impacts of remedies across acquirers and merchants.*** The remedies may have different costs for different segments of acquirers and merchants, particularly when dynamic impacts are considered. The PSR should include analysis of the distributional effects in its CBA.

## 8. Annex 1: additional comments on the PSR's findings

This section provides an assessment of the evidence base underpinning the PSR's conclusions and proposed remedies.

### 8.1 *Competitive process and constraints*

In the Final Report, PSR acknowledges and accurately describes the key economic characteristics of payment services and how these affect the market and competitive dynamics for payment services. These include network effects, tipping markets, front-end and back-end dynamics for wallets and the limitations of using market shares as an indicator of market power. For instance, the PSR also now *"agree with Mastercard that market shares may not be a good proxy for the competitive constraint that alternative payment methods impose on card schemes"*.<sup>108</sup>

Based on its own review of internal Mastercard documents, the PSR also recognises that Mastercard actively monitors the competitive landscape and is concerned about potential threats from new entrants and alternative payment methods. As the PSR points out, the internal Mastercard documents show that Mastercard responds strategically to potential competition.<sup>109</sup>

Despite this, the PSR ultimately concludes that Mastercard is subject to ineffective competitive constraints. This conclusion appears to be based on the PSR's assessment that:<sup>110</sup>

- there are no viable alternatives to card schemes at present; and
- the potential for steering or new entry does not presently exert competitive pressure on Mastercard since Open Banking, in the PSR's view, is unlikely to result in a competitive constraint on the schemes in the "short to medium term".

We have sufficiently addressed the first point in our previous submissions on which our views remain unchanged. There are viable alternatives that exert effective competitive constraints on Mastercard. Here, we focus specifically on the PSR's second point in relation to Open Banking. The PSR's view on Open Banking is inconsistent with the PSR's own analysis and evidence, with numerous flaws:

- ***Inconsistency with PSR's own analysis.*** In the Final Report the PSR sets out its view that Open Banking is unlikely to impose competitive constraints on cards in the short to medium term, and that Open Banking *"is unlikely to develop comprehensively enough or fast enough to become a competitive constraint on Visa and MasterCard for many years"*. The PSR explains that its view on Open Banking is based on its analysis in Annex 1 of the Final Report. However, this view is in fact contradicted by its own assessment in Annex 1, which summarises views from different stakeholders:
  - *"All the PISPs we talked to told us that they plan to grow their business in the next few years. However, they also said that effective competition with cards will take time and is subject to appropriate regulatory interventions."*
  - *"One PISP told us that it is increasing its focus on 'powering up' low-risk purchases, which could start to compete with cards, focusing on merchants such as grocery stores, delivery companies and ride hail companies."*

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<sup>108</sup> PSR (2025), 'Market review of card scheme and processing fees: final report', para. 4.45.

<sup>109</sup> PSR (2025), '[Market review of card scheme and processing fees: Competition with other payment methods](#)', Annex 1 to final report, March, para 1.56

<sup>110</sup> PSR (2025), 'Market review of card scheme and processing fees: final report', para 1.10

- *“Another PISP told us that its goal is to build a product that can compete with cards (through VRP)... However, two PISPs told us that currently there is uncertainty on how regulators will move forward on open banking, and that PISPs need market certainty to make investments into the appropriate areas.”*
- *“One of the PISPs further explained that, although there is regulatory uncertainty, based on what is known, it will likely take at least a couple of years to produce an open banking product which can compete with cards.”*

The PSR concludes that *“many stakeholders consider that it will take a few years for effective competition with cards to emerge”*.<sup>111</sup> This finding suggests that Open Banking is not a distant or unlikely possibility, but likely to provide a realistic competitive constraint to cards in the medium term. This is further supported by the official JROC report, cited in Annex 1, which outlines several regulatory and industry actions that could enable Open Banking to become a viable competitor in payments within 18-36 months.<sup>112</sup> This provides further indication that the development of Open Banking in the medium term is a realistic trajectory contingent on policy choices. This means that the PSR’s conclusion that Open Banking is unlikely to constrain card schemes in the short to medium term is at odds with the evidence it cites. The PSR’s findings in Annex 1, that Open Banking is expected to develop to provide competitive constraints to card schemes in the near term, accords with the views of HMT, who state that *“Open Banking, with its significant untapped potential, has a vital role to play in the near-term – in particular, through unlocking account-to-account payments for e-commerce.”*<sup>113</sup>

Given that Open Banking is expected to become a competitive constraint within the next few years, it is not clear why the PSR is proposing remedies designed to inform potential future interventions in relation to payment cards. This raises the question of whether such remedies are proportionate or necessary, particularly if market dynamics are already expected to evolve within the lifetime of the remedies themselves. The payments market would be better served by the PSR addressing the suggested regulatory uncertainty potentially hampering the development of Open Banking raised by the above PISP responses.

- ***Insufficient consideration of policy levers to accelerate change.*** The PSR summarises the JROC report as follows: *“The actions suggested by the report suggest that open banking payments are unlikely to impose a significant constraint on cards for either e-commerce or in-person retail transactions for at least the next three years, and significant uncertainty exists on when or whether such constraint will emerge, at least without regulatory intervention”*. We note that the JROC report was published in early 2023. As noted above, if the rollout of Open Banking is a concern, the PSR and FCA could play a proactive role in accelerating progress. Barriers to development, such as misaligned incentives and regulatory uncertainty have been highlighted, with evidence submitted by PISPs to the PSR explicitly calling for regulatory intervention and regulatory certainty to promote Open Banking: *“there is uncertainty on how regulators will move forward on Open Banking, and that PISPs need market certainty to make investments into the appropriate areas”* [emphasis added].<sup>114</sup> The feedback from stakeholders to the FCA/PSR’s paper on pricing principles indicates that the FCA/PSR proposed pricing principles may have disincentivised the development of Open

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<sup>112</sup> The JROC report specifically notes that “evidence provided suggested a range of mechanisms through which firms could work together to enable a wider range of payment solutions” over the medium term, and identifies “areas of alignment and potential workable solutions to move forward” in the short to medium term. See JROC (2023), ‘The Future Development of Open Banking in the UK’, section 1.4.

<sup>113</sup> HM Treasury (2024), ‘National Payments Vision’, November, para 3.10.

<sup>114</sup> PSR (2025), ‘[Market review of card scheme and processing fees: Competition with other payment methods](#)’, Annex 1 to final report, March, paras 1.271 and 1.276.

Banking based products.<sup>115</sup> The experience in other jurisdictions such as the EU shows that it is clearly possible successfully to develop APMs if regulators put in place the relevant pre-conditions such as regulatory certainty and allowing for commercial incentives to innovate.

- **At odds with the PSR's own position, and wider regulatory context, on Open Banking.** The PSR's position outlined in its Final Report also appears to conflict with its own statements on the development and rollout of Open Banking. In a 2023 speech, the head of policy at the PSR outlines the regulator's views on the development and prospects of Open Banking, saying that "*Open Banking has already introduced greater competition and innovation in UK retail banking*", and that Open Banking is already delivering benefits by opening up "*more payment choice for consumers*", building "*confidence and trust for people and businesses*", and creating an environment for effective competition.<sup>116</sup> Further, the promotion of Open Banking is a priority area and has the support of both regulators (FCA, PSR) and the government. Regulators have highlighted the increasing effects of Open Banking on the payments landscape, with the PSR and FCA finding that emerging services like VRPs "*offer greater competition to current payment methods and could help reduce processing fees.*"<sup>117</sup> The PSR's position in the Final Report that Open Banking is unlikely to pose significant competitive constraints on cards in the short to medium term therefore appears to be in direct conflict with its own statements and broader regulatory views on Open Banking.
- **Overlooking the role of potential competition:** Open Banking is a key focus area for both government and regulators, with the FCA and PSR affirming that they will roll out enhancements to Open Banking within the next two years.<sup>118</sup> However, even if Open Banking or other innovations were to take several years to reach full competitive force, the *expectation* of entry influences behaviour today, particularly in markets characterised by strong network effects. In any case, APMs are already exerting competitive pressure on Mastercard (as is evident in the documents submitted to the PSR). The promotion of Open Banking is a stated priority for regulators and government under the National Payments Vision (although there remains scope for these bodies to take a more proactive role in accelerating its rollout).<sup>119</sup> As a result, the threat of new entrants in this space is not just hypothetical. It is tangible and actively being facilitated and prioritised by regulators and policymakers.
- **Misplaced emphasis on consumer protection as the reason for Open Banking delays.** The PSR suggests that the delay in the rollout of Open Banking is due in part to the need for enhanced consumer protection. However, not all payment products require the same level of protection to be successful. A competitive market is expected to deliver choice with products with different price and service propositions. In other jurisdictions, consumers have choice in product offerings with varying levels of protection to reflect the different uses of the payment method (e.g. BLIK in Poland, iDEAL in the Netherlands).<sup>120</sup>

Indeed, evidence submitted to the PSR by the British Retail Consortium (BRC) highlights the potential risks of overextending consumer protection, "*the introduction of a consumer protection regime that extends to even typically low value, low risk retail transactions would result in a more expensive regime and adversely impact the merchants' incentive to adopt it. If the same consumer protections, and associated costs, are to be replicated for interbank payments as exist for payment*

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<sup>115</sup> Joint Regulatory Oversight Committee (2023), 'Principles for commercial frameworks for premium APIs', June.

<sup>116</sup> PSR (2023), 'Kate Fitzgerald Speech for Payments Leaders' Summit – 19', April.

<sup>117</sup> FCA (2025), '[FCA and PSE set out next steps for open banking](#)', January, accessed 16 May 2025.

<sup>118</sup> PSR (2023), 'Kate Fitzgerald speech for Payments Leaders' Summit – 19 April 2023', April.

<sup>119</sup> HM Treasury (2024), '[National payments vision](#)', November.

<sup>120</sup> Indeed, in the Interchange Fees Market Review, the PSR's analysis relies heavily on SEPA payments, a product that has no consumer protection [ref]



*cards then any competitive advantage that interbank payments would have over card payments will be lost*".<sup>121</sup> Not only does this show that care must be established when implementing the appropriate level of consumer protection, it also acknowledges that the costs differences faced by merchants when accepting cards, relative to some other payment methods, is a reflection of the protection offered to card users.

In sum, the PSR's conclusion that Open Banking is unlikely to exert a competitive constraint in the short to medium term is not adequately supported by its own evidence and is at odds with the views of stakeholder and international experience.

## 8.2 Market outcomes

Market outcomes, such as price, choice and service quality, are indicators of whether a market is functioning effectively for its users. Concerns about the competitive process in card schemes must be assessed in light of the actual outcomes being delivered. Where outcomes are poor, this may reflect a failure in the competitive process.

The PSR has considered a range of indicators to assess market outcomes, including pricing and profitability and concludes that "*Our findings were consistent with our finding of a lack of competitive constraints.*" When reviewing the evidence that the PSR presents in its report, we see that this is clearly not the case.

- **Profitability:** the PSR concludes that it is unable to "*reach a firm conclusion on the level of the schemes' profitability*".<sup>122</sup> Despite this, it asserts that Mastercard profit margins are likely higher than would be expected in a competitive market. This leap in reasoning, drawing a conclusion in the absence of a clear evidentiary basis, raises questions about the rigour of the PSR's analysis. A finding of "insufficient data" cannot not be used to infer excess profitability.
- **Pricing:** the PSR states that scheme and processing fees have risen substantially in recent years. However, its own data show that average fees have increased by 25% over a seven-year period, which is significantly lower than its earlier estimate of 30% over five years. This revised figure represents a compound annual growth rate (CAGR) of 3.23%. Even on its face, this does not support the narrative of unchecked price inflation. Moreover, the PSR acknowledges that these fee increases have been accompanied by service improvements.<sup>123</sup> In a functioning market, modest price increases paired with tangible enhancements in functionality and service quality are likely to reflect healthy investment and innovation rather than market failure.<sup>124</sup>
- **Volumes:** surprisingly, the PSR pays little attention to volume trends, even though these are an important indicator of market performance. In competitive markets, firms seek to expand usage and reach more users, both merchants and consumers. On this front, card schemes show strong evidence of delivering positive outcomes, such as the expansion in card acceptance among merchants, as well as increased card usage in B2B contexts and in traditionally under-digitised sectors such as trades.
- **Innovation:** The PSR rightly acknowledges that innovation is a key market outcome and an important signal of whether competition is working in the interests of service users. It also accepts that Mastercard has introduced service enhancements and product innovations in recent years.

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<sup>121</sup> PSR (2021), '[Consumer protection on interbank payments: stakeholder submissions to our call for views](#)', October, CP21/4, para 2.5.

<sup>122</sup> PSR (2025), 'Market review of card scheme and processing fees: final report', para 1.11.

<sup>123</sup> Ibid, para 1.12.

<sup>124</sup> The PSR suggests that recent fee increases may have been limited because fees were already high, but provides no supporting evidence for this assertion. At the same time, it acknowledges that scheme profitability has been declining. Given falling profitability, this appears inconsistent with the idea that schemes have been able to sustain unreasonably high fees over time – and undermines the case that current fee levels reflect a lack of effective competition.

However, despite this, the PSR ultimately concludes that *“in many cases submissions from acquirers and merchants tend not to support a view that quality of service has been rising in step with fee increases.”*

This conclusion appears to rest almost entirely on anecdotal feedback from a limited number of stakeholders and not on any objective analysis of quality outcomes or innovation trends. The PSR does not present any structured framework for assessing service quality, nor does it benchmark Mastercard’s performance against relevant comparators. Indeed, the PSR itself acknowledges the shortcomings in its evidence base, yet states that the evidence still reveals a perception among some acquirers and merchants that recent fee increases have not been accompanied by commensurate quality improvements.<sup>125</sup> This reflects stakeholder opinion (based on a limited number of stakeholders), not empirical analysis. Without a clearer link between fees and quantifiable quality indicators (or any effort to systematically assess changes in service outcomes) the PSR’s conclusions on innovation remain speculative and unsupported by the evidence it presents.

The PSR also argues that innovation alone does not justify recent increases in scheme and processing fees, claiming, without presenting supporting evidence, that *“the current level of fees charged is not a necessary condition to support the level of investment and innovation in the card industry,”*<sup>126</sup> and *“greater competitive pressure on the acquiring side would lead to greater, not lower, innovation from Mastercard and Visa to the benefit of merchants and consumers, even if it were to lead to lower acquiring-side fees”*.<sup>127</sup>

This reasoning is circular. The PSR concludes that Mastercard is subject to ineffective competitive constraints and uses this conclusion to argue that current market outcomes, such as fee levels are not justified, despite clear evidence of ongoing innovation. In effect, the PSR concludes that innovation would be *greater* under more competitive conditions and therefore that current innovation levels cannot be seen as evidence of effective competition. This flawed and circular logic is particularly evident in paragraphs 6.187 and 6.188 of its Final Report, where the PSR argues that higher fees are indicative of weak competition, even though the accompanying innovation suggests otherwise.

Finally, we note that in the context of Open Banking, the PSR identifies a range of features that are currently lacking in account-to-account (A2A) payments, such as seamless one-click checkouts and positions these as barriers to adoption.<sup>128</sup> Yet these are precisely the types of innovations that Mastercard has developed and brought to market to ensure it is providing a secure convenient service to its customers.

In sum, the PSR’s own analysis and evidence shows that, contrary to its own conclusions, the market outcomes are not consistent with a finding of a lack of competitive constraints.

### **8.3 Consumer/merchant harm**

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<sup>125</sup> PSR (2025), ‘Market review of card scheme and processing fees: final report’, para 6.175. The PSR say: “We note, however, that the number of submissions we received, especially from merchants, is limited, and that these are not necessarily representative of the full merchant population. We also note Mastercard’s submission that many merchants may not be able to observe the changes (particularly improvements which are gradual and which take place ‘behind the scenes’) and how such changes benefit them directly.”

<sup>126</sup> Ibid, para 1.12.

<sup>127</sup> Ibid, para 6.183



The PSR estimates that, across both Visa and Mastercard, acquirers are now paying approximately £170 million more per year in mandatory scheme and processing fees compared to 2017.

This headline number is not attributed solely to Mastercard and the actual portion relating to Mastercard is likely to be significantly less than half. Moreover, while the PSR presents the £170 million as a cumulative annual impact, the figure is based on assuming a 25% increase in unit revenues is unreasonable, without accounting for any improvements in service quality or innovation over the same period. In effect, it assumes that all fee increases represent pure price rises without offsetting value which is an assumption that is both simplistic and untested.

Crucially, the headline figure of £170 million should be contextualised:

- It reflects a small proportion of transaction value, which amounts to hundreds of billions annually.
- The increase has occurred alongside substantial innovation and improvements in service quality, which the PSR itself acknowledges.

Taken together, the £170 million figure does not in itself constitute any evidence of market failure.

## 9. Annex 2: additional comments on the UK P&L prepared by Mastercard

This annex presents a detailed review of the questions raised by the PSR regarding the UK P&L, along with the responses provided by Mastercard.

### 9.1 Fully-loaded cost vs incremental costs approach

- The PSR argued that Mastercard has allocated a proportion of costs based on transaction numbers and given that incremental costs of a transaction are limited, this raises the question of whether costs are appropriately allocated in the fully loaded P&L.
- The PSR also suggested that the cost of expanding into debit cards is significantly lower than implied by the fully loaded UK P&L accounts. This is because Mastercard allocates common costs using transaction numbers to a significant extent. The PSR argued that it is plausible that the cost associated with the expansion into debit cards is much lower and closer to the likely very low incremental cost of additional transactions.
- Mastercard has responded to these points and first explained that the PSR does not provide any valid reason as to why it would be appropriate to calculate Mastercard's margin on the basis of incremental costs rather than fully-allocated costs.
- The PSR is aware that the approach for preparing the fully-loaded P&L and allocating costs to the UK was discussed and agreed upon in 2022. As agreed between Mastercard and the PSR, the fully-loaded P&L was prepared on the basis of a fully-allocated cost (FAC) methodology and activity-based costing approach. The PSR's disclosure paper published in 2023 states that *'[the PSR] therefore asked Mastercard to submit revenues and costs for the relevant UK operations to [the PSR] in fully allocated UK P&L accounts'*.<sup>129</sup>
- It is well-established in the literature that when analysing profitability to inform an assessment of whether the market is working well, costs should be measured based on a stand-alone or fully-allocated costs basis (rather than incremental costs).<sup>130</sup>
- The fully-loaded P&L was prepared on the basis of the principles discussed and agreed with the PSR. Mastercard explained that it is therefore inconsistent to calculate incremental costs in this context; incremental costs focus only on the additional costs directly tied to increased production or service levels, ignoring the allocation of fixed costs. Therefore, measuring the margin based on incremental costs would not allow for the recovery of the majority of joint and common costs.

### 9.2 Selection of cost drivers used to allocate common costs

- The PSR has questioned the choice of allocation drivers used in the UK P&L and notably argued that there may be more meaningful costs drivers than transaction numbers (given that costs for incremental transactions are low).
- The PSR also argued that the information is not sufficiently granular to assess whether costs in the fully loaded UK P&L accounts are allocated taking into account activity-based costing principles.

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<sup>129</sup> PSR (2023), 'Scheme and processing fees market review. Disclosure paper – Profitability (margins analysis)', 1 December, para. 4.9.

<sup>130</sup> Office of Fair Trading (2003), Assessing profitability in competition policy analysis, prepared by Oxera, para. 1.36.

- In response, Mastercard explained the choice of allocation keys to the PSR, in particular  $\propto$ . Mastercard also presented the UK P&L to the PSR during a walk-through session in January 2024 and responded to follow-up questions raised by the PSR regarding the P&L.
- Mastercard notes that the PSR has articulated a number of critiques regarding the choice of cost drivers used in the UK P&L and provided alternative cost drivers in a sensitivity analysis presented in the Final Report. Mastercard has reviewed this sensitivity analysis and concluded that the allocation keys suggested by the PSR are not economically meaningful. In addition, the impact on the operating margin in the UK fully-loaded P&L of these alternative allocation keys is relatively limited ( $\propto$ ). The PSR itself noted that *'the purpose of [the] sensitivity analysis was not to identify the 'ideal' or 'correct' cost driver, but rather to illustrate that margins can differ significantly when using different assumptions'*.

In sum, the fully-loaded P&L has been prepared in line with good practice and the approach agreed upon with the PSR late 2022.

### 9.3 Treatment of rebates and incentives

- The PSR has articulated two main concerns in relation to the treatment of rebates and incentives in the UK P&L.
  - Firstly, the PSR argued that: the increase in rebates and incentives supporting the expansion into debit cards may be temporary; and that once the benefits from the expansion into debit cards come into full effect (for example once Mastercard reaches a market share target in the UK market for debit cards), rebates and incentives would decrease and margins could increase again.
  - Secondly, the PSR argued that rebates and incentives may have been overstated in the UK P&L. To support this claim, the PSR argued that it is *'possible that relatively higher rebate and incentive costs have been allocated in the early years of a new contract, when revenues are still relatively low, but relatively lower costs are allocated to later years, when revenues could more fully reflect the benefits of the expansion into debit cards'*.

We review each issue in turn.

#### Rebates and incentives are not temporary

- Mastercard first explained that the reference to a particular market share target was irrelevant and based on one particular Mastercard slide that the PSR has misinterpreted. Mastercard next explained that even if Mastercard had a target market share in the UK, it would still be inaccurate to conclude that Mastercard would  $\propto$ . This would implicitly assume that Mastercard would be successful in winning new contracts without losing existing contracts, which is not a realistic assumption.
- It would also assume that  $\propto$ . To the contrary,  $\propto$ .
- $\propto$ . Mastercard's portfolio of credit card contracts is more mature and consists of a mix of new and renewed contracts. Importantly, this demonstrates that the rebates and incentives for debit cards are not temporary, but will be maintained even if the portfolio for debit cards matures.

#### Rebates and incentives have been appropriately reflected in the UK P&L

- Mastercard first explained that, in Mastercard's accounting systems, all rebates and certain types of incentives are recorded as a proportion of revenues. This means that in practice a large proportion of the rebates and incentives granted to issuers (around 80%) are accounted for in line with revenues and that the potential issue that the PSR has identified simply does not occur in relation to the rebates and incentives that are accounted for in line with revenues.
- Secondly, Mastercard has assessed the impact of allocating the incentives (that are currently accounted for linearly over time, consistent with accounting standards) based on revenues for the

debit card contracts signed in 2018 – 2022. This analysis showed that Ȳ and when allocating incentives based on revenues, the downward trend in margins does not change. Mastercard also explained that this analysis overestimates the impact on margins because:

- if this adjustment were to be applied, it would have to be applied to all existing contracts (i.e. including contracts signed before 2018); making a similar adjustment to these contracts would reduce the margin in the period considered.
- The time value of money should also be taken in consideration. As most incentive payments are made at the start of the contract, if we were to 'back-end' the accounting treatment of incentives we should also increase the value (to take into account the time value of money) and thus reduce the margins.
- In the final report, the PSR now argues that rebates and incentives offered in relation to debit or credit card contracts *'may not necessarily directly benefit Mastercard's relevant UK operations. For example, Mastercard told us that it aimed to expand its service offering beyond core payments to optional services, both to existing issuers and to brand new segments. In this case, we consider that it would be appropriate, from an economic perspective, to either allocate some of the margins from the future sales of these other products to the relevant UK operations (which would increase future margins in those operations), or to reallocate some of the rebates and incentives from the fully loaded UK P&L accounts to these other product lines'*.
- Mastercard would like to emphasise the following points:
  - Mastercard's portfolio of "other products", that is, services not directly related to card payments, Ȳ
  - To date, there is no indication that Ȳ.

In sum, Mastercard has explained to the PSR that rebates and incentives are not temporary and have been appropriately recorded in the UK P&L. This conclusion is also supported by evidence that Mastercard prepared in response to the questions raised by the PSR.

#### **9.4 Reconciliation of UK revenues with European revenues and inclusion of cross-border (FX) revenues**

##### Reconciliation of revenues

- The PSR argued that it has not received a detailed reconciliation of revenues included in the UK P&L to the revenues in the European and global accounts in a format that would allow it to assess whether there are other revenues that are also related to scheme and processing services, but are not included in the fully loaded UK P&L.
- The PSR added that this is (for example) because the revenue reconciliation note that Mastercard prepared provided no explanation of the nature of the revenues that were not allocated to the fully loaded UK P&L accounts.
- In response, Mastercard first explained that revenues included in the UK P&L are geo-coded to the UK. In other words, no allocation exercise was required to identify the revenue streams relevant to the UK P&L, as these revenues were already directly attributed based on geographic coding.
- Secondly, Mastercard explained that the reconciliation note<sup>131</sup> it provided to the PSR showed a reconciliation between the revenues reported in Mastercard Europe's (MCE) statutory accounts

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<sup>131</sup> Mastercard (2024), Response to PSR questions from meeting on 21 February 2024.

and those presented in the UK P&L. The note demonstrated that the UK-related revenues included in the MCE statutory accounts are reflected in the UK P&L, alongside additional UK-generated revenues,  $\times$

#### Inclusion of FX revenues

- The PSR argued that the UK P&L should include FX revenues, as those are *'an inherent part of a card transaction where currency conversion is required, i.e. they would not arise without a card transaction and form part of the economic benefits Mastercard derive from the UK card scheme operations'*. The PSR further argues that the PSR's review of Mastercard profits *'would be incomplete if it did not take ancillary revenues into account that arise as a result of operating scheme and processing services [...] This is because in a competitive market, ancillary revenues form part of the considerations in respect of market entry and pricing decisions'*.
- In response, Mastercard first explained that  $\times$  Mastercard considers that this revenue stream is therefore not relevant in the context of market review conducted by the PSR, which focuses on scheme and processing fees.
- Mastercard also explained that if FX revenues were to be included in the UK P&L, then FX costs would also have to be included, including operating expenses, the costs of hedging positions, losses, risks taken and the use of capital. Mastercard explained that these costs have not been quantified and are not included in the UK P&L. Quantifying the costs and allocating these to the UK would require substantial work, including agreeing a framework for estimating the appropriate level of capital, risk and then estimating returns commensurate with that risk.
- Mastercard further explained that rather than undertaking a profitability analysis, the level of the FX rates offered by Mastercard can be assessed by comparing them with those offered by other providers. Mastercard provided the PSR with an analysis of the exchange rates it offers against the rates of other currency exchange providers. This analysis showed that the exchange rates offered by Mastercard are competitive.
- Finally, Mastercard noted that if the operating margin of Mastercard for FX activities is  $\times$ , the operating margin for its UK card business, the weighted average margin (covering both Mastercard's card business and FX activities in the UK) would not be  $\times$  the operating margin calculated for Mastercard's card business in the UK. Even if the operating margin for Mastercard's FX activities in the UK were much  $\times$ , the impact on the weighted average operating margin would be  $\times$ .

# Merchant

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Sent via email to [schemeandprocessingfees@psr.org.uk](mailto:schemeandprocessingfees@psr.org.uk)

15<sup>th</sup> May 2025

Dear Scheme and processing fees market review team,

**RE: Response to UK market review and proposed remedies of card scheme and processing fees**

Thank you for the opportunity to provide a response to the Payment System Regulator's (PSR) final report and proposed remedies relating to scheme and processing fees charged by Visa and Mastercard in the UK. Our comments are general in nature so we have not addressed specific questions within the consultation document. However, we trust that our view is helpful in determining the PSR's next steps in relation to this important issue.

**We support the conclusions of the PSR's final report**

We are writing in support of the conclusions set out in the PSR's final report. In particular, we recognise the steep rise in recent years of both the number and rates of the fees charged by Visa and Mastercard. We are therefore not surprised that your study concludes that fees have risen by 25% since 2017, at a cost of £170m per year to businesses in the UK.

In our experience, the fees charged by the card schemes are often opaque and do not clearly relate to new or different services. Indeed, we suspect that efforts in the EU and UK to reduce interchange fees (the subject of another recent investigation by the PSR) have encouraged Visa and Mastercard to seek to maximise the revenue they can extract from scheme and processing fees instead.

**The proposed remedies are helpful but we hope that the PSR continues to build on them as more evidence becomes available**

Given the final report acknowledges that rising fees charged by the card schemes, and noting the strong action taken by the PSR in relation to interchange fees, we are disappointed not to see the regulator go further with its suggested remedies around scheme and processing fees. We believe it is clear from the findings of the final report that Visa and Mastercard are able to make super-normal profits from their fees, using their market dominance to raise them above the level that would be expected in a competitive market. We attended a merchant roundtable to discuss the Interim Report last year with your officials and we recall the strong view from attendees that even large merchants are generally not able to avoid or opt out of many of the fees. These rising costs have put increasing pressure on supply chains and ultimately are borne by the consumer.

That said, we can see how the remedies proposed alongside the final report are designed to provide the PSR with the evidence base to go potentially go further and consider further, more robust, measures in future. As such, we would like to register our strong support for the proposed remedies that will help to justify further action. In particular, we believe the new financial reporting obligations could quickly provide evidence of any super-normal profits being made by Visa and Mastercard in relation to scheme and processing fees. We also support the decision to publish scheme information, including data from the mandatory reporting. This may provide merchants and acquirers with evidence to push back against further fee rises by the card schemes while the PSR is considering what further remedies may be appropriate.

In terms of the remedies focused on increasing information transparency and improving pricing Governance, we support the intention and hope that the additional information the schemes will be required to provide, and the steps they must take before increasing fees, will slow further rises. We therefore support these proposed remedies. However, we are sceptical that they will be able to address the already significant increases in scheme and processing fees that we have seen in recent years – and which the PSR identifies in its final report.

**We would urge the regulator to review the remedies after 12 months, after reporting from card schemes**

It is clear from the final report that the PSR has identified a lack of competition in the UK payments market and recognised that costs have increased for merchants and acquirers due to a complex and opaque set of existing and new fees. We accept that given the lack of UK reporting from the card schemes, there is not currently the evidence to justify stronger measures, such as a cap on scheme and processing fees similar to that which is being implemented on interchange fees. However, while we support the PSRs proposed remedies, we urge the regulator, particularly in the context of structural changes that have been announced at the PSR, to continue this investigation and clearly commit to reviewing the remedies in 12 months' time, in view of the financial reports received by Visa and Mastercard. We are confident that with the additional evidence that will be available at this point, further action will be justified.

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We trust that this input is helpful in the PSR's determination of final remedies. As with the interim report, we would welcome being included in any merchant engagement such as roundtables relating to scheme and processing fees or similar issues.



# Startup Coalition

## **Market review of card scheme and processing fees Remedies consultation**

Startup coalition Response

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### **About the Startup Coalition**

Startup Coalition is an independent advocacy group that serves as the policy voice for technology-led start ups and scaleups in the UK. Startup Coalition was founded by entrepreneurs for entrepreneurs and fights for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 4,000 startups in our network and have been instrumental in building proactive coalitions of businesses and investors on issues that are integral to the health of the UK's startup ecosystem.

Startup Coalition is part of the Axe the Card Tax campaign, a coalition of trade bodies representing 240,000 businesses across the UK campaigning for measures to support payments innovation. The coalition is calling for actions to promote competition in the payments sector, to reduce the costs of accepting payments, and to ensure there is a level playing field that enables the UK's burgeoning Fintech sector to compete with incumbents.

### **General Remarks**

Startup Coalition welcomes the Payment Systems Regulator's comprehensive remedies consultation addressing the market dysfunction in card scheme and processing fees. As the policy voice for over 4,000 technology-led startups and scaleups across the UK, we have consistently highlighted how the current payments landscape imposes an unfair and unavoidable 'card tax' on businesses, particularly affecting innovative companies operating on thin margins.

The PSR's final report confirms what we have long argued: Mastercard and Visa face ineffective competitive constraints on the acquiring side, resulting in substantial fee increases that have offset the benefits of interchange fee regulation. The evidence has shown that these fees have continued to rise, ultimately costing UK businesses.

We support the PSR's proposed remedy package, which represents a significant step toward addressing transparency failures and improving regulatory oversight.

The Information Transparency and Complexity (ITC) remedies will help businesses understand what they are paying for and why, while the Regulatory Financial Reporting (RFR) requirements will provide essential data for future regulatory decisions. The pricing

governance measures will create much-needed accountability in scheme decision-making, and the publication remedy will enable broader stakeholder scrutiny of an opaque market.

However, we emphasise that while these remedies address important information asymmetries and governance failures, they do not directly tackle the excessive pricing that results from market concentration and "must-take" status. The proposed measures represent a crucial foundation, but the PSR must remain prepared to implement more interventionist remedies if transparency and governance improvements fail to deliver meaningful cost reductions for UK businesses.

Our response focuses particularly on ensuring that remedies are designed to benefit smaller market participants who often lack the resources to navigate complex fee structures or challenge scheme pricing. We support ambitious implementation timelines and robust enforcement mechanisms to prevent schemes from undermining the remedies' effectiveness through delay tactics or technical obstruction.

## **Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?**

Startup Coalition agrees with the PSR's decision not to progress with a mandatory consultation requirement. We believe this decision reflects a clear-eyed assessment of market realities and demonstrates sound regulatory judgment.

The fundamental issue is that Mastercard and Visa operate in a market with "must-take" status where meaningful competitive alternatives do not exist. As we have previously highlighted, this creates an environment where, whilst some fees are largely 'optional', many businesses do not have the capacity to challenge non-mandatory fees. In such circumstances, a consultation process, however well-intentioned, would not materially alter the power imbalance between schemes and their customers.

A mandatory consultation requirement would risk creating the illusion of stakeholder input while failing to address the underlying lack of competitive constraints. Acquirers and merchants would expend time and resources providing feedback, but without genuine alternatives or effective bargaining power, schemes would remain free to implement fee increases regardless of stakeholder concerns.

We particularly agree with the PSR's assessment that mandatory consultation could become "inflexible and bureaucratic." Our ecosystem often work with smaller, more agile acquiring providers who lack the resources for extensive consultation processes. Imposing additional bureaucratic requirements could disproportionately burden these smaller market participants while providing minimal benefit.

The PSR's concern about unclear outcomes is also well-founded. Without clear mechanisms for how feedback would be incorporated into pricing decisions, consultation could become a perfunctory exercise that legitimises predetermined outcomes rather than genuinely influencing them.

The pricing governance remedy represents a more effective approach. By requiring schemes to demonstrate how they have paid “due regard” to service user interests and other pricing principles, the PSR is placing the onus on schemes to proactively consider stakeholder impacts in their internal decision-making processes. This creates accountability without the administrative burden and uncertain effectiveness of external consultation.

Most importantly, this approach must be coupled with the transparency measures outlined in the ITC proposals. Meaningful accountability requires clear, accessible information about fees, their justifications, and the decision-making processes behind them. The combination of improved governance processes and enhanced transparency offers a more promising path toward better outcomes than mandatory consultation alone.

Startup Coalition supports the PSR's pragmatic approach to focusing on remedies that address the substance of market dysfunction rather than creating process requirements that may not deliver meaningful change.

## **Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?**

Startup Coalition has mixed views on the PSR's decision not to progress with interim remedies. While we understand the rationale for focusing on comprehensive, enduring solutions, we are concerned that the absence of any interim measures leaves UK businesses exposed to continued harm during the implementation period.

We recognise that developing effective interim remedies is challenging and that poorly designed temporary measures could create market distortions or undermine the longer-term remedy package. The PSR's focus on implementing comprehensive, well-designed remedies that address the root causes of market dysfunction is commendable.

However, the PSR's own analysis suggests that the potential harm from the current market dysfunction could be “tens or even a few hundred million pounds per year.” Given that the proposed remedies will take time to implement and longer still to demonstrate their effectiveness, UK businesses will continue to bear these costs throughout the transition period. For startups and scaleups, this ongoing burden is particularly acute. These businesses typically operate on thin margins and limited cash flow, making them especially vulnerable to the cumulative impact of excessive payment fees. Every basis point matters when you're trying to achieve profitability and scale.

As we noted in our previous submissions, there are instances where interim relief could be justified and relatively straightforward to implement. For example, the PSR's own Managing Director has stated there is no cost justification for the fivefold increase in UK-EEA cross-border interchange fees post-Brexit. A simple reversal of these increases while the broader market review proceeds would provide immediate relief to UK merchants without prejudging the outcome of the comprehensive remedies.

We would have supported carefully targeted interim measures, such as reversing the unjustified UK-EEA cross-border interchange fee increases, implementing a moratorium on further fee increases during the remedies implementation period, or fast-tracking specific transparency measures that could be implemented quickly.

While we accept the PSR's decision, we urge the regulator to monitor market developments closely during the implementation period and remain open to reconsidering interim measures if schemes attempt to implement further fee increases or if evidence emerges of accelerating harm to UK businesses. The success of the final remedy package will ultimately be judged not just on its design but on its ability to deliver timely relief to the businesses and consumers who have borne the cost of market dysfunction for too long.

**Question 3: Do you have any views on our update regarding remedies that were previously ruled out?**

Startup Coalition broadly supports the PSR's approach to previously ruled out remedies, particularly the decision not to pursue price caps at this stage. However, we believe the PSR should maintain a more ambitious stance on alternative payment methods and remain open to more interventionist measures if the proposed remedy package fails to deliver meaningful change.

We agree that price caps are not appropriate at this time given the complexity of scheme fee structures and the insufficient evidential basis currently available. The PSR is correct that designing a fair price cap requires robust data on costs, services, and market dynamics - information that the proposed RFR and pricing governance remedies are designed to provide. However, we strongly encourage the PSR to signal clearly that price caps remain a viable future option if other remedies prove insufficient. The schemes should understand that continued excessive pricing could lead to more direct regulatory intervention.

Regarding alternative payment methods, we agree that boosting competition through account-to-account payments via Open Banking is important long-term work. However, we are concerned that the PSR may be underestimating the urgency of this agenda. As we have consistently argued, the current fee structure creates powerful incentives for banks to maintain the card payment status quo rather than invest in innovative alternatives. The longer this dynamic persists, the more entrenched the market dysfunction becomes.

We particularly disagree with the PSR's assessment that encouraging merchant steering would be ineffective. While steering has limitations, the PSR's dismissal appears to assume

that current alternatives will always remain inferior to cards. This overlooks the potential for regulatory action to level the playing field. For example, requiring greater transparency about the true costs of different payment methods could enable merchants to make more informed steering decisions and create consumer awareness that drives demand for lower-cost alternatives.

On Open Banking specifically, we note that the PSR's other programmes of work may take years to deliver meaningful competitive pressure. UK businesses are facing excessive payment costs today, and many innovative payment solutions are struggling to gain traction against the current market structure. The PSR should consider whether more proactive measures are needed to accelerate the development of genuine alternatives.

We acknowledge the PSR's point about delivery timescales for alternative payment solutions, but this reinforces rather than undermines the case for action. The longer the current market dysfunction persists, the greater the cumulative harm to UK businesses and the stronger the entrenched position of the incumbent schemes becomes. The PSR should view the development of competitive alternatives as an urgent priority rather than a long-term aspiration.

Finally, while we accept that the PSR cannot pursue every remedy simultaneously, we urge the regulator to establish clear criteria and timelines for reconsidering these options. If the proposed remedy package fails to deliver substantial improvements within a reasonable timeframe, more interventionist measures should be rapidly deployed rather than allowing market dysfunction to continue indefinitely.

**Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?**

Startup Coalition accepts the PSR's decision not to pursue certain stakeholder-proposed remedies at this time, but we encourage the regulator to maintain flexibility and readiness to reconsider these options if the current remedy package proves insufficient.

Regarding price rebalancing and non-discrimination remedies, we understand the PSR's concerns about insufficient evidence to determine appropriate fee structures between issuers and acquirers. The PSR is correct that implementing such measures without robust data could create unintended market distortions. However, we believe this reinforces the importance of the RFR remedy providing comprehensive data that could inform future consideration of price rebalancing measures. The PSR should signal that once better data is available through RFR, price rebalancing could become a viable option if evidence shows systematic over-charging on the acquiring side.

We are particularly concerned about the PSR's reasoning that "there is insufficient evidence to indicate that an equal split between issuers and acquirers represents an appropriate fee structure." While true, this appears to accept the current heavily skewed fee structure as a baseline. Given that the PSR has found acquirers face ineffective competitive constraints

while issuers benefit from competition between schemes, there is a strong prima facie case that the current balance is inappropriate. The absence of perfect evidence should not preclude action when there is clear evidence of market dysfunction.

On least-cost routing and prohibition of network exclusivity, we agree these mechanisms are not currently feasible in the UK's two-scheme market. However, we strongly encourage the PSR to develop its thinking on how such approaches might become applicable as the payments landscape evolves. The success of least-cost routing in Australia demonstrates the potential benefits of giving merchants genuine choice in payment routing. The PSR should actively monitor developments that might create opportunities for similar competition-enhancing measures in the UK.

We also note that the PSR's focus on the current market structure may be overly static. As alternative payment methods develop and potentially new schemes enter the market, the feasibility of least-cost routing could change significantly. The PSR should ensure its regulatory framework is prepared to adapt quickly to such developments rather than remaining locked into assumptions based on today's duopoly.

Regarding the other proposals mentioned, we appreciate that some fall outside the current scope of this market review. However, we urge the PSR to maintain active dialogue with other regulators and government departments to ensure a coordinated approach to payments regulation. Issues like commercial card interchange fees and enforcement of existing regulations remain important for the overall functioning of the payments market.

Most importantly, we encourage the PSR to establish clear criteria and timelines for revisiting these rejected remedies. If the current remedy package fails to deliver meaningful improvements in pricing outcomes or competitive dynamics within a reasonable timeframe, the PSR should be prepared to rapidly deploy more interventionist measures rather than allowing market dysfunction to persist while pursuing incrementally better data collection.

**Question 5: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand existing fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any of the information listed in Box 1 not necessary?**

Startup Coalition strongly supports the information requirements outlined in Box 1 and believes they represent a significant step forward in addressing the opacity that has long plagued the payments market. However, we believe some enhancements would better serve acquirers, particularly those working for businesses who often lack the resources for extensive fee analysis.

The proposed requirements for detailed fee definitions, PSR-defined categorisation, and clear justifications are essential. As we noted in our previous submissions, the deliberately obfuscated nature of scheme and processing fees has been a key barrier to effective competition. The requirement for "clear justification for the fee" is particularly important -



acquirers need to understand not just what they are paying but why a fee exists and what value it purportedly delivers.

We strongly support the inclusion of detailed technical specifications as this addresses a major pain point highlighted by our ecosystem. Many smaller acquirers struggle with the complexity of determining exactly when fees will be triggered and how they should be calculated. Precise data elements and network logic should significantly reduce reconciliation difficulties and forecasting errors.

However, we believe the proposed information should be enhanced in several ways. First, the "history of the fee level over time" should include not just the rates but also the rationale provided for each change. This would enable acquirers to assess whether fee increases are part of a consistent pattern or represent genuine responses to changing circumstances. Second, the "clear justification for the fee" should include specific cost or service quality metrics where relevant, particularly for fees claimed to support fraud prevention, network security, or innovation.

We also recommend adding requirements for comparative information. Acquirers would benefit from understanding how fees compare to the average fees of similar services offered by alternative providers. This would help smaller acquirers who lack the resources to conduct comprehensive market analysis.

All information in Box 1 appears necessary, but we are particularly keen to ensure that the PSR-defined categorisation is rigorously applied. Our previous experience suggests that schemes have considerable flexibility in characterising fees as "optional" when they are effectively mandatory for most businesses. The PSR's independent categorisation should provide much-needed clarity, but it must be backed by robust enforcement to prevent schemes from undermining optional classifications through punitive practices.

Finally, we emphasise that information must be provided in formats accessible to smaller acquirers. Technical specifications should be accompanied by plain English explanations, and data should be available in machine-readable formats to enable automated analysis. The goal should be to democratise understanding of payment fees rather than simply providing more data that only the largest market participants can effectively utilise.

**Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

Startup Coalition strongly supports providing acquirers with access to the transaction-level data outlined in Box 2. This level of granular information is essential for enabling effective reconciliation, accurate forecasting, and informed decision-making - capabilities that are particularly crucial for the smaller acquirers that often serve smaller highstreet retailers.



The proposed data elements address key operational challenges that acquirers currently face. The inclusion of billing identifiers, merchant identifiers, and billing event identifiers will significantly improve acquirers' ability to trace fees back to specific transactions and understand exactly what triggered each charge. This is particularly important given the complexity and opacity that has characterised scheme fee structures. The requirement for rate and unit information alongside billing amounts will enable acquirers to verify that fees have been calculated correctly and identify any discrepancies.

We particularly welcome the inclusion of billing geography type and countries of transaction data. The post-Brexit increases in cross-border fees have created additional complexity for acquirers in understanding when higher rates apply. Clear geographical classification will help acquirers better forecast costs and explain charges to their merchant customers.

However, we believe the proposed data should be enhanced in several areas. First, the data should include clear linkage to the fee justifications and technical specifications required under Box 1. Acquirers need to understand not just what they were charged but why that particular fee was applied to that specific transaction. This connection between transaction-level charging and fee rationale is essential for effective challenge and negotiation.

Second, we recommend including dispute and resolution tracking information. When acquirers identify potential billing errors or seek clarification about specific charges, there should be clear audit trails showing how these queries were resolved. This would support the meaningful and prompt query resolution outlined in ITC Proposal 3.

Third, the data should include timestamp information showing when transactions were processed versus when fees were billed. This timing data would help acquirers understand cash flow implications and identify any unusual delays or patterns in fee application.

We also believe the data should include aggregation and trend information to help smaller acquirers identify patterns without requiring sophisticated analytical capabilities. For example, monthly summaries showing the most frequently applied fees and their total impact could help resource-constrained acquirers focus their attention on the most significant cost drivers.

All the proposed data elements appear necessary and we do not recommend removing any. However, we emphasise that data must be provided in accessible formats with clear documentation. Smaller acquirers often lack dedicated payments specialists and need data that can be easily integrated into standard accounting and business intelligence systems.

Finally, we stress the importance of ensuring this data is provided at no additional cost to acquirers. Schemes currently charge for many forms of transaction reporting, effectively creating barriers to transparency. Making this essential reconciliation data freely available is crucial for leveling the playing field and enabling effective competition.

**Question 7: What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.**

Startup Coalition does not have detailed technical expertise on the specific timeframes required for schemes to implement transaction-level data provision. However, we emphasise that whatever reasonable timeline is established, the card schemes must not be permitted to use implementation complexity as an excuse to delay or undermine the transparency process.

Given that schemes already possess this transaction-level data for their own billing and reconciliation purposes, the primary requirement is making it accessible to acquirers in the prescribed format. This should not require fundamental system rebuilds but rather the development of appropriate data export and presentation capabilities.

We would expect that schemes with their substantial technical resources and revenues should be able to implement such data provision within the six-month timeline proposed for other ITC remedies. Any requests for longer implementation periods should be subject to rigorous scrutiny and require detailed justification of technical barriers.

Most importantly, schemes should not be permitted to phase in data availability or provide incomplete datasets during an extended implementation period. The transparency benefits of this remedy depend on comprehensive, reliable data access, and gradual rollouts could undermine the intended outcomes while providing schemes with additional time to develop workarounds or resistance strategies.

The PSR should establish clear milestones and penalties for implementation delays to ensure that this essential transparency measure is delivered promptly and completely.

**Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

Startup Coalition supports the use of Box 1 information requirements for upcoming fee changes and new fees, as these provide the foundational transparency needed for acquirers to understand what is changing and why. However, for fee changes specifically, acquirers need additional context beyond the static information outlined in Box 1 to properly assess the impact and rationale for changes.

The Box 1 requirements for detailed definitions, PSR categorisation, clear justifications, and technical specifications remain essential for new and changed fees. These elements enable acquirers to understand the nature of changes and how they will be applied. The requirement for fee history is particularly valuable in this context, as it allows acquirers to see the trajectory of fee development and assess whether changes represent part of a consistent pattern or ad-hoc increases.

However, for fee changes, acquirers need additional information beyond Box 1 to achieve the stated outcomes. Most critically, they need clear explanation of what specifically is changing and why the change is being implemented now. This should include detailed comparison between old and new fee structures, highlighting precisely what aspects are being modified. For fee increases, schemes should be required to provide specific justification for why current fee levels are insufficient and what additional value or costs justify the increase.

We also believe acquirers need forward-looking information about the expected impact of changes. This should include the schemes' own projections of how the changes will affect transaction costs and any offsetting benefits being provided. Where fees are being introduced or increased to fund specific investments or improvements, schemes should be required to provide measurable outcomes and timelines for delivery.

For entirely new fees, acquirers need comprehensive context about why the fee is being introduced, what market need or regulatory requirement it addresses, and what alternatives were considered. This is particularly important given our previous observations about schemes introducing new fees that circumvent existing caps or regulations.

We strongly recommend adding requirements for comparative context, showing how the new or changed fees compare to similar charges by other schemes or in other jurisdictions. This would help acquirers assess whether changes represent genuine market developments or opportunistic pricing.

All information in Box 1 remains necessary for fee changes and new fees. However, we emphasise that the "clear justification" requirement must be interpreted rigorously for changes, requiring schemes to demonstrate genuine need rather than simply asserting value. The PSR should establish clear standards for what constitutes adequate justification for fee changes to prevent schemes from providing boilerplate explanations that fail to inform acquirer decision-making.

**Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

Startup Coalition strongly supports the information requirements in Box 3 as they address a critical gap in acquirers' ability to assess the real-world impact of fee changes. The provision of historical transaction-level data showing which transactions would have triggered new fees, along with hypothetical cost calculations, will significantly improve acquirers' forecasting capabilities and enable more informed business decisions.

The requirement for at least one month of transaction-level data with hypothetical costs is particularly valuable. This allows acquirers to understand not just the theoretical fee structure but how it would apply to their actual transaction patterns. This concrete impact data is essential as they often lack the analytical resources to model complex fee scenarios independently.

The expected financial impact projections based on historic usage provide crucial business planning information. Acquirers need to understand not just immediate costs but projected ongoing impact to make informed decisions about contract negotiations, merchant pricing, and service offerings.

However, we believe Box 3 should be enhanced to provide a more comprehensive impact assessment. First, the historical data should cover a longer representative period than one month to account for seasonal variations and unusual patterns. Many businesses experience significant monthly variations in transaction volumes and types, and a single month may not provide reliable forecasting basis.

Second, acquirers need sensitivity analysis showing how impacts might vary under different scenarios. This should include projections of how fee impacts might change with different transaction volumes, values, or merchant mix. Such analysis would be particularly valuable for growing businesses that expect their transaction patterns to evolve.

Third, the information should include clear identification of any mitigating factors or alternative approaches that might reduce fee impact. If schemes offer alternative pricing structures, volume discounts, or opt-out mechanisms, these should be clearly explained alongside the impact projections.

We also recommend including comparative benchmarking showing how the projected costs compare to alternative service providers or payment methods where available. This would help acquirers assess whether fee changes make alternative solutions more attractive.

For entirely new fees, we believe acquirers need additional context about the market rationale and expected duration. Schemes should indicate whether new fees are intended as permanent additions or temporary measures, and provide clear criteria for any future modifications.

All information in Box 3 appears necessary, but we emphasise that data must be provided in formats accessible to smaller acquirers. Complex financial projections should be accompanied by clear summaries highlighting key impacts and actionable insights.

Finally, we stress that this impact information must be provided sufficiently in advance to enable meaningful response. Acquirers need time not just to understand the impact but to explore alternatives, negotiate with merchants, and potentially modify their service offerings accordingly.

**Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

Startup Coalition supports the scope of Proposal 2 and believes the six-month advance notice period represents a significant improvement over current practices. However, we believe the proposal should be strengthened to ensure schemes cannot undermine its effectiveness through last-minute modifications or inadequate information provision.

The six-month notice period is appropriate for enabling acquirers to assess fee changes, analyse their impact, and make necessary adjustments to their own pricing and service offerings. This timeline is particularly important for smaller acquirers who often need additional time to understand complex fee structures and negotiate with their merchant customers. The current practice of schemes making substantial revisions as close as five weeks before implementation, as noted in the PSR's findings, is wholly inadequate for meaningful business planning.

The scope covering both changes to existing fees and entirely new fees is correct and necessary. Our previous submissions have highlighted how schemes have circumvented interchange fee caps by introducing new categories of fees, making it essential that the transparency requirements apply comprehensively to prevent regulatory arbitrage.

However, we believe the proposal should be enhanced to prevent schemes from gaming the system. First, there should be explicit prohibition on material modifications to proposed fee changes within the six-month period. If schemes identify genuine need for modifications, they should be required to restart the six-month notice period rather than proceeding with altered terms that acquirers have not had adequate time to assess.

Second, the proposal should include clear definitions of what constitutes a "fee change" to prevent schemes from characterising significant modifications as minor adjustments that fall outside the notice requirements. We have observed schemes using creative interpretations to avoid transparency obligations, and precise definitional boundaries are essential.

Third, the six-month period should run from when complete information is provided, not from initial notification. If schemes provide incomplete or inadequate information initially and supplement it later, the full notice period should commence from when all required information is available. This prevents schemes from meeting the letter of the law while undermining its spirit.

We also recommend that the proposal should require schemes to provide regular updates during the notice period if circumstances change or additional information becomes available. Acquirers should not be expected to make decisions based on information that becomes outdated during the six-month window.

For the smallest acquirers and those serving specialised markets, even six months may be challenging, but we recognise this must be balanced against the need for schemes to respond to genuine market developments. The key is ensuring that the information provided is sufficiently comprehensive and accessible that acquirers can make effective use of the available time.

Finally, we emphasise that the notice period is only valuable if accompanied by the meaningful query resolution requirements in Proposal 3. Acquirers must be able to seek clarification and receive prompt, substantive responses during the notice period to make the transparency measures truly effective.

**Question 11: How far back should the historical data provided by the schemes stretch? Please explain your answer.**

Startup Coalition believes historical data should stretch back at least 12 months, and preferably 18-24 months, to provide acquirers with meaningful context for assessing fee changes and new fees. The specific timeframe should reflect the need to capture seasonal variations, business cycles, and evolving transaction patterns while remaining practical to implement.

A minimum 12-month period is essential to account for seasonal fluctuations that are common across many business sectors. Our payments ecosystem often experiences significant variations in transaction volumes and values throughout the year, influenced by factors such as holiday spending, back-to-school periods, or industry-specific cycles. A shorter historical period could provide misleading projections if fee changes are announced during atypical business periods.

However, we believe 18-24 months would be optimal for several reasons. First, this timeframe would capture multiple business cycles and provide more robust data for projecting fee impacts. Second, it would enable acquirers to identify longer-term trends in their transaction patterns that might affect how new fees apply to their business. Third, a longer historical period would be particularly valuable for growing businesses whose transaction patterns may be evolving rapidly.

For entirely new fee categories, longer historical data becomes even more important as acquirers need to understand how the new fee structure would have applied across different market conditions. This is particularly relevant for behavioral fees, where the frequency of triggering events may vary significantly based on market circumstances or regulatory changes.

We also recommend that the historical data requirement should be proportionate to the significance of the fee change. For minor adjustments to existing fees, 12 months may be sufficient. For major new fee categories or substantial increases, 24 months would provide better analytical foundation. The PSR should retain discretion to require longer historical periods for particularly complex or significant fee changes.

From a practical implementation perspective, schemes already retain transaction data for significantly longer periods for their own analytical and compliance purposes. Providing 18-24 months of relevant data should not impose unreasonable technical burdens, particularly given the substantial revenues that schemes derive from UK operations.

However, we emphasise that the historical data must be provided in consistent formats that enable meaningful comparison with projected impacts. Data quality and completeness are more important than simply maximising the historical timeframe, and schemes should not be permitted to provide partial or inconsistent historical data that undermines the analytical value.

Finally, we note that the appropriate historical period may evolve as market conditions change. The PSR should retain flexibility to adjust requirements based on experience and changing market dynamics rather than being locked into a fixed timeframe that may prove inadequate.

**Question 12: Do you have any views on whether schemes should send this information to all acquirers or only a certain set (for example to exclude international acquirers without direct scheme relationships in the UK)?**

No response.

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?**

Startup Coalition strongly supports the three working day requirement for meaningful responses to fee-related queries.

**Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**

Startup Coalition believes that a reduction in the number of fees levied by schemes would be highly desirable, but only if implemented carefully to prevent bundling that could harm competition and transparency. The current proliferation of fees serves to obfuscate costs and makes it extremely difficult for acquirers, particularly smaller ones, to understand what they are paying for and why.

As we have consistently argued, the deliberately complex fee structures are a symptom of insufficient competition rather than legitimate business necessity. When companies face effective competitive pressure, they have incentives to simplify their offerings to make comparison easier for customers. The current complexity suggests schemes are exploiting their market position to make fee assessment and comparison more difficult.

However, we share the concerns raised by both schemes and other stakeholders about the risks of forced bundling. If schemes respond to volume reduction requirements by combining



previously separate services into mandatory bundles, this could reduce choice for acquirers and potentially increase costs for those who only need specific services. This risk is particularly acute for smaller acquirers who may prefer to purchase only essential services.

The key is ensuring that any fee reduction remedy is designed to enhance rather than reduce competition and transparency. This means focusing on eliminating genuinely unnecessary fees or consolidating fees that serve similar purposes, rather than forcing arbitrary reductions that could lead to anti-competitive bundling.

We strongly support the PSR's proposal to use skilled person powers to conduct a thorough review of fee structures before implementing any reduction requirements. This approach would enable proper assessment of which fees provide genuine value and which primarily serve to increase complexity and costs. The review should specifically examine whether current fee granularity reflects legitimate service differentiation or is primarily designed to obscure pricing and limit competition.

Any fee reduction remedy should be accompanied by strong safeguards against bundling and requirements for clear explanation of what services are included in any consolidated fees. The goal should be simplification that enhances understanding and competition, not consolidation that reduces choice and transparency.

Most importantly, fee reduction should not become a substitute for addressing the fundamental lack of competitive constraints that enables excessive pricing in the first place. Reducing the number of fees while maintaining high overall costs would provide limited benefit to UK businesses.

**Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?**

Startup Coalition believes that a carefully designed remedy could achieve fee reduction while minimising unintended consequences, but this would require sophisticated implementation that goes beyond simple numerical targets to focus on underlying market dynamics and competitive outcomes.

The key to avoiding harmful bundling is ensuring that any fee consolidation is driven by genuine service integration rather than arbitrary volume reduction. A well-designed remedy would focus on eliminating fees that serve primarily to obscure pricing or circumvent existing regulations, while preserving legitimate service differentiation that provides value to acquirers.

We believe the remedy should incorporate several safeguards. First, any fee consolidation should be accompanied by enhanced transparency requirements showing exactly what services are included and how pricing compares to previous separate charges. Second, schemes should be required to offer genuine opt-out mechanisms for consolidated services where technically feasible, preventing forced bundling of unrelated services.



Third, the remedy should include anti-circumvention provisions preventing schemes from reintroducing complexity through new fee categories or sub-charges that effectively recreate the eliminated fees under different names. Fourth, there should be regular review mechanisms to assess whether consolidation is genuinely simplifying the market or creating new barriers to understanding and competition.

Most importantly, fee reduction should be implemented alongside rather than instead of the transparency and pricing governance remedies. The combination of reduced complexity, better information provision, and improved pricing accountability would create mutually reinforcing benefits that address different aspects of the current market dysfunction.

However, we acknowledge that designing such a remedy requires detailed understanding of current fee structures and their underlying service rationale. This reinforces our support for the PSR's proposed skilled person review, which should provide the evidential foundation needed to distinguish between legitimate service differentiation and artificial complexity.

The remedy should also include clear success metrics focused on outcomes for acquirers rather than just numerical fee reduction. Success should be measured by improved understanding, enhanced ability to compare alternatives, and reduced administrative burden on acquirers, particularly smaller ones.

With proper design and implementation, fee reduction could significantly enhance market functioning while avoiding the pitfalls of forced bundling that could ultimately harm competition and choice.

**Question 16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?**

No response.

**Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?**

Startup Coalition strongly supports the PSR's proposal to provide merchants with increased information about scheme fees charged to acquirers. This measure addresses a fundamental transparency gap that has allowed the true costs of card payments to remain hidden from the businesses that ultimately bear them.

Our previous research and consultation with small businesses revealed significant misunderstanding about payment costs. Many merchants, particularly smaller ones, have limited visibility into the breakdown of fees they pay through their acquirers and insufficient information to make informed decisions about payment acceptance strategies. The focus group findings we referenced in our earlier submissions showed businesses expressing surprise about unregulated fee components and confusion about the overall fee structure.

The proposed concept of website for small and medium-sized merchants is particularly valuable given that these businesses often lack the resources to conduct detailed analysis of payment costs. Clear information about what different fees are charged for and their rationale would enable better-informed business decisions about payment acceptance, pricing strategies, and potentially steering customers toward lower-cost payment methods where appropriate.

However, firstly, instead of just being provided through a proprietary website, the data should be aggregated and made available via an API for use by comparison websites and other third parties. We also believe the proposal should go beyond simply explaining fee rationale to include practical guidance that merchants can use. The API should enable tools to help merchants understand how different transaction patterns affect their costs and what actions they can take to minimise unnecessary fees, particularly behavioral fees. This would transform the information from passive explanation to actionable intelligence.

We also recommend that the proprietary website should include comparative context showing how card payment costs relate to alternative payment methods where available. This would help merchants understand the full competitive landscape and make informed decisions about which payment methods to promote or accept.

For the information to be truly effective, it must be regularly updated to reflect fee changes and presented in accessible formats that busy small business owners can quickly understand. The website should also provide clear pathways for merchants to raise concerns or seek additional information about specific fee charges.

Finally, we emphasise that this transparency measure should complement rather than substitute for addressing the underlying excessive costs themselves. While better information will help merchants make more informed decisions within the current system, it cannot solve the fundamental problem of artificially high fees resulting from lack of competitive constraints.

**Question 20: Do you have views on whether our reporting requirement is an appropriate way to measure whether good outcomes are being realised? Is there a better way to monitor the outcomes?**

No response.

**Question 21: Should any of this information be publicly released by the PSR?**

While our brief answer is yes, we answer this question more thoroughly throughout question 39 and 42.

**Question 22: Do you have any views on our proposals for the timeline by which schemes should implement the remedies set out in Chapter 6?**

Startup Coalition supports the proposed six-month implementation timeline for the ITC remedies as appropriate for delivering meaningful transparency improvements without creating unreasonable implementation burdens. However, we emphasise that schemes must not be permitted to use implementation complexity as justification for delays or partial compliance.

The six-month timeframe appears reasonable given that schemes already possess much of the required information for their own operational purposes. The primary requirement is making this information accessible to acquirers in the prescribed formats rather than creating entirely new data systems. Given the substantial revenues schemes generate from UK operations and their significant technical capabilities, six months should be sufficient for comprehensive implementation.

As discussed throughout question 7 we have concerns around the implementation of timelines and believe that the PSR must ensure clear metrics are being met by the schemes throughout the timelines proposed.

**Question 23: Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?**

Startup Coalition supports the twelve-month reporting cycle as appropriate for enabling comprehensive assessment of compliance while avoiding excessive administrative burden. However, we believe the compliance framework should be strengthened to ensure it delivers meaningful accountability rather than perfunctory reporting.

The annual reporting requirement is reasonable given that meaningful assessment of transparency improvements requires sufficient time to observe patterns in scheme behavior and acquirer experiences. More frequent reporting could become administratively burdensome without providing proportional benefits, while less frequent reporting could allow problems to persist too long before detection.

However, we believe the compliance framework needs stronger enforcement mechanisms beyond annual reporting. The PSR should establish clear, objective metrics for measuring compliance rather than relying primarily on scheme self-assessment. This should include regular surveying of acquirers to assess their actual experiences with information provision and query resolution, providing independent verification of scheme claims.

We strongly support aligning the reporting period with other remedy reporting periods where practical. This would create administrative efficiencies for both schemes and the PSR while enabling more comprehensive assessment of how different remedies interact and reinforce each other. Aligned reporting would also make it easier to identify patterns or problems that span multiple remedy areas.

The requirement for continuous consideration of acquirer feedback is essential, but needs clearer definition and enforcement mechanisms. Schemes should be required to demonstrate not just that they have received feedback but how they have responded to it and what changes they have made based on acquirer input. The PSR should establish minimum standards for meaningful engagement rather than allowing perfunctory consultation processes.

We recommend that compliance reporting should include forward-looking commitments for improvement based on identified issues, rather than simply retrospective assessment. This would create incentives for proactive enhancement of transparency measures rather than minimal compliance with existing requirements.

Most importantly, the PSR should retain authority to require more frequent reporting or additional compliance measures if annual reporting reveals systematic problems or inadequate progress. The twelve-month cycle should be the standard rather than the maximum frequency of accountability.

The compliance framework should also include clear escalation procedures if schemes fail to meet their obligations, including potential financial penalties or enhanced oversight requirements that ensure transparency improvements are delivered effectively.

**Question 24: Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?**

Startup Coalition supports the three key questions identified by the PSR for the RFR remedy, as they address fundamental information gaps that have prevented effective regulatory oversight of scheme pricing and profitability. However, we believe additional questions should be considered to ensure the RFR provides a comprehensive understanding of market dynamics and competitive effects.

The proposed questions about profitability levels, profit drivers, and trends are essential for enabling the PSR to assess whether current pricing reflects competitive market outcomes or exploitation of market power. Our previous submissions have highlighted the substantial margins achieved by Visa and Mastercard compared to companies operating in competitive markets, and robust UK-specific data is crucial for determining appropriate regulatory responses.

However, we believe the RFR should also address questions about competitive dynamics and market development. Specifically, the reporting should examine how scheme revenues and profitability compare between different customer segments and service categories. This would help identify whether schemes are cross-subsidising competitive services through excessive charges in areas where competition is weak, such as the acquiring side fees that form the focus of this market review.

The RFR should also examine how profitability and pricing in the UK compares to other jurisdictions where schemes operate under different competitive conditions or regulatory frameworks. This comparative analysis would provide valuable context for assessing whether UK market outcomes reflect genuine cost differences or regulatory arbitrage opportunities.

We recommend adding questions about innovation investment and outcomes. Given schemes often justify fee increases by reference to innovation and service improvements, the RFR should track how much schemes actually invest in UK-specific innovation and what measurable benefits these investments deliver to UK users. This would enable assessment of whether innovation claims justify pricing levels.

The RFR should also examine the relationship between scheme profitability and the development of alternative payment methods. Given our concerns about schemes potentially undermining competitive alternatives through pricing strategies, the reporting should track how scheme behavior affects the growth and viability of alternative payment solutions.

Finally, we believe the RFR should include forward-looking elements examining schemes' business planning and pricing strategies. Understanding how schemes expect their UK operations to develop and what factors drive their pricing decisions would provide valuable regulatory intelligence for anticipating and addressing potential market problems.

These additional questions would enhance the RFR's value for regulatory decision-making while supporting the broader goal of creating a more competitive and innovative payments market that serves UK businesses and consumers effectively.

**Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?**

Startup Coalition believes the proposed scope of the RFR is broadly appropriate but should be enhanced to capture the full range of scheme activities that affect UK market competition and to prevent potential circumvention of reporting requirements.

The inclusion of both "relevant UK operations" (core scheme and processing services) and "other UK operations" (broader UK business activities) is essential for comprehensive understanding. However, we believe the scope should be explicitly expanded to capture activities that may not technically occur in the UK but significantly impact UK market outcomes.

Specifically, the RFR should include revenue and costs associated with UK-originated transactions that are processed through offshore entities or subsidiaries. Given the global nature of payment processing and schemes' complex corporate structures, there is significant risk that material UK-related revenues could be allocated to non-UK entities in ways that obscure true profitability. The RFR should require consolidated reporting that

captures the full economic value derived from UK payment activity regardless of where it is technically booked.

The scope should also explicitly cover cross-border transaction revenues where one leg involves a UK entity. The post-Brexit increases in UK-EEA cross-border fees demonstrate how schemes can exploit regulatory boundaries to extract additional revenues, and the RFR should ensure complete visibility of these revenue streams and their profitability.

We recommend that the RFR scope should include detailed reporting on related party transactions and transfer pricing arrangements that affect UK profitability. Schemes should be required to demonstrate that cost allocations and revenue attributions reflect genuine economic activity rather than tax optimisation or regulatory arbitrage strategies.

The scope should also capture investment and development activities that benefit UK operations, even if undertaken globally. For example, if schemes invest in global fraud prevention or network infrastructure that serves UK customers, the UK operations should bear an appropriate share of these costs rather than potentially inflating profitability through favorable cost allocation.

We believe the RFR should include explicit requirements for reporting on competitive activities and market development efforts. This should cover spending on acquiring new customers, defending market position, and potentially undermining alternative payment methods, as these activities directly affect UK market competition.

Finally, the scope should include clear provisions for capturing new business activities or corporate restructuring that might be undertaken to circumvent RFR requirements. The PSR should retain authority to expand the scope as schemes' business models evolve to ensure continued comprehensive oversight.

**Question 26: Are there any alternatives to RFR that would answer the three key questions set out in this chapter?**

No response.

**Question 27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?**

No response.

**Question 28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?**

No response.

**Question 29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?**

Startup Coalition supports the comprehensive approach to reportable information outlined in the chapter, but believes several additional categories of information are necessary to provide complete understanding of scheme operations and their impact on UK market competition.

The proposed P&L accounts, balance sheets, contextual factors, and fee level data provide a solid foundation for regulatory analysis. However, we believe the RFR should include specific reporting on competitive activities and market development strategies. Schemes should be required to report on expenditures related to customer acquisition, retention activities, and any efforts to influence the competitive landscape, including potential activities that might disadvantage alternative payment methods.

We strongly recommend including detailed reporting on innovation investments and outcomes. Given that schemes frequently justify fee increases by reference to innovation and service improvements, the RFR should track actual spending on UK-relevant innovation, the specific outputs delivered, and measurable benefits to UK users. This would enable proper assessment of whether innovation claims justify pricing levels.

The RFR should also include comprehensive reporting on related party transactions and transfer pricing arrangements. Given schemes' complex global structures, there is significant risk that UK profitability could be artificially manipulated through inter-company charges, licensing arrangements, or cost allocation methodologies. Detailed disclosure of these arrangements is essential for assessing genuine UK profitability.

We believe the contextual factors should be expanded to include market share data and competitive positioning information. This should cover not just transaction volumes but market share trends across different customer segments, geographic regions, and service categories. Understanding how schemes' competitive position is evolving provides crucial context for interpreting financial performance data.

The RFR should include explicit reporting on regulatory compliance costs and any expenditures related to addressing regulatory requirements or investigations. This would help assess the true cost of regulatory oversight and ensure schemes cannot use compliance spending to artificially deflate reported profitability.

We recommend including forward-looking information such as business plans, growth projections, and strategic priorities for UK operations. While historical data is important, understanding schemes' intended direction helps anticipate potential market developments and regulatory challenges.



All proposed information categories appear appropriate and necessary. However, we emphasise that the quality and granularity of information is as important as its scope, and the PSR should ensure that schemes cannot provide technically compliant but practically useless data that fails to illuminate genuine market dynamics and competitive effects.

**Question 30: Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?**

No response.

**Question 31: Do you consider RFR being based on annual information to be appropriate?**

Answered previously.

**Question 32: Do you have views on the assurance and audit requirements as set in this chapter?**

No response.

**Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?**

Startup Coalition believes the pricing governance remedy should apply to all fee changes rather than being limited to "material" changes. However, we recognise that a proportionate approach to documentation and reporting requirements could be appropriate based on the significance of changes.

Our experience suggests that schemes have consistently used minor fee adjustments and new small fees as mechanisms to circumvent regulatory oversight and gradually increase overall costs. As we noted in our previous submissions, the pattern of numerous incremental increases in scheme and processing fees has cumulatively offset the benefits of interchange fee caps. Excluding "minor" changes would create obvious circumvention opportunities and undermine the remedy's effectiveness.

The "must pay due regard" requirement for considering pricing principles should apply universally, as the cost of this consideration should be minimal for genuinely minor changes that are properly justified. If schemes cannot quickly demonstrate how a minor fee change serves system outcomes, user interests, and reasonableness, this itself suggests the change may be inappropriate.

However, we could support a tiered approach to documentation requirements where smaller changes require simpler PDRs and reporting. For example, fee changes below defined

thresholds might require streamlined PDRs focusing on core justification, while larger changes require comprehensive documentation and analysis.

Any materiality threshold should be carefully designed to prevent gaming. We recommend using multiple criteria including absolute revenue impact (e.g., £1 million annually), percentage change in existing fees (e.g., any increase above 10%), and introduction of entirely new fee categories regardless of size. The threshold should also consider cumulative impact, so multiple small changes within a defined period would trigger full requirements.

Fee changes that should always be subject to full requirements regardless of size include: introduction of new fee categories, changes to fee structures that affect how charges are calculated, modifications to "optional" fee terms and conditions, and any changes that affect interchange fee circumvention concerns.

We strongly oppose any threshold based on individual acquirer impact, as this could exclude changes that collectively impose significant costs on smaller market participants while appearing minimal to larger players. The test should focus on overall market impact rather than impact on the largest schemes' customers.

Finally, any materiality threshold should be subject to regular review and potential adjustment based on experience with the remedy's operation and evolving market conditions.

**Question 34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?**

Startup Coalition supports Principle 1's focus on system outcomes but believes the definition should be strengthened to ensure schemes cannot use vague claims about network development or general improvements to justify fee increases without demonstrable benefits.

The proposed outcomes of enabling access/participation, protecting users, and coordinating cross-market change provide a reasonable foundation. However, we recommend enhancing the principle with more specific requirements for measurable outcomes and clear timelines for delivery. Schemes should be required to identify concrete, verifiable benefits that will result from fee changes, not just assert general value to the system.

We believe several additional system outcomes should be explicitly included. First, promoting genuine competition within the payments ecosystem should be a core consideration. Fee changes should be assessed for their impact on competitive dynamics, including whether they might advantage incumbent schemes over potential alternatives or create barriers for innovative payment methods.

Second, supporting the development of a diverse and resilient payments landscape should be included. Given the current duopoly structure, schemes should consider how their pricing decisions affect the viability of alternative payment methods and whether changes promote or hinder payments innovation that could benefit users.

Third, ensuring proportionate and efficient cost allocation should be an explicit system outcome. Fee changes should demonstrate that costs are allocated fairly between different user groups and that the acquiring side is not bearing disproportionate costs that ultimately harm merchants and consumers.

Fourth, maintaining transparency and market understanding should be included as a system outcome. Fee structures should promote rather than hinder market participants' ability to understand costs and make informed decisions.

The guiding questions should be enhanced to require schemes to demonstrate not just whether fee changes are linked to relevant outcomes but how they will measure success in achieving those outcomes. Schemes should be required to provide clear metrics and timelines for assessing whether claimed benefits actually materialise.

We also recommend that the principle should explicitly require schemes to consider whether desired system outcomes could be achieved through means other than fee increases, such as operational improvements, technology investments, or collaborative industry initiatives.

Finally, the principle should include explicit consideration of cumulative impact, ensuring that schemes assess how individual fee changes interact with their broader fee structure and overall impact on system functioning rather than evaluating changes in isolation.

**Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?**

Startup Coalition strongly supports Principle 2's focus on service user interests but believes the definition should be enhanced to address the fundamental power imbalance between schemes and their customers, particularly on the acquiring side where competitive constraints are ineffective.

The principle correctly recognises that schemes may not respond effectively to all users' needs due to weak bargaining power on the acquiring side. However, the guiding questions should be strengthened to require schemes to demonstrate active consideration of users who lack market power rather than simply focusing on large customers who can negotiate more effectively.

We recommend adding explicit consideration of cumulative cost impact on different user segments. Schemes should be required to assess how fee changes affect small versus large acquirers and merchants, recognising that percentage increases often impose disproportionate burdens on smaller businesses that lack economies of scale and

negotiating power. This is particularly important for our ecosystem who often face higher effective rates due to lower transaction volumes.

The principle should also require consideration of alternatives and choice. When implementing fee changes, schemes should demonstrate that they have considered whether users have genuine alternatives and how the changes might affect user ability to choose between different payment methods or service providers. This would help prevent schemes from exploiting their "must-take" status to impose costs that users cannot reasonably avoid.

We believe the principle should explicitly address transparency and comprehension from a user perspective. Fee changes should be assessed for their impact on users' ability to understand and predict costs, not just their absolute level. Complex fee structures that make cost comparison difficult can harm user interests even if overall charges are reasonable.

The principle should require consideration of long-term as well as immediate impacts on users. Schemes should assess how fee changes might affect users' business development, investment decisions, and ability to serve their own customers effectively. This dynamic perspective would help prevent schemes from imposing costs that appear modest in isolation but create cumulative barriers to business growth.

We also recommend including explicit consideration of innovation and competitive effects from a user perspective. Schemes should assess whether fee changes might discourage users from adopting new technologies or payment methods that could benefit them in the long term.

Finally, the principle should require schemes to consider consultation and engagement with user representatives, particularly those representing smaller businesses that may lack individual voice in scheme decision-making processes.

**Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?**

Startup Coalition supports Principle 3's focus on reasonableness but believes the definition should be significantly strengthened to prevent schemes from providing perfunctory cost or quality justifications that fail to demonstrate genuine proportionality between fees and value delivered.

The three criteria of costs, service quality, and behavioral effectiveness provide a reasonable framework, but each requires a more rigorous definition. For cost-based justifications, schemes should be required to provide detailed breakdowns showing specific costs attributable to the service, not just general assertions about value. The PSR should establish clear standards for what constitutes adequate cost evidence rather than accepting broad claims about operational expenses or system investments.

For service quality justifications, schemes should be required to provide measurable metrics demonstrating concrete improvements that justify fee levels. Generic claims about "enhanced security" or "improved reliability" should be insufficient without specific performance indicators and benchmarking against industry standards or alternative providers where available.

We strongly support the enhanced requirements for behavioral fees, but believe they should be even more stringent. Behavioral fees have been a key mechanism for circumventing interchange fee caps and should face the highest scrutiny. Schemes should be required to demonstrate not only that behavioral fees achieve their stated objectives at lowest cost to users, but also that the underlying behaviors they seek to influence are genuinely beneficial to the payments ecosystem rather than simply advantageous to the schemes.

We recommend adding explicit consideration of proportionality and alternatives. Schemes should be required to demonstrate that fee levels are proportionate to the specific benefits provided and that they have considered whether objectives could be achieved through lower-cost means. This should include assessment of whether voluntary adoption or alternative incentive structures could achieve similar outcomes without imposing mandatory costs.

The principle should also require consideration of cumulative reasonableness. Individual fees might appear reasonable in isolation but become excessive when viewed as part of the overall fee burden. Schemes should assess how each fee change affects total costs and whether the cumulative burden remains proportionate to total value delivered.

We believe the principle should include explicit benchmarking requirements. Schemes should compare their fee levels to those charged in other competitive markets or for similar services provided by alternative suppliers. This would help establish whether fees reflect genuine cost differences or exploitation of market power.

Finally, the principle should require forward-looking assessment of reasonableness, considering whether fees remain appropriate as technology evolves and costs potentially decrease over time.

**Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.**

No response.

**Question 38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.**

No response.

**Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?**

Startup Coalition strongly believes that publishing scheme information will significantly contribute to the PSR's desired outcomes by creating much-needed transparency and accountability in a market that has operated with excessive opacity for too long. Public scrutiny is particularly important given the schemes' "must-take" status and the absence of effective competitive constraints.

Publishing scheme information would enable multiple forms of accountability that are currently absent. Parliamentary committees, business groups, consumer organisations, and other stakeholders would be able to scrutinise scheme profitability and pricing decisions with access to concrete data rather than relying on limited public information. This external oversight could create pressure for more reasonable pricing that competitive market forces have failed to provide.

From Startup Coalition's perspective, we would use published information to support evidence-based policy advocacy on behalf of our ecosystem. Access to clear data on scheme profitability, pricing trends, and compliance with pricing principles would enable us to make more informed representations to government and regulators about the impact of payment costs on innovative businesses. We could also use comparative data to highlight where UK pricing appears excessive compared to other markets or competitive benchmarks.

Published information would be particularly valuable for demonstrating the cumulative impact of incremental fee increases that might appear minor individually but impose substantial aggregate costs on UK businesses. Having access to revenue and profitability data would enable more precise quantification of the economic impact of payment market dysfunction on the wider economy.

We would also use published information to track the effectiveness of the remedy package over time. Regular publication of key metrics would enable assessment of whether transparency and pricing governance measures are delivering meaningful improvements in market outcomes or whether more interventionist remedies become necessary.

The information would support broader policy development by enabling better understanding of how payment costs affect different sectors and business sizes. This could inform targeted interventions to support particularly affected industries or business types.

Publishing scheme information could also enhance the effectiveness of alternative payment method development by providing clear benchmarks for cost comparison and demonstrating

the potential economic benefits of increased competition. This transparency could help build support for policies that level the playing field between payment methods.

However, we emphasise that publication must be designed to be accessible to non-specialist audiences while maintaining appropriate commercial confidentiality. The goal should be informed public debate rather than technical complexity that limits understanding to payment industry experts.

**Question 40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?**

Startup Coalition supports expanding the Operational Dataset beyond pre-existing factual information to include carefully selected estimated information, provided that estimates are clearly labeled and methodologies are transparent. The benefits of providing more comprehensive market understanding outweigh the risks of potential estimation inaccuracies, particularly given the urgent need for transparency in this market.

Restricting the dataset to only pre-existing factual information would significantly limit its value for stakeholders seeking to understand market dynamics and hold schemes accountable. While metrics like transaction volumes and active card numbers provide useful context, they offer limited insight into the economic impact of scheme operations or the effectiveness of regulatory interventions.

Including estimated revenue data, for example, would provide crucial context for assessing whether scheme profitability appears reasonable and whether fee changes are delivering proportionate benefits. Even approximate revenue figures would enable better-informed public debate about payment market outcomes than the current situation where stakeholders must rely on speculation or incomplete data.

However, we emphasise that any estimated information must be clearly distinguished from factual data and accompanied by transparent methodologies. Stakeholders need to understand the basis for estimates and their potential limitations to use the information appropriately. The PSR should also indicate which estimates will be refined or replaced with more precise data as the RFR remedy provides better information.

We recommend including estimated information that addresses key policy questions, such as approximate revenue from different fee categories, estimated profit margins, and indicative comparisons with other markets where possible. This would enable stakeholders to engage meaningfully with policy debates while more comprehensive data is being developed.

The PSR should also consider updating estimates as better information becomes available rather than waiting for complete RFR data before providing any revenue or profitability



indicators. Regular updates to estimates would demonstrate progress in transparency while maintaining momentum for broader remedy implementation.

We believe the potential risks of including estimated information are manageable through proper disclosure and updating procedures. The greater risk is that excessive caution about estimation accuracy could delay transparency measures that are urgently needed to enable informed public debate about payment market outcomes.

Finally, estimated information should be designed to complement rather than substitute for the comprehensive data that will eventually be available through RFR, providing interim transparency while more detailed remedies are implemented and begin generating results.

## **Question 41: Which information do you think should be included in the Operational Dataset?**

No response.

## **Question 42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?**

Startup Coalition strongly supports publishing substantial portions of the information collected through RFR, as transparency is essential for enabling meaningful stakeholder oversight and accountability in a market that has operated with excessive opacity. However, publication should be designed to maximise public value while respecting legitimate commercial sensitivities.

We believe the PSR should publish key financial metrics that enable assessment of scheme profitability and pricing reasonableness. This should include UK revenue figures, profit margins (both EBIT and ROCE where available), and basic cost breakdowns showing major expense categories. Publication of this information would enable stakeholders to assess whether scheme financial performance reflects competitive market outcomes or exploitation of market power.

Revenue information should be published with sufficient granularity to show the balance between acquiring-side and issuing-side income, demonstrating how heavily costs fall on merchants versus card issuers. This would provide crucial context for understanding the distributional effects of current fee structures and the impact of regulatory interventions.

We support publishing trend information showing how key metrics evolve over time, as this would enable assessment of whether remedy packages are delivering meaningful improvements in market outcomes. Year-on-year comparisons of revenue, profitability, and fee levels would be particularly valuable for tracking regulatory effectiveness.

However, we recognise that some commercial information requires careful handling. Detailed cost breakdowns that could reveal competitively sensitive operational information

should be provided in ranges or high-level categories rather than precise figures. Customer-specific information should obviously be protected, though aggregate customer metrics could be valuable for understanding market concentration and competitive dynamics.

We recommend using percentage ranges rather than absolute figures for highly sensitive metrics like profit margins, provided the ranges are narrow enough to be meaningful for public assessment. For example, reporting EBIT margins as "45-50%" rather than precise percentages would provide valuable transparency while maintaining some commercial protection.

The PSR should publish contextual information that helps stakeholders understand financial performance, such as transaction volumes, customer numbers, and basic operational metrics. This context is essential for interpreting financial data and assessing whether performance levels appear reasonable.

We strongly support publishing information related to pricing governance compliance, including summary data on fee changes, frequency of different types of adjustments, and general patterns in pricing decision rationale. This would enable public assessment of whether schemes are genuinely considering user interests and system outcomes in their pricing decisions.

Publication should be designed to be accessible to non-specialist audiences through clear summaries and explanatory materials, while detailed data remains available for expert analysis.

**Question 43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?**

Startup Coalition strongly supports publishing appropriate information from schemes' annual compliance reports, as this would provide essential transparency about how schemes are implementing pricing governance requirements and whether they are genuinely considering user interests in their decision-making processes.

We believe the PSR should publish summary statistics about fee changes implemented during each reporting period, including the number of new fees introduced, the number of existing fees modified, and the overall frequency of pricing decisions. This would enable stakeholders to assess whether schemes are continuing patterns of frequent fee increases or moving toward more stable pricing structures.

The PSR should also publish aggregated information about how schemes have applied the pricing principles, such as the percentage of fee changes that were justified primarily by cost considerations versus service quality improvements versus behavioral objectives. This would provide insight into whether schemes are genuinely considering the reasonableness of their pricing or relying on generic justifications.

We support publishing information about the types of fees being changed most frequently and the general rationale categories used to justify changes. For example, reporting that "X% of fee changes were justified by fraud prevention investments" or "Y% of new fees were categorised as behavioral" would enable public assessment of whether justification patterns appear reasonable and consistent.

The compliance reports should include published information about schemes' responsiveness to stakeholder feedback and user concerns. This could include summary data about the types of issues raised by acquirers, how frequently schemes modify proposed changes based on feedback, and general patterns in stakeholder engagement.

However, we recognise that detailed pricing decision records should not be published as they may contain commercially sensitive information about specific products or competitive strategies. The goal should be transparency about process and pattern rather than detailed disclosure of individual pricing decisions.

We recommend publishing forward-looking information about schemes' stated priorities and planned developments, provided this does not compromise legitimate commercial planning. Understanding schemes' declared objectives would enable assessment of whether subsequent pricing decisions align with stated priorities.

The PSR should also publish compliance assessment information, such as whether schemes have met their reporting obligations fully and on time, and any areas where improvements have been required. This would demonstrate regulatory effectiveness and scheme cooperation with the remedy requirements.

Published information should be presented in accessible formats that enable meaningful public understanding rather than technical compliance documentation that only specialists can interpret. The goal should be enabling informed public debate about scheme behavior and regulatory effectiveness.

**Question 44: Do you think any other information should be published? If so, please outline which information.**

No response.

**Question 45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?**

No response.

**Question 46: Do you have any views in respect of publication frequency?**

No response.

**Question 47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?**

No response.

**Question 48: Do you have any comments on how we envisage the interaction between the individual remedies with one another in the proposed package?**

No response.

**Question 49: Do you have any comments on the causal chains we have set out for each individual remedy? How likely do you think it is that the expected changes will take place? Please include any supporting evidence.**

No response.

**Question 50: Have we identified all the relevant costs and benefits associated with our proposed remedies?**

No response.

**Question 51: Please provide any views or evidence available to you on: (i) the magnitude of the costs and benefits outlined in this CBA, or (ii) the magnitude of the costs and benefits which you believe are missing from this CBA.**

No response.

**Question 52: Please provide any views or evidence available to you on: (i) how we could estimate the costs and benefits outlined in this CBA, or (ii) how we could estimate the costs and benefits which you believe are missing from this CBA.**

No response.

Stripe

# Stripe Payments UK Limited

## Response to PSR market review of card scheme and processing fees - remedies consultation

### ITC Proposal 1: Understanding existing fees

**Question 5: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand existing fees? Is there anything else that acquirers need to achieve stated outcomes? Is any of the information listed in Box 1 not necessary?**

With regard to the requirement for a detailed definition of the fee (referenced in Box 1 at 4.16 of the Remedies Consultation), we think there needs to be a clear and technical definition of the fee [REDACTED]. To be most helpful the definition would include the specific data elements/logic that the Scheme uses to assess the fee. This would enable us to interrogate/challenge the decision to impose the fee.

**Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve stated outcomes? Is any data in our proposal not necessary?**

[REDACTED]

Therefore, in addition to the information in Box 2 at 4.17 of the Remedies Consultation, Schemes should be required to clearly state the relevant billing period for each invoice by reference to time stamped transactions. This would enable us to cross reference our internal transaction data and carry out accurate reconciliations.

### ITC Proposal 2: Understanding changes to fees and new fees

**Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

**Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

[REDACTED] Ideally the information the Schemes are required to provide would be accessible in a single section of their online portal that serves as a 'one stop shop' for all fee information.

[REDACTED]

Where new fee information is added to the portal, or existing fee information is changed, we think it should be mandatory for the Schemes to:

- alert portal users to the change by way of an automated notification. Ideally portal users should have the opportunity to configure the alerts received.
- maintain a change log with historic information on fees to assist portal users to navigate changing fee information within the portal.

### ITC Proposal 3: Meaningful and prompt responses to queries

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?**

We welcome the requirement for Schemes to respond to fee related queries within three working days. However, we think the final remedies should make clear that this requirement applies not only to the initial contact, but also subsequent engagement on the query. [REDACTED]

[REDACTED]



Tesco

## Market review of card scheme and processing fees: remedies consultation.

**About Tesco:** Tesco is the UK's largest retailer and accounts for one in every [REDACTED] spent in UK retail (including fuel). Our [REDACTED] stores facilitate a mixture of cash, card and emerging payment methods across [REDACTED] manned till points and [REDACTED] self-service checkouts. Our online grocery services also process a significant number of card-not-present transactions to meet consumer demands. Tesco Group in the UK includes Tesco Insurance and Money Services, the One Stop convenience store chain and Booker wholesaler, amongst other divisions. Tesco is also operational in RoI and central European markets.

### Executive Summary

- We recognise the PSR's findings that the card scheme and processing fees market is not working well and subject to insufficient competitive constraints. Although we continually explore alternative payment options for our customers, the 'must-take' reality of card schemes will endure for the foreseeable future. This is well understood across the payments ecosystem.
- These dynamics have enabled substantial increases to fees, which are felt by merchants of all sizes and have not been justified at any stage of this market review. At Tesco, we have seen a [REDACTED] increase in these fees since 2016 (as a proportion of transaction value), which equates to a [REDACTED] annual increase in fees paid on a like-for-like basis rising from [REDACTED] to [REDACTED] p.a.
- Strong regulatory interventions are now required to address subsequent harms for both businesses and consumers as end users. The PSR's transition into the FCA must not act to perpetuate these harms by delaying the implementation of remedies or reducing focus on assessing the market.
- We recognise the mutually reinforcing nature of the proposed remedies and support their implementation. However, we are sceptical about their capacity to meaningfully constrain fees over time without the addition of direct pricing interventions.
- We understand that the absence of UK-specific data from the card schemes makes implementing a price cap difficult. New financial reporting requirements to attain this data should be implemented immediately, so that a price cap can be implemented as soon as possible if market outcomes do not sufficiently improve from the immediate remedies.

**Q1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?**

- We understand the mandatory consultation requirement may have introduced new administrative burdens with potential limited impact on final pricing decisions. Without pre-specified circumstances in which the PSR/FCA may disallow proposed changes to fees, the mandatory consultation requirement would not make a significant contribution to addressing the core issues related to ineffective competition.
- Nonetheless, there would be value in continuing with requirements for timely notifications in relation to fee changes. This should allow merchants of all sizes to assess the impact of changes, review their strategic approach and prepare on an operational basis where required. We would support notification requirements being implemented.

**Q2: Do you have any views on our proposed approach of not progressing with any interim remedies?**

- We are disappointed that interim remedies have been discounted. The timeframe required from now to implement permanent remedies will encourage an acceleration of fee increases to 'beat the deadline' and subsequent harms within the market. This is why we remain supportive of the price rebalancing remedy proposed by Zephyre – which could be introduced on an interim basis until permanent remedies are implemented.
- We recognise the PSR views a lack of UK-specific data as a barrier to implementing price-based remedies. This underlines the urgency with which proposed remedies are required which facilitate the UK-specific data required to introduce a future price cap, if needed.

**Q3: Do you have any views on our update regarding remedies that were previously ruled out?**

- As per Q2, we are disappointed with the decision to rule out price caps. The complexities associated with pricing structures should not enable price caps to be ruled out, as this inadvertently incentivises actions from the 'must-take' card scheme operators to make the market less transparent for merchants. Pricing complexity should not be encouraged.

**Q4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?**

- We are disappointed the PSR is not pursuing pricing remedies at this stage, particularly as these have been justified by the PSR's own findings. As per Q2 and Q3, the PSR must ensure the card schemes provide the UK-specific data required to enable future pricing remedies to be implemented.

**Q6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve stated outcomes? Is any data in our proposal not necessary?**

- Whilst we cannot speak on behalf of acquirers, we understand that transparent access to the datapoints outlined in Box 2 would improve pass-through visibility for merchants of all sizes. We recommend taking steer from acquirers as to whether these datapoints are sufficient.

**Q7: What would be a reasonable time period for the transaction-level data to be made available by the schemes?**

- The transaction-level data should be made available as close to real-time as possible. This data should also be easily comparable to the same data over an extended time period, to help merchants to better assess costs in relation to live trends.

**Q10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

- Yes, we support the proposed structure, including the requirement for schemes to show impact assessment examples before these are charged to merchants. The provision of timely and comprehensive pricing information which enables forecasting and modelling is essential.

**Q11: How far back should the historical data provided by the schemes stretch? Please explain your answer.**

- Minimum of twelve months. Due to seasonality of payment trends this is imperative at a minimum to get a full impact assessment.

**Q14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**

- Yes – the complexity of scheme fees makes assessments by acquirers, and therefore merchants very difficult. Proposal 2 gives a clear potential structure to help reduce this complexity and allow merchants to understand these fees. Transparency measures are welcome but must be coupled with measures to resolve the accumulation of overly granular fee structures which act to make comparisons more difficult. We therefore support a structure which requires the schemes to show impact assessment examples for each and every fee change.

**Q16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants? Information provision to merchants**

- We would support the appointment of a skilled independent person under Section 82 of the Financial Services (Banking Reform) Act 2013 (FSBRA) to assess the impact of fee reductions on acquirers and merchants. This could support merchant decisions around 'optional' fees and whether or not they would want to opt into these or not.

**Q17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?**

- The PSR should proceed with remedies to provide merchants with more detailed and transparent information. This is essential to inform strategic decision-making around payments processing and naturally needs to be available in a timely and comprehensive format. Sometimes, it is not clear that some card scheme services are 'optional', and for some of these there are often no realistic alternatives available. Examples here include 3DS and AVS – although technically optional, there are no alternatives and not using these



services would result in detrimental effects to a merchant's overall payment acceptance, authorisation, and fraud prevention performance.

**Q23: Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?**

- We support the proposed twelve-month reporting period. Aligning this with other reporting periods for the additional remedies would help to build a more holistic picture over time.

**Q24: Do you have views on the questions an RFR remedy must answer, and whether there are any other questions that you think we should consider?**

- We agree with the general proposition of UK-specific financial reporting from the schemes. This is a vital piece of information to help the PSR/FCA understand if implemented fees are reasonable or not. Profitability for the card schemes may be directly linked to over charging of scheme fees. We would however, welcome a commitment from the PSR/FCA in terms of acting on any information in terms of pricing and regulatory audits in this manner.

**Q27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?**

- We agree with a principles-based approach. This would allow for some flexibility and adaptability around scheme operations. However, we do recognise there may be a need to be more prescriptive in some areas, to ensure comparability between reporting from the separate schemes.

**Q29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?**

- We support the reportable information as proposed. This information will help to contextualise the scheme fee elements passed onto merchants.

**Q31: Do you consider RFR being based on annual information to be appropriate?**

- Yes.

**Q32: Do you have views on the assurance and audit requirements as set out in this chapter?**

- We agree the submissions should be subject to external auditing.

**Q33: Should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?**

- The remedy should apply to all fee changes. Applying the remedy to some fee changes but not others would require a definition of 'material' which could then lead to unintended consequences, for example the accumulation of additional fee changes not judged as 'material'. Applying the remedy to all fee changes would also align with objectives around transparency for the market review.

**Q34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?**

- We agree that schemes must pay “due regard” to delivering or improving system outcomes when making UK pricing decisions. This aligns with the PSR’s competition, innovation, and service user objectives. The language around “due regard” should be clearly defined to ensure that service user interests are adequately reflected in decision-making.

**Q35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?**

- We agree with this principle. It is key that impacts for end users, including merchants and consumers, are considered. As per Q34, “due regard” also requires a clear definition for this context.

**Q36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?**

- We agree with this principle but would welcome PSR/FCA guidance around defining ‘reasonableness’ in this context. This could refer to criteria including the costs incurred in service delivery and the effectiveness of behavioural fees in inducing desired behaviours in relation to cost for merchants.

**Q38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.**

- Supportive of the minimum requirement of six months notification of scheme changes and would suggest making the reporting requirements to be quarterly. It would also be necessary to enforce the reporting to be submitted in a specific, predetermined and easily digestible template to aid transparency.

**Q39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?**

- We fully support the publication of scheme information detailed in line with the transparency requirements already listed. To be effective in regulating these fees it is vital the PSR/FCA is able to scrutinise financial performance in line with fee amendments and their implications for the market. We would appreciate a clear steer that the PSR and then the FCA will prioritise using its powers to act on evidence of harm or anti-competitive practices that arise from the publication of new data.

**Q40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?**

- We would suggest this data set is fully comprehensive, and expanded as much as possible to include estimated information to make it as useful as possible.

**Q41: Which information do you think should be included in the Operational Dataset (Phase 2)?**

- As above, we support the inclusion of as much data as possible, Historical data and financial performance/balance sheets should be included at a minimum to make the operational data set effective and enable transparency.

**Q42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?**

- Yes, we support publishing of all RFR data. This would build confidence in the process and could be done with redactions where required to protect commercially sensitive information.

**Q43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?**

- Yes, compliance reports should be published also to fully detail pricing governance structures, as well as information of all mitigations implemented.

**Q45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?**

- The appropriate level of detail is that which enables the evaluation of fee trends and financial performance. This could strike a balance between transparency and avoiding disclosure of competitively sensitive information via retrospective reporting and the use of ranges where necessary.

**Q46: Do you have any views in respect of publication frequency?**

- We believe the annual publication of data and reporting would strike an appropriate balance between resource requirements and the regularity of meaningful insights.

**Final questions – Cost benefit Analysis (48–52)**

- We will await the PSR's full cost-benefit analysis, but agree with the counterfactual that non-intervention in the card scheme and processing fees market would result in the continued escalation of processing costs, increasing prices for merchants and ultimately consumers. The remedies must deliver strong controls against unjustified fee increases and ensure there are no restrictions to previously proposed remedies based on access to UK-specific data from the schemes. Until price capping is possible, we are sceptical about the effectiveness the proposed remedies will have to reduce fees and deliver a well-functioning market.



Teya



# **Market review of card scheme and processing fees**

Remedies Consultation Response

28 May 2025

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## General

[illegible]



## Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?

Teya disagrees with the proposed approach. We recognise the concerns raised by stakeholders and by the PSR of how a mandatory consultation requirement could impose yet another burden on acquirers, and that it is not clear how the schemes would seek to incorporate the feedback. Nevertheless, this is due to the current design of the remedy. [REDACTED]

In a more competitive market, this process would happen naturally with market participants who could exert competitive pressure on the schemes and negotiate with them. [REDACTED]

## Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?

Teya disagrees with the proposed approach. We fully understand that designing multiple remedies that will impact almost all card transactions in the UK, and the behaviour of the two largest payment players in the world, takes time and requires significant consultation. [REDACTED]

Therefore, we are concerned that the remedies will take multiple years to design and implement [REDACTED]

## Question 3: Do you have any views on our update regarding remedies that were previously ruled out?

[REDACTED]

[REDACTED]

*"In 2016, the Bank introduced new requirements relating to the payment of 'net compensation' to issuers. These requirements were designed to prevent the caps placed on interchange fees being circumvented by arrangements involving non-interchange payments or other incentives being provided by schemes to issuers.*

The key concept underlying the 'net compensation' provision is that while caps on interchange fees can limit amounts paid between acquirers and issuers, participants in a payments network can recreate interchange-like flows through the operation of scheme fees and rebates (and other non-rebate incentives). Issuers and acquirers generally pay fees to schemes for the services that the schemes provide. Schemes sometimes provide discounts and rebates on these fees, particularly to issuers, and they may make various payments to issuers which may be to encourage issuance of that scheme's cards, or to establish card issuance exclusivity arrangements. Where acquirers and issuers pay fees to schemes and the scheme provides to the issuer rebates or other incentives of more than the amount of fees paid by the issuer, the net result is a value flow from acquirer to issuer which is economically equivalent to interchange fees

[...]

***The Standards implement a restriction on net compensation by establishing two defined concepts: Issuer Receipts and Issuer Payments, and stipulate that the former cannot be larger than the latter.”<sup>1</sup>***

The RBA defined *Issuer Receipts* and *Issuer Payments* as:

**Issuer Receipts** of the Issuer for a Scheme Pair is the total of the Benefits received, directly or indirectly, by the Issuer in relation to any of the Cards of the Schemes in the Scheme

<sup>1</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/conclusions-paper-the-operation-of-the-interchange-standards-2019-05/introduction.html>

*Pair or Scheme Pair Transactions that have a purpose, or likely effect of promoting or incentivising the issuance or use of Cards of any Scheme in the Scheme Pair or of providing or funding incentives to holders to use Cards of the Scheme or Scheme Pair [...]*

**Issuer Payments** of the Issuer for a Scheme Pair is the total amount of all Benefits paid, given or allowed, directly or indirectly, by the Issuer to or in favour of the administrator of a Scheme in the Scheme Pair in Australia or an Acquirer in relation to any of the Cards of the Schemes in the Scheme Pair or Scheme Pair Transactions (excluding Interchange Fees and the amount of the Card Transactions paid by the Issuer to the Acquirer to settle obligations arising from the clearing of Card Transactions).<sup>2</sup>

And the restriction as follows:

*"No Issuer which is a participant in a Scheme may receive, directly or indirectly, Net Compensation in relation to [Credit/Debit/Prepaid] Card Transactions undertaken in that Scheme. Net Compensation is received by an Issuer if the Issuer Receipts of the Issuer for that Scheme over a Reporting Period exceed the Issuer Payments of the Issuer for that Scheme over that Reporting Period."*<sup>3</sup>

[REDACTED]

#### Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?

Teya understands the PSR's view that it ought to collect additional financial information and understand the schemes prior to considering any final remedies that directly restrict pricing.

[REDACTED]

[REDACTED]

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<sup>2</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/conclusions-paper-may2016/appendix-a.html>

<sup>3</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/conclusions-paper-may2016/appendix-a.html>

[REDACTED]

[REDACTED]

## Information transparency and complexity (ITC)

**Recommendation 1 - Standardised Fee Information.** The schemes should be mandated to provide standardised information on every fee they charge, including existing, changing, and new fees. This information should be fully compatible with transaction-level data, and with the fee categorisation taxonomy developed by the PSR, enabling a consistent view of scheme fees at a fee level, transaction level, and overall scheme level, thereby reinforcing the scrutiny on the acceptance costs imposed by the schemes.

**Recommendation 2 - Modular Transaction-Level Information.** The schemes should provide transaction-level data to acquirers in a highly modular format, allowing acquirers to filter through all the different components to conduct their own analysis and easily export and connect the data provided to the schemes to their own portal. Every fee should also be assigned a category, defined by the PSR, enabling acquirers to have a simplified view of the costs.

**Recommendation 3 – Monthly Transaction Level Data.** The transaction-level data should be made available by the schemes on a monthly basis. The schemes already invoice acquirers on a monthly basis, and the vast majority of acquirers provide billing statements to merchants on a monthly basis. Therefore, monthly reporting would align with existing billing cycles.

**Recommendation 4 – Fee Changes Historical Sample.** The schemes should be mandated to provide acquirers with the hypothetical cost of scheme fee changes based on at least one month of transaction-level data and the expected financial impact on acquirers over a period of historic usage. This, along with the same technical information related to existing fees, should be provided at least six months in advance of any fee change.

**Recommendation 5 – Explore fee volume reduction.** The PSR should appoint a skilled person to further explore the design of a fee volume reduction remedy, while simultaneously implementing mandatory categorisation of scheme fees under a standardised taxonomy, providing merchants and acquirers with a simplified view of their costs.

**Question 5: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand existing fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any of the information listed in Box 1 not necessary?**

Teya fully agrees that "should have access to the information that is needed to understand existing fees imposed by the schemes" and that they should be able to access this information easily, free of charge and in a user-friendly way."

We agree with the contents of Box 2 and consider all of the information therein to be necessary. It is also important for this information to be fully interoperable and integrated with the transaction-level data. Acquirers should be able to easily navigate data on the applicability and justification of overall fees, with how much of that fee they have paid on what transactions, for which merchants.

Furthermore, we consider it highly important the PSR devise a simple **scheme fee categorisation system**, onto which all scheme and processing fees must collapse. Every scheme fee should belong exclusively to one category, enabling a consolidated view of all scheme fees within simple categories defined and enforced by the PSR. These should be the same categories that are then published as part of the *Publishing Scheme Information* remedy. Importantly, to be useful, the categorisation must be exhaustive and not apply to only a subset of scheme fees.

**Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

Teya agrees with the content of Box 2, considering the below transaction-level information as the minimum information needed to understand the fees scheme charge. As above, the only information missing is the Fee Category, which should be clearly displayed for every fee.

Information on the transaction	Information on the fees
<ol style="list-style-type: none"> <li>1. Transaction Amount</li> <li>2. Merchant Identifier</li> <li>3. Country of Transaction</li> <li>4. Payment service provider (PSP) identifier (Visa – BIN, Mastercard – ICA)</li> </ol>	<ol style="list-style-type: none"> <li>1. Billing date</li> <li>2. Billing identifier (for example, unique billing code)</li> <li>3. Billing event identifier (if the billing event is more complicated than being one event then this should also be identified)</li> <li>4. Billing geography type (whether the transaction is domestic/interregional/intraregional)</li> <li>5. Relevant billing amount (including in relevant transaction and billing currency)</li> <li>6. Rate of billing</li> <li>7. Units of billing (transaction applicability, pricing structure, tiering, etc.)</li> <li><b>8. Fee category defined by PSR</b></li> </ol>

Furthermore, the usefulness of this transparency will be in large part dependent on how acquirers can interact and analyse this data. We suggest a highly modular approach, whereby each of the eleven items above can be seen via the lens of one of the items.

For example, acquirers should be able to see all scheme fees that apply to a specific merchant on a specific date. Alternatively, acquirers should be able to determine how much one specific scheme fee has been charged in a select number of geographies, both in terms of absolute numbers and a percentage of transaction value. Acquirers should be able to see this breakdown on an individual fee level, or via the fee transaction categories developed by the PSR.



Acquirers should be able to filter and splice the information according to their needs, thus enabling high degrees of analysis. All this information should also be made available as a time series, easily exportable and with an API to enable merchants to feed it directly into their own data repositories. This could be easily achieved by leveraging existing Data Analysis and visualisation tools such as Tableau or Microsoft Power BI, which the schemes could embed into their portals.

This information can then be leveraged in three main ways.

Firstly, acquirers can gain a more granular understanding of their costs and their evolution over time. This facilitates budgeting and business planning.

Secondly, it enables acquirers to more accurately price merchants by inputting this data into their pricing calculators. At present, acquirers struggle to understand and model scheme fee costs with a sufficient degree of granularity to confidently allocate scheme fee costs to a particular merchant profile. Therefore, scheme fee costs are generally baked into the wholesale cost of processing on an acquirer-wide level, not differentiating between different merchants. This makes merchant pricing less accurate and inhibits the level of unblended transparency acquirers can provide to merchants. Equipped with the information above, acquirers should be able to understand the precise scheme fee costs of every single transaction for every single merchant, and thus accurately predict these costs for any new merchant as well. This ability will significantly intensify competition, and acquirers will provide a much more accurate offer tailored to a merchant's profile, including their industry, volume, average transaction value, most common card types they accept (e.g. domestic, inter-regional, commercial) etc.

Thirdly, the more accurate information acquirers have at their disposal, the better place they are to spot errors in charges, challenge the schemes on their costs, and help the PSR further scrutinise whether charges are excessive.

## Question 7: What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.

The transaction-level data should be made available by the schemes on a monthly basis. The schemes already invoice acquirers on a monthly basis, and the vast majority of acquirers provide billing statements to merchants on a monthly basis. Therefore, monthly reporting would align with existing billing cycles.

**Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

Same response as Question 5. The same information should be made available for both existing and new fees, as well as any fee changes.

**Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?**

We agree with the content of Box 3 and believe the data contained therein is necessary for acquirers to understand the impact of fee changes. To account for the continuously evolving shift in transaction mix, we believe three months of historical data should be provided.

**Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

We agree with the scope and believe it supports acquirers' ability to understand their costs, plan their business, price merchants accurately, and facilitate the PSR's scrutiny of scheme fees moving forward.

**Question 11: How far back should the historical data provided by the schemes stretch? Please explain your answer.**

We believe that at least 3 months of transactional data should be provided, in order to account for the continually shifting nature of transaction categories and types. Three months should be enough time to give acquirers a representative sample of how their costs would be affected, normalising any anomalies which might be present in a single month.

**Question 12: Do you have any views on whether schemes should send this information to all acquirers or only a certain set (for example to exclude international acquirers without direct scheme relationships in the UK)?**

We believe this information should be provided to all acquirers, i.e. principal members of the respective schemes. This would naturally exclude payment facilitators and independent sales organisations, which would be able to access this information via the acquiring partners as part of their contract with them.

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?**

[REDACTED]

**Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**

We believe that a reduction in the current number of fees is desirable, and support the appointment of a skilled person to explore the matter further.

It is clear from the PSR's evidence and from our experience as an acquirer that the current number of fees is disproportionate; they serve to complicate rather than increase the granularity of costs. Nevertheless, there is a minimum number of fees necessary to enable acquirers to have a granular view of what they are paying for and why. The precise amount is hard to figure out, so we support further work done on this.

Nevertheless, this should not impede the development of the fee categories as described above. All scheme fees should be able to collapse under a distinct number of categories in a standardised way prescribed by the PSR. As such, while acquirers retain the option of seeing every fee broken down to a high level of granularity, they can also see the total fees charged by the distinct categories, thereby simplifying their view, without compromising on more advanced forms of analysis.

## Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?

As above, we believe that a remedy can be designed to achieve this while minimising unintended consequences. [REDACTED]

[REDACTED] It follows that the optimal amount of fees is decidedly lower than the current amount. There is also a minimum amount of fees required as part of the system, below which acquirers lose granularity and flexibility. As such, we believe that a separate workstream should be carried out to explore how to design this remedy.

## Question 16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?

We agree and believe it is an appropriate use of powers.

## Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?

Merchants will significantly benefit from the additional transparency that acquirers will receive, and thus be able to pass on to merchants as part of the contractual requirements and the regulatory requirements under the 2015 IFR and the 2017 PSRs. As the PSR indicates, SMBs are unlikely to have the time or appetite to heavily engage with the cost of scheme fees. In fact, they increasingly view simplification as a key value-added benefit from their acquirer.

Nevertheless, we agree with the development of the website with accessible information for SMBs. It can help raise awareness of how card payments work, and the different players involved in the value chain. It can also help lower the barriers to SMEs participating in the policy debate and ongoing scrutiny of the schemes, ultimately benefiting the entire system.

Question 20: Do you have views on whether our reporting requirement is an appropriate way to measure whether good outcomes are being realised? Is there a better way to monitor the outcomes?

[REDACTED]

Question 21: Should any of this information be publicly released by the PSR?

Yes, the PSR should release both its assessment of the schemes' compliance and the acquirer satisfaction outcomes.

Question 22: Do you have any views on our proposals for the timeline by which schemes should implement the remedies set out in Chapter 6?

We agree with the timeline.

Question 23: Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?

We agree that the schemes should demonstrate compliance on a yearly basis. Additionally, we fully agree with the need to collect acquirer feedback and demonstrate that their concerns were taken into consideration. However, we believe this should be done by the PSR, in a standardised manner, ensuring that Acquirer satisfaction is well-recorded and can be tracked over time. [REDACTED]

[REDACTED]



## Regulatory Financial Reporting (RFR)

The PSR's stated aims for RFR, to enable effective monitoring and understanding of the schemes' financial performance in the UK, to assess the impact and effectiveness of regulatory interventions, and to make informed decisions on future regulatory interventions, are welcomed.

[REDACTED]

[REDACTED]



Question 24: Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?

Teya agrees with the PSR's three high-level questions that an RFR must explore: the level of profitability of the schemes' relevant UK operations, the activities that drive this profitability, and identifiable trends in both. [REDACTED]

[REDACTED]

- I [REDACTED]
- I [REDACTED]
- I [REDACTED]
- I [REDACTED]
- I [REDACTED]

[REDACTED]

Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?

Teya agrees with and supports the PSR's proposed scope for the RFR, as defined in paragraphs 5.16 and 5.17 of the consultation paper. Defining the scope as the schemes' entire 'UK business', comprising both 'relevant UK operations' (the core supply) and 'other UK operations' (other products and services linked to the UK), strikes the right balance.

A broad scope is essential to ensure that the RFR is effective, provides appropriate information to shape future regulatory measures, and gives the PSR assurance that UK-based financial information is captured and allocated accurately. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## Question 26: Are there any alternatives to RFR that would answer the three key questions set out in this chapter?

For the PSR's stated key question, assessing the level of profitability, identifying the drivers of this profitability, and tracking trends over time, direct, mandated RFR from the schemes is the most comprehensive, reliable, and effective method.

Alternative approaches, such as periodic market studies or ad-hoc information requests, possess inherent limitations: they are less systematic and often capture only a snapshot in time, and may not provide the consistent, auditable, and longitudinal dataset required for effective ongoing monitoring and robust regulatory decision-making. The PSR's Final Report itself alludes to the limitations in the data it was able to obtain during the current Market Review, underscoring the challenges of relying on non-standardised or voluntary disclosures.

[REDACTED]

To that end, Teya supports the publication of fee-related information as part of the RFR in an aggregated manner. This would empower the market to ensure accountability, particularly by arming the acquiring side of the market to negotiate a better deal. [REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

**Figure 1 – RBA Net Scheme Fees Data Publication****Table 1: Net Scheme Fees**Basis points of transaction values<sup>(a)</sup>

	2021/22	2022/23	Basis point change
<b>Domestic card transactions</b>			
<b>Acquirers</b>	<b>9.9</b>	<b>10.6</b>	<b>0.7</b>
Debit cards	8.8	9.9	1.1
– Tap/insert card	5.0	5.5	0.5
– Tap device	11.4	12.5	1.1
– Online	13.2	14.3	1.1
Credit cards	12.0	11.9	–0.1
– Tap/insert card	11.0	11.2	0.2
– Tap device	12.0	12.3	0.3
– Online	12.6	12.2	–0.4
<b>Issuers</b>	<b>2.8</b>	<b>3.0</b>	<b>0.2</b>
Debit cards	2.2	2.6	0.4
Credit cards	3.8	3.7	–0.1
<b>International card transactions</b>			
<b>Acquirers</b>	<b>157.3</b>	<b>158.0</b>	<b>0.7</b>
<b>Issuers</b>	<b>44.4</b>	<b>64.5</b>	<b>20.1</b>

(a) Includes scheme fees paid to eftpos, Mastercard and Visa.

Source: RBA



## Question 27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?

A principles-based approach, as proposed by the PSR, can offer appropriate flexibility for general accounting treatments and cost allocation methodologies where diverse operational structures might warrant it.

[REDACTED]

- I [REDACTED]
- I [REDACTED]
- I [REDACTED]
- I [REDACTED]

[REDACTED]

[REDACTED]

Question 28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?

The accounting principles referenced by the PSR, such as Completeness, Accuracy, Objectivity, and Causality (taken from the Ofcom/Royal Mail approach), are standard and form a sound basis for regulatory financial reporting. Teya supports the application of these established principles.

[REDACTED]

I [REDACTED]

I [REDACTED]

I [REDACTED]



[REDACTED]

Question 29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?

The PSR's proposal for reportable information, including Profit and Loss (P&L) accounts, balance sheets, and contextual information, is a necessary component of RFR. However, from Teya's perspective, this set of information, while foundational, is insufficient to achieve the desired levels of transparency and enable effective regulatory oversight of scheme and processing fees.

[REDACTED]

I [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

I [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

Question 30: Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Question 31: Do you consider RFR being based on annual information to be appropriate?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Question 32: Do you have views on the assurance and audit requirements as set in this chapter?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

# Pricing Governance

[illegible]

Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?

[REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Question 34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?

Teya concurs with the general definition of Principle 1: System Outcomes, which suggests schemes pay due regard to delivering or improving one or more system outcomes when taking UK pricing decisions. The specified outcomes, such as enabling access/participation, protecting users, and coordinating cross-market change, appear relevant.

[REDACTED]

[REDACTED]

### Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?

Teya views positively the intent of Principle 2: Service Users' Interests, which proposes that schemes pay due regard to the interests of service users when taking UK pricing decisions. The PSR's expectation that schemes record whether and how users' interests have been taken into account, including quantitative and qualitative evidence like impact projections on acquirers or sectors, is a welcome step.

[REDACTED]



[REDACTED]

[REDACTED]

Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?

Teya finds Principle 3: Reasonableness, which suggests schemes pay due regard to the reasonableness of their fees in relation to costs, service quality, and the effectiveness of behavioural fees, to be suitably defined in its core objectives. The specific inclusion of behavioural fees and the expectation that schemes should have defined, measurable objectives for them is particularly appreciated by Teya, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.**

Teya views the proposed application of the pricing principles through the creation of Pricing Decision Records (PDRs) as a constructive step towards improving transparency and accountability in how schemes approach fee changes. The requirement for schemes to document their considerations, including how they have paid due regard to the pricing principles and the impact assessments, is a welcome development.

[REDACTED]

[REDACTED]

**Question 38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.**

Teya appreciates the PSR's considered approach to implementation and timelines. Regarding the compliance reports, Teya views these as a useful tool for ongoing monitoring and for the schemes to demonstrate their adherence to the pricing governance remedy. We agree that these reports should include self-assessment by the schemes on necessary governance changes and confirmation of compliance by senior management. Teya suggests that the cadence of these reports, whether six-monthly during an initial period or annually thereafter, should be balanced to

provide timely oversight without creating undue administrative burden. It might be beneficial for the PSR to retain flexibility on the reporting frequency, particularly in the early stages of implementation.

[REDACTED]

[REDACTED]

[REDACTED]

## Publishing scheme information

[illegible]

Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?

[REDACTED]

[REDACTED]

I [REDACTED]

I [REDACTED]

I [REDACTED]

[REDACTED]

Question 40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?

[REDACTED]

[REDACTED]

[REDACTED]

Question 41: Which information do you think should be included in the Operational Dataset?

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Question 42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Question 43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?

[REDACTED]

[REDACTED]

[REDACTED]

Question 44: Do you think any other information should be published? If so, please outline which information.

[REDACTED]

[REDACTED]



- I [REDACTED]  
[REDACTED]
- I [REDACTED]  
[REDACTED]
- I [REDACTED]  
[REDACTED]

It would be beneficial if this annual assessment were accompanied by a public consultation, inviting stakeholders to provide their perspectives on the market's evolution and the effectiveness of the remedies. Such a process would allow for a continuous, transparent dialogue on whether the market is improving for service users and whether any further intervention or adjustments to the regulatory approach might be necessary.

Furthermore, this annual review could also serve as a valuable mechanism for the PSR to publicly capture and consider relevant actions and learnings from other regulators internationally concerning card fees and scheme practices. This would help ensure that the PSR's approach remains informed by global best practices and evolving regulatory thinking, ultimately benefiting the UK payments landscape.

Question 45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]

- I [REDACTED]  
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[REDACTED]  
[REDACTED]
- I [REDACTED]  
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[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

Question 46: Do you have any views in respect of publication frequency?

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
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[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Question 47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?

[REDACTED]

[REDACTED]

[REDACTED]

## Initial cost benefit analysis (CBA)

[REDACTED]

[REDACTED]

- [REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Question 48: Do you have any comments on how we envisage the interaction between the individual remedies with one another in the proposed package?

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]  
[REDACTED]  
[REDACTED]

■ [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
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[REDACTED]  
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[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Question 49: Do you have any comments on the causal chains we have set out for each individual remedy? How likely do you think it is that the expected changes will take place? Please include any supporting evidence.

[REDACTED]

[REDACTED]

[REDACTED]

I [REDACTED]

I [REDACTED]

[REDACTED]

[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**Pricing Governance Remedy Causal Chain (Figure 5, CP25/1):**

[REDACTED]  
[REDACTED]  
[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**Publishing Scheme Information Causal Chain (Figure 6, CP25/1):**

[REDACTED]  
[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

I [REDACTED]  
[REDACTED]  
[REDACTED]



[REDACTED]

[REDACTED]

Question 50: Have we identified all the relevant costs and benefits associated with our proposed remedies?

[REDACTED]

[REDACTED]

I [REDACTED]

I [REDACTED]

I [REDACTED]

I [REDACTED]

[REDACTED]

I [REDACTED]

I [REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

Question 51: Please provide any views or evidence available to you on: (i) the magnitude of the costs and benefits outlined in this CBA, or (ii) the magnitude of the costs and benefits which you believe are missing from this CBA.

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Question 52: Please provide any views or evidence available to you on: (i) how we could estimate the costs and benefits outlined in this CBA, or (ii) how we could estimate the costs and benefits which you believe are missing from this CBA.

[REDACTED]

[REDACTED]

I [REDACTED]

I [REDACTED]

[REDACTED]

I [REDACTED]

I [REDACTED]

I [REDACTED]

I [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

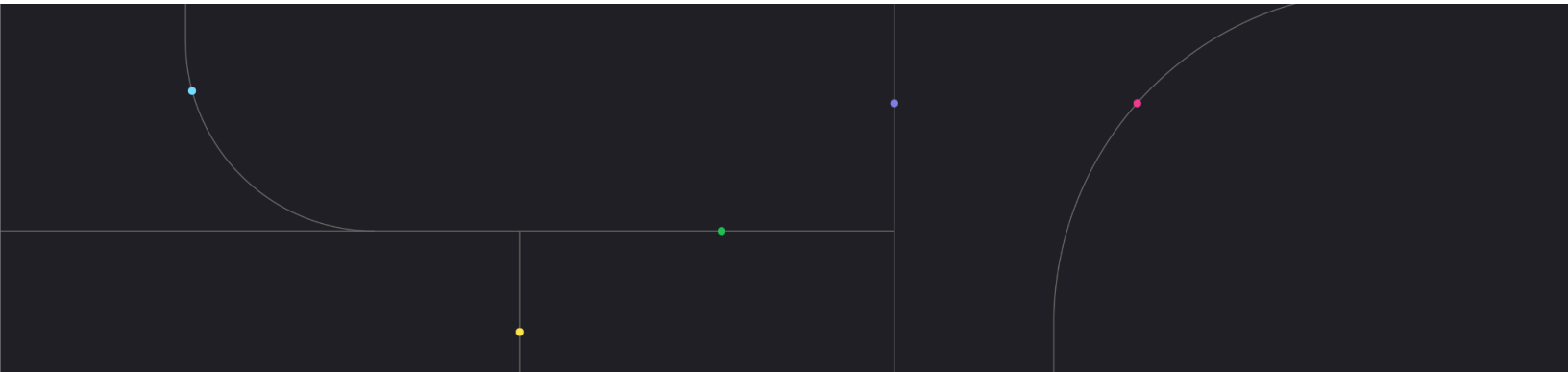
[REDACTED]

[REDACTED]

TrueLayer



TrueLayer response to PSR CP25/1 - Market review of card scheme and processing fees remedies consultation



May 2025



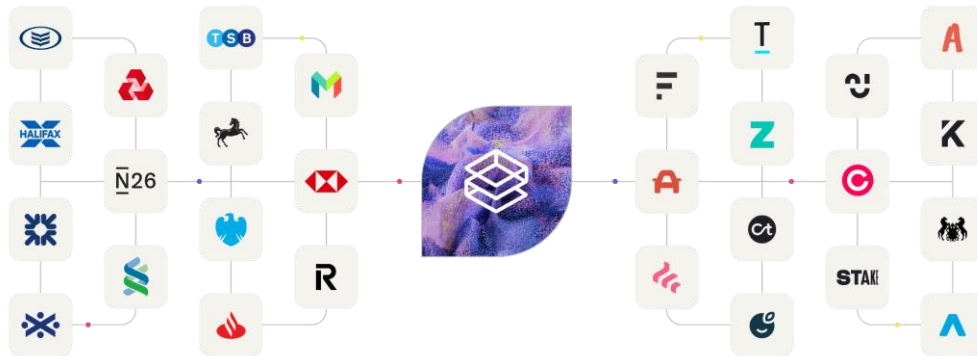
## About TrueLayer

Founded in London in 2016, we are an open banking payments network, operating in the UK and across Europe. We are regulated by the FCA as an Electronic Money Institution, which enables us to build additional payment services on top of open banking. We are backed by leading venture capital including Tiger Global, Stripe, Tencent, Temasek, Northzone, Anthemis, and Connect Ventures.

### *Building an open banking network*

Groundbreaking open banking legislation in 2016 aimed to boost competition and innovation in financial services by opening up bank account data and payments functionality to third parties, using internet-era technology APIs (application programming interfaces).

TrueLayer's founders were early to realise that a new network could be created, by connecting to all the banks' APIs - and providing a single connection to other fintechs and businesses, providing additional services such as payments and enriched data. That's the network we've built:



We now offer access to our network of bank connections to hundreds of businesses, so they can harness open banking payments and data (Ryanair, Revolut, Nutmeg, JustEat, LastMinute.com, Freetrade, Plum, Stripe, Nectar, Uber, Amazon, Chip and many more). We process one third of all UK open banking volumes, including over **1 million variable recurring payments (VRPs)**.

## Consultation response



### *A lack of competition drives higher prices*

The UK is the only country in the world to have a dedicated payments regulator with core objectives of promoting competition and innovation in the payment systems market. Even as the PSR is folded into the FCA, work towards achieving these core objectives remains critical. The UK should be using this to its advantage, creating one of the most competitive payment markets in the world.

As it currently stands, UK payments remain dominated by the use of Visa and MasterCard. This duopoly market situation is bad for consumers and businesses, translating to higher prices and less innovation resulting in direct costs for the economy, as noted by the PSR's own findings.

A lack of competition has created an environment where Visa and Mastercard can abuse their market power to charge excessive fees at the expense of merchants and consumers.

Card fees are too high - but they are too high because of the complexity and opacity of the card systems and the fact that they are deeply embedded middlemen in the world's commerce.

To truly reduce costs for merchants, the industry needs competition that disintermediates card systems altogether. Whilst the PSR's proposed remedies to increase transparency may be welcomed by some participants in the payment chain, TrueLayer believes that remedies should instead tackle the root of the issue, by supporting alternative payment methods, such as Pay By bank, which can act as a competitive constraint on cards.

Pay by Bank (account-to-account payments) is a simpler, cheaper alternative to card payments. The need for A2A to drive choice and competition in payments is rightly highlighted in the Government's National Payments Vision. Further adoption of Pay by Bank will not only introduce price competition, but will also introduce simplicity and choice for merchants and consumers, which will weaken the hold that card schemes have on global commerce.

### *Using Pay by Bank to drive competition*





The PSR's work to highlight the negative consequences of a Visa/Mastercard duopoly is welcomed, but we need to focus on unlocking Pay by Bank (open banking payments) as a long-term solution to overcoming these consequences, offering genuine choice to merchants and competitive pressure on the card schemes.

The PSR's proposals around information transparency and complexity (ITC), regulatory financial reporting (RFR), pricing governance and publishing scheme information, whilst offering a step towards reducing some of the current opacity around card schemes, are unlikely on their own to solve the challenges resulting from a Visa/Mastercard duopoly.

Remedies are simply addressing the consequences of a lack of competition rather than increasing competition between payment methods. Whilst proposed remedies may expose the unjustified prices levied by card schemes, they won't directly address the lack of competition causing those unjustified prices. Any transparency remedies are also likely to be temporary since card schemes are well practiced in reinstating opacity in the system.

We question whether these remedies will achieve the PSR's overarching aim of competitively constraining Visa and Mastercard. This can only be done by injecting long-lasting competition into the UK's payments landscape. We encourage the PSR to consider additional remedies:

[REDACTED]

The PSR has an opportunity to send a strong signal to the market that it believes competition amongst payment systems is the true remedy to reducing the cost of payments for UK merchants and consumers. [REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

# UK Finance



# PSR Consultation CP25.1

Scheme and Processing Fees



# UK Finance Response

## Introduction

We welcome the opportunity to respond to CP25/1.

There are a range of views which can be loosely grouped into cohorts of non-supportive on some areas and supportive on some areas – but views vary. Some acquirers are less supportive of some of the proposals and at the same time more supportive of other proposals. A few issuers are supportive of some of the proposals. Whilst there are many scheme participants who would welcome more simplicity and transparency on scheme fees, they are also concerned about the continuing negative narrative about the cards industry and the lack of balance by ignoring the value and benefits the card industry brings. They think that the approach does not support deregulation nor reducing the burdens on firms.

There are many that would like to see an end to the market reviews and do not support several more years of study, consultations and intervention. They would rather find a more efficient solution to bring it to a close.

This response is therefore not structured along issuers / schemes on the one hand, or acquirers on the other – although it is fair to summarise as acquirers being somewhat more supportive of some of the proposals than are the issuers and many of the specific questions pertain to acquirer related issues. Instead in this commentary we focus on the major issues highlighting degrees of support.

On the one hand, there is broader support for measures that are framed at increasing transparency as between a scheme and its participants. On the other hand however, there is far less support for a publishing policy that merely aims to reduce prices by continuing an unbalanced negative narrative on the schemes and by association, the firms that are the scheme participants.

## The Regulatory Narrative – Costs, value and lack of evidence of harm.

The core narrative and basis of the market review has remained the same even though in other areas, regulators appear to recognise that payments policy has changed enormously in the last two years.

The spirit of the National Payments Vision and the approach from the Bank of England support the view that payments systems should be investible, generating returns for the investments made, supporting sustainable growth and innovation. UK Finance's view is that approaches which are overly focused on card schemes' costs



and profits, rather than a model that accepts value, innovation, and risk taking, will lead to unintended consequences.

The UK cards industry is one of the most sophisticated in the world and often the location of choice to launch new products and services. The card services here are extremely resilient, reliable, fast, secure and trusted by merchants and consumers alike – they offer *absolute* value. The concern of many in the industry is an unbalanced focus on what is not working well. Over 5 years of regulatory focus on costs has come at the opportunity cost of our policy approach not considering in detail what works well in cards and why, alongside what might work better. We need policy makers to embrace what is needed to deliver a host of positive outcomes for the UK's businesses and consumers and the payment firms and banks that serve them e.g. a commercial model that supports innovation and protects consumers. It is early days in developing a working model for open banking, but it is apparent that devising an alternative payment system with a commercial model and customer recourse is not easy to achieve at all, nor at a price point that merchants will find attractive.

The final report pointed to increases in scheme fees, with the basis of the approach being card costs are too high. However, the case that cards are too expensive absolutely or relatively has still not been proven. No evidence has been presented that they are too high relative to other payment types. Of the available options, only cash comes without payment fees, but cash has many other costs such as placement, ATM fees, account fees, staff time, notes and coin loss and of course fraud and taxation lost in the black economy. There are other options available – which are generally more expensive. The level of fee increases that the final report sets out, are, when set against a card turnover in the UK of over £1bn, very small.

### Support for operational / transparency enhancement

The above discourse then calls into question the extent to which the package of remedies is, in the round, proportionate and appropriate – but that is not say there is no support for any of the remedies. Many on the acquiring side and some on the issuing side would agree that the scheme and processing set up has become very complicated, too hard to understand, difficult to predict or reconcile. This may be a result of decades of innovation and enhancements and features. But that is about operational clarity and perhaps a need for some simplification – rather than elevating billing transparency into a wider conclusion that the cards market is not working well.

The areas where there is most support for remedies, are mostly operational, relating to timing of scheme fee release dates, clarity on purpose or desired outcomes of some fees and the relative change and impact of fees. The support for some of the operational transparency measures is largely found in the acquirer cohort (but to

varying degrees, ranging from mildly to strongly supportive). There is not a unified single view from any quarter.

Issuers are not clear which remedies are acquirer only or apply to issuers as well. Some of them support some enhanced transparency into their billing and fees.

### Unintended Consequences

Many are concerned that some of the remedies could be over-reaching and set dangerous precedents (e.g. the publishing remedy) that could interfere with healthy supervisory relationships and/or unfairly present information about the schemes that will present an unbalanced picture of the cards industry as a whole.

There arises the risk of unintended consequences for the UK cards industry and its competitiveness and leadership in innovation. There needs to be an appropriate balance between transparency and disincentivising new or enhanced products and services. Why would a scheme choose the UK as the launch jurisdiction for a service (which has often been the case over recent years) when it could launch so much more easily and quickly in another location?

### Acquirer Views Vary

Acquirers generally welcome the remedies that will enable them to serve their merchants better, recover fees accurately, plan appropriately and enhance their understanding of fees and billing. They welcome measures that will help define the purpose and intended outcomes of behavioural fees. They welcome minimum time periods for implementation.

Acquirers support having access to transactional data to help them model the likely impact of fees, but some are concerned of disproportionate information overload, that might not be effective, will likely lead to an increased requirements for resource on the acquirer side (and possibly merchants). Other acquirers have a stronger view and think that access to such data will benefit them and reduce the resource they currently deploy. Whilst acquirers will naturally welcome any reduced fees, their main focus is about simplification of fee management. Most are business as usual focussed and agnostic at best on the remedies on schemes' internal governance, UK level financial reporting, merchant transparency measures or the PSR publishing information about the schemes.

Acquirers have different views as to whether the operational transparency measures should apply in bulk to all scheme and processing fees (some have strong support for this) or should be more proportionate and material only. There is an acquirer cohort that wants this review wrapped up quickly and that view tends to favour a proportionate and materiality driven approach.

Acquirers generally think that the publishing remedies targeted at merchants may not necessarily materially benefit merchants (or that merchants will have the resources to adequately analyse them). There is a concern that it will confuse small and medium sized merchants who are mostly on blended rates. These merchants do not really focus on the breakdown on the merchant service charge into interchange and scheme fees. They care about the total charge and its predictability.

Some acquirers are supportive of the fee reduction “further work” notion – pointing to the volume of fee changes. But, many card market participants express a fatigue with the length and breadth of the market review and suggest more efficient ways could be found for industry and the PSR to work together to bring the market review to a close. Firms do want to move on to more important regulatory developments that fall under the growth and innovation agenda, that is good for the UK’s payments industry and the UK as a whole.

# Consultation Questions and Answers

## Our interim report proposals, stakeholder feedback and our response

**Question 1:** Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?

**Question 2:** Do you have any views on our proposed approach of not progressing with any interim remedies?

**Question 3:** Do you have any views on our update regarding remedies that were previously ruled out?

**Question 4:** Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?

**Response to Q1-Q4:** *We agree with the positions put forward in CP25/1.*

## Information transparency and complexity (ITC)

**Question 5:** Do you have any views on whether the information in Box 1 will support acquirers’ ability to understand existing fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any of the information listed in Box 1 not necessary?

*Q5: Most think that in isolation Box 1 will be helpful to acquirers, and make it easier for them to bill and explain billing to merchants (jn preference to explaining fee changes through a merchant facing site). Some acquirers think this should apply to all fees but others would accept some balance and prioritisation (such as focussing on the fees that generate most gross income, or not requiring full fee history). This remedy as crafted could be very onerous to perform.*

*Some clarification on the remedy would be helpful, such as could acquirers have an opt out or opt in for some information and will the data be provided without charge?*

**Question 6:** Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

*Q6: as per Question 5.*

**Question 7:** What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.

*Q7: We think the data will be useful for larger fee lines but appears somewhat onerous and could be time consuming for little benefit in some cases (as many acquirers only focus on the material items). Further it is not clear whether such data would be created with a hypothetical acquirer or whether some bespoke reporting acquirer per acquirer is contemplated. Some acquirers would like details for each fee, noting that the earlier the data is available the more useful it becomes.*

**Question 8:** Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

*Q8: As per Question 5*

**Question 9:** Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

*Q9: As per Question 7*

**Question 10:** Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?

*Q10: There is broad support from issuers and acquirers for increased notice periods. Some have noted 9 months would be preferable to ensure that there is time for work to be completed to deliver the changes associated with the fee and allow appropriate notification to merchants. Also important is the completeness of the announcement so as to avoid the need to make enquiries (which pending resolution may delay commencement of the implementation).*

**Question 11:** How far back should the historical data provided by the schemes stretch? Please explain your answer.

*Q11: This needs to be proportionate. One month should be adequate for acquirers to assess for many circumstances, although some have suggested three months would be better to level out seasonality.*

**Question 12:** Do you have any views on whether schemes should send this information to all acquirers or only a certain set (for example to exclude international acquirers without direct scheme relationships in the UK)?

*Q12: This needs to be proportionate and focussed on UK regulated acquirers only.*

**Question 13:** Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?

*Q13: No – other than queries vary in complexity and any SLA ought to reflect that. If Schemes are unable to resolve a query within a generic SLA, there should be a firm indication of when the query can be resolved.*

**Question 14:** Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?

*Q14: We think this is an aim that is fraught with other risks (e.g. bundling, working against transparency). Reducing the number of fees for its own sake would have questionable benefits – being able to understand, predict and apply fees would be the areas of most benefit to acquirers.*

*Most participants in the UK cards industry think there is an urgent need to bring this market review to a close and invest industry time and resource into broader regulatory policy issues (such as revising the UK Payments Services Regulations and delivering the ambition set out in the National Payments Vision).*

*One suggestion that came forward is that there should be periodic fee updates noting which remain or have been removed or superseded.*

**Question 15:** Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?

*Q15: Unlikely. It would be overbearing and effectively micro-managing the schemes who have international operations – as do most acquirers. It has been suggested to us that simplification and transparency may be more helpful than a volume of fees reduction target. In the main, acquirers will not want to manage scheme changes in the UK differently from other locations and are concerned it will create more work for them, rather than less. A few acquirers would not find this a problem though.*

*This proposed remedy would need to be crafted that the UK “add-on” aids rather than inhibits simplicity and transparency and does not disincentivise innovation in the UK cards market - which for many years has been regarded by the schemes as the go-to market to launch new products and services.*

**Question 16:** Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?

*Q16: As per Q15. This appears to us as far too over-reaching, unnecessary and inappropriate. There is also concern that, depending on how this is achieved, it could result in onerous activity for acquirers and the need to provide a significant amount of information.*

**Questions 17:** Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?

*Q17: High level information on websites could be helpful, but we doubt whether merchants will actively engage or understand it, and may even be confused because they pay blended rates and will not be comparing apples with apples. There is not broad support for this remedy, although one acquirer suggested it could be useful for large corporates who could self-serve rather than raise generic queries through the acquirer.*

**Questions 18-19:** *Removed from consultation, as per PSR webpage.*

**Question 20:** Do you have views on whether our reporting requirement is an appropriate way to measure whether good outcomes are being realised? Is there a better way to monitor the outcomes?

*Q20: What matters to acquirers is that they get the information they need. The acquiring market review did not require such layers of reporting and*

*governance, and the overall approach seems “heavy-handed”. A less overbearing oversight approach could deliver the same outcomes.*

**Question 21:** Should any of this information be publicly released by the PSR?

*Q21: We do not think this level of transparency is appropriate – and compared to other regulated firms, seems disproportionate. Only breaches that lead to censure should be publicly reported, as for other regulated firms. Publishing reporting could lead to schemes focussing too much on what could be published rather than encouraging frank and open disclosure within a healthy supervisory relationship based upon trust.*

**Question 22:** Do you have any views on our proposals for the timeline by which schemes should implement the remedies set out in Chapter 6?

**Q22: No**

**Question 23:** Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?

*Q23: Acquirers generally support this remedy (to the extent the actual final requirements are proportionate).*

## Regulatory Financial Reporting (RFR)

**Question 24:** Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?

**Question 25:** Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?

**Question 26:** Are there any alternatives to RFR that would answer the three key questions set out in this chapter?

**Question 27:** Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?

**Question 28:** Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?



**Question 29:** Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?

**Question 30:** Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?

**Question 31:** Do you consider RFR being based on annual information to be appropriate?

**Question 32:** Do you have views on the assurance and audit requirements as set in this chapter?

*Q24-32: Whilst having this information may be helpful to the PSR to understand the scheme's UK operations, it is inevitable that subjective judgements will be made to apportion certain central costs to the UK operations, that would require an overreaching and inappropriate insight into the schemes' global operations – and be a very time consuming exercise that will not deliver any tangible benefit to issuers or acquirers or their service users. The approach is likely to be far too focussed on card schemes' costs and profits rather than the positive outcomes that the card industry delivers.. We do not think that a utility style approach established in this way is suitable for any financial firm nor one that rewards risk taking and innovation. The schemes' services are far more complex and varied than regulated utility services.*

*The National Payments Vision has commercial sustainability at its core. – This must be meaningful and should have a broader focus than a payment scheme operator's costs and profits .*

*Whilst the concept of “value” may be vague, and disregarded by an economic regulatory approach, it is at the heart of the FCA's Consumer Duty. We do not see a good reason why value is so readily dismissed. The Future of Payments Report and HM Treasury commentary has noted that cards are very effective and provide good outcomes to merchants and consumers. Value is relevant (in previous responses we have outlined the value of cards to the UK economy and service users and do not repeat those comments further here). The RFR approach is designed to create a negative impression of the schemes which will lead to an unhelpful negative and unbalanced narrative on the wider cards industry.*

*Acquirers will be far more focussed on the remedies that will help improve their operations, increasing transparency and understanding of fees, being able to bill correctly and better service their merchants.*



## Pricing Governance

**Question 33:** should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?

*Q32: In principle, this should be material only, but pragmatically, unless materiality is defined clearly, it is likely the schemes may take a cautious approach and treat every fee change under a common process and assess materiality at the end of the process rather than at the beginning. It may be simpler to require it for all new fee changes and to existing fee changes in each case over a given threshold and avoid arguments about what is and what isn't material. Fee changes that reflect increases at or below a suitable public inflation metric could be regarded as out of scope. Ultimately, this is an issue that the PSR needs to work out with the schemes as to what is the best way forward – acquirers are only focussed that remedies that may improve their operations. That said, the policy environment is to reduce the burdens on business and to focus on growth. It would not be a productive use of anyone's time to divert resources to PDRs that are immaterial or relate to inflationary price changes.*

**Question 34:** Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?

**Question 35:** Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?

**Question 36:** Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?

**Question 37:** Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.

**Question 38:** Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.

*Q34-38: In general, firms support the broad principles but are more focussed on what will improve their operations and less about scheme's internal governance and reporting to the PSR or publishing summaries. If this market review can help acquirers understand what certain material fees are for, when*

*they apply and to whom (so they can be billed to merchants), they will be content.*

### Publishing scheme information

**Question 39:** Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?

**Question 40:** Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?

**Question 41:** Which information do you think should be included in the Operational Dataset?

**Question 42:** Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?

**Question 43:** Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?

**Question 44:** Do you think any other information should be published? If so, please outline which information.

**Question 45:** Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?

**Question 46:** Do you have any views in respect of publication frequency?

**Question 47:** Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?

***Q39-47:** We think this remedy has the potential and purpose of transferring oversight of scheme and processing fees from the PSR to the court of public opinion, which is unlikely to be fair or balanced. This seems to us as an extraordinary measure disclosing commercially private and sensitive information that would be far better retained within the ambit of healthy firm-supervisor relationships. It has the capacity to distort open and transparent communications between the regulators and regulated and undermine the trust and confidence regulated parties will have with their supervisors. This sets a dangerous precedent. Publishing information should be limited to censure/enforcement only and not to the inner workings of firms in a business-as-usual environment.*

## Initial cost benefit analysis (CBA)

**Question 48:** Do you have any comments on how we envisage the interaction between the individual remedies with one another in the proposed package?

**Question 49:** Do you have any comments on the causal chains we have set out for each individual remedy? How likely do you think it is that the expected changes will take place? Please include any supporting evidence.

**Question 50:** Have we identified all the relevant costs and benefits associated with our proposed remedies?

**Question 51:** Please provide any views or evidence available to you on: (i) the magnitude of the costs and benefits outlined in this CBA, or (ii) the magnitude of the costs and benefits which you believe are missing from this CBA.

**Question 52:** Please provide any views or evidence available to you on: (i) how we could estimate the costs and benefits outlined in this CBA, or (ii) how we could estimate the costs and benefits which you believe are missing from this CBA.

***Q48-52: Scheme participants will bear little costs but will receive benefit from the remedies. The real question is how proportionate and appropriate are the remedies? In this response we support improving services, governance, record keeping, metrics for behavioural fees. We do not support publication as a means to hold the schemes to account – this is the PSR's job and should be retained within the realm of healthy supervisory relationships. The costs of complying with the remedies is a matter for the schemes to comment upon, but it does appear to us that many of the remedies are very onerous, that will load significant costs into the system.***

Visa

## Visa's response to the PSR's card scheme and processing fees remedies consultation paper of April 2025

### 1. Foreword

- 1.1. Visa supports the PSR's vision of payment systems being '**accessible, reliable, secure and value for money**'.<sup>1</sup> Visa works continually to **ensure that its global network meets these principles, as well as being at the forefront of innovation and choice**, to deliver continually improving, positive outcomes for end-users. Visa's goal is to maximise the value of its platform for all users which means maximising merchant, as well as issuer, participation.
- 1.2. Similarly, Visa shares the PSR's goal of ensuring the UK retains its leading status as a thriving payments ecosystem. The **UK payments sector is dynamic and characterised by intense competition across all levels of the value chain**. Visa faces wide-ranging competition - from the growth of new technologies, the rise in non-card based payment methods and the entry and expansion of new payment service providers.
- 1.3. **Visa has contributed significantly to the UK economy over many years, building trust through the billions of transactions it has enabled, supported by Visa's significant investments in resilience, cybersecurity, fraud prevention and innovation**. For example, Visa's network is 99.999% reliable and has capacity to handle up to 83,000 transactions per second globally (a number that has increased more than threefold in the past decade). The consequent positive outcomes for UK merchants and consumers delivered by these investments all ultimately help achieve sustained economic growth in the UK, shaped by competitive dynamism and underpinned by stable, proportionate, and consistent regulation.
- 1.4. However, Visa has significant concerns with the PSR's findings set out in the Scheme and Processing Final Report of 6 March 2025 (the *Final Report*) and the proposed 'remedies' set out in the Scheme and Processing Remedies Consultation of 2 April 2025 (the *S&P Remedies Consultation*). This document sets out Visa's key concerns in relation to these findings and certain of the remedies proposed. Nevertheless, **Visa remains committed to its constructive engagement with the PSR, seeking an outcome that aligns with the PSR's statutory objectives, supports wider UK competitiveness and growth, and improves the already positive outcomes for end users in the UK**.
- 1.5. As explained further below, certain remedies, if appropriately scoped, could improve outcomes for end users – in particular, around further enhancing the ability of acquirers to understand payment network services and to provide more tailored offerings to their merchant customers.
- 1.6. Visa sets out below:
  - (a) **In section 2**, a summary of Visa's key concerns with the findings in the Final Report and the proposed remedies set out in the S&P Remedies Consultation; and
  - (b) **In sections 3 to 6**, Visa's specific observations on each remedy area in turn.
- 1.7. We also provide a note from Dr. Jorge Padilla on the treatment of two-sided markets in the Final Report at **Annex 1**, and further details of Visa's concerns with the Final Report's conclusions in **Annexes 2 to 4**.

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<sup>1</sup> S&P Remedies Consultation, Annex 1, CBA, Table 2, pg. 87.

## 2. Summary of Visa's concerns with the Final Report's findings and proposed remedies in the S&P Remedies Consultation<sup>2</sup>

### *Key concerns with the Final Report's findings<sup>3</sup>*

- 2.1 Visa considers that the conclusions set out in the Final Report are not based on a sufficiently strong analytical foundation, are flawed, and do not form an appropriate basis to justify the interventions proposed in the S&P Remedies Consultation.
- 2.2 Visa is concerned that the Final Report's key finding that Visa is subject to ineffective competitive constraints on the acquiring side – which impacts outcomes – does not reflect market reality. **All the available evidence demonstrates that the UK payments sector is competitive and is working well for UK end users.**
- (a) Consistent with well-accepted economic principles, it is **not unusual or wrong for competitive conditions to differ across the two sides of a platform**, and the Final Report's findings on the acquiring side of the market are not based on a sufficiently robust assessment of the two-sided nature of Visa's payment system – see **Annex 1 (Dr. Jorge Padilla note on two-sided markets)** for further details.
  - (b) There is an increasing **range of alternative payment methods** available to UK merchants and consumers, including other card schemes such as American Express, digital wallets, BNPL, and account-to-account payments, each of which **exert an existing and growing competitive constraint on Visa** – see **Annex 2** for further details.
  - (c) Visa provides significant value to end users and **continually invests in keeping the Visa global network reliable, resilient, secure and increasing service quality over time**. This includes investing in innovations that have significant benefits for UK end users, such as contactless and tokenisation, as well as in cybersecurity, operational resilience and fraud prevention to give cardholders the confidence they need to transact with merchants in the UK.
  - (d) **Visa's prices are competitive.** Visa cards are comparatively cheaper for UK merchants to accept than the vast majority of alternative payment methods. More specifically, the fee levels associated with four-party card schemes like Visa are lower than the fees associated with popular alternative payment methods in the UK, such as American Express, PayPal and BNPL.
  - (e) Notwithstanding Visa's view that a narrow focus on profit margins is not appropriate for regulatory intervention (as explained below), [redacted].
- 2.3 Despite this, the Final Report continues to reflect **a narrow approach focusing on fees and profitability**. This **unduly dismisses the non-price factors that Visa is also competing on and the significant value and positive outcomes that Visa delivers** to clients and end users in the UK. Such a narrow assessment cannot form the basis of appropriate regulatory intervention in dynamic markets characterised by robust competition and innovation, as is the case for the UK payments sector, whether under principles of economics, good regulation or applicable law. In addition, the Final Report:

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<sup>2</sup> Visa reserves its rights with regards to other concerns with the Final Report and S&P Remedies Consultation which are not set out in this response.

<sup>3</sup> Many of the points set out in this section were previously outlined in Visa's response to the Interim Report (*IR Response*).

- (a) continues to focus on the acquiring side when assessing competitive constraints and market outcomes. Visa urges the PSR to consider the overall social benefits across all participants in the Visa network and the wider UK economy;
- (b) continues to rely on a flawed profitability assessment, and in particular on an inappropriate set of comparators, which cannot be relied on to draw conclusions on whether the market is working well for end users;
- (c) makes assertions that are not supported by evidence, including that Visa's current fees and margins are not necessary to support and incentivise investment; and
- (d) does not sufficiently reflect the evidence of the significant value that Visa provides to end users, the wider continual investments Visa makes with regards to innovation, enhancing resilience, safety and security, and the improvements Visa has made to service quality and service outcomes (see **Annex 3** for further details). The Final Report disregards this evidence and focuses instead on whether changes to Visa's fees are justified by a change in the cost of providing a specific service or the quality improvements brought about by that service. This narrow focus reflects an incorrect view that Visa's business is akin to a regulated utility or a commodity good/service.

***Key concerns with the proposed remedies set out in the S&P Remedies Consultation***

- 2.4 Visa will continue to work with the PSR to improve end user outcomes and ensure continued end user choice, innovation and competition in the UK payments sector. Certain of the proposed remedies (namely some aspects of the fee transparency and pricing governance remedies), if appropriately scoped, could improve outcomes for end users.
- 2.5 However, Visa continues to have concerns with the remedies more broadly, as currently set out. In particular, the current remedy proposals, when taken as a whole and individually (in some cases), are disproportionate. The S&P Remedies Consultation does not undertake a proportionality assessment in the round, which should form the basis of a sound remedies assessment, nor does it consider whether there are less intrusive options. In addition, the proposals:
  - (a) are based on an inappropriately narrow view of two-sided markets, focusing on the acquiring side, without considering how the proposed remedies may impact both sides of the market;
  - (b) are not based on an assessment of whether hypothetical benefits are outweighed by potential harm to the UK payments sector;
  - (c) do not all result in direct benefits for end-users, as recognised in the S&P Remedies Consultation for some of the proposed remedies;
  - (d) do not account for the impact that unnecessary regulatory intervention may have in inhibiting market participants' incentives to invest and innovate in the UK payments sector;
  - (e) insufficiently consider the overall cost/burden to Visa and other stakeholders; and
  - (f) do not adequately take into account Visa's systemic importance for the stability of the UK's financial system and economy (reflected by Visa's designation as a Recognised and Regulated Payment System) and the risks that the proposed remedies –

specifically their cost-related focus (particularly on the scheme's fees) – may have a destabilising effect on the relevant payment systems and, as a result, on UK financial stability.

- 2.6 This results in proposals that are likely to deter growth and innovation in the UK payments sector, which would otherwise have benefitted the wider UK economy.
- 2.7 In the remaining sections of this response, Visa sets out its key concerns with each of the remedy areas in turn.

### 3. Regulatory financial reporting (RFR)

- 3.1 As set out in **Section 2** above, the Final Report's analysis of Visa's fees and profit margins does not establish any detriment to UK end users which would justify regulatory intervention, including in the form of an RFR remedy.
- 3.2 In particular:
- (a) there is no reasonable justification for imposing RFR as the Final Report has not evidenced any actual harm to end users which requires remedying, nor sufficiently established any potential harms that would be remedied by RFR;
  - (b) the proposal extends beyond the PSR's powers and jurisdictional limits - where the PSR seeks to use RFR for the purposes of potential future price control (which would be *ultra vires*), this would amount to an improper purpose;
  - (c) the nature of Visa's business makes it very difficult to generate meaningful UK-specific information of the type which RFR would require - Visa would therefore face a significant regulatory burden beyond that applied to other, similar, commercial entities; and
  - (d) given the substantial regulatory burden RFR would place on Visa, imposing such a remedy would be highly disproportionate relative to any hypothetical benefits, and would be unlikely to support the PSR's statutory objectives.

#### ***No reasonable justification for imposing RFR***

- 3.3 Over the past three years, Visa has engaged fully with the PSR's market reviews, responding to requests that required Visa to submit over 900 documents, over 1,000 pages of narrative text and 350,000 datapoints. It is therefore surprising that the PSR considers itself to be lacking "*access to suitable information in order to confirm the presence and level of economic profits*".<sup>4</sup> Visa has responded effectively and constructively to requests made by the PSR in conducting its analysis, including providing fully-loaded UK P&L accounts (which were rejected, unreasonably, as an inappropriate datapoint for an assessment of the profitability of Visa's UK operations).<sup>5</sup> The information Visa has provided to date is robust - there is therefore no need for RFR, including for the following reasons.
- 3.4 First, RFR does not address any substantiated detriment for end users nor any potential harms that might justify it. The S&P Remedies Consultation states that RFR addresses the lack of competitive constraints on the acquiring side of the market "*by contributing to addressing [a]*

<sup>4</sup> S&P Remedies Consultation, para 5.1, pg.47.

<sup>5</sup> Final Report, para 1.11, 'Profitability', bullet 3, pg. 6: "*We consider that in order to reach a firm view of the level of economic profits, we would require the collection of data more suitable than the data provided by the schemes.*".



*regulatory information gap*".<sup>6</sup> The suggestion that an information gap exists is unfounded and is based on the PSR's dismissal of the significant volume of information that Visa has provided to date. Even if such a gap were to exist, Visa disagrees with the PSR treating this as a contributing factor to an alleged market failure when no evidence has been put forward of a direct relationship between such a gap and a lack of competitive constraints, nor any harm caused to payment system participants.

- 3.5 Second, there is no evidence that RFR would directly result in more positive market outcomes or benefits to end users. RFR would not result in any net benefit in the short-to-medium term for market participants, as the PSR itself recognises in its initial cost benefit analysis (CBA), concluding (only) that *"the main benefit of RFR would be that it would provide the PSR with more robust information on the schemes' financial performance in the UK"*.<sup>7</sup> This is not a reasonable or sufficient justification for imposing as significant a burden as RFR. Stakeholder feedback also supports this. For example, Virgin Money said *"We think other [non-RFR] remedies should be considered as the priority and regulatory financial reporting should only be considered as a secondary measure, once the benefits for the industry have been fully considered/determined"* (emphasis added).<sup>8</sup> Natwest Tyl similarly notes that they *"don't believe this will benefit acquirers or merchants. The allocation of costs would be a complex exercise, with various different reasonable approaches open for the parties to adopt."*<sup>9</sup> It is also striking that the CBA states that the benefits of RFR are *"difficult to quantify"*.<sup>10</sup>
- 3.6 Third, suggestions in the CBA that the information received would lead to *"prevention of potential user detriment"*<sup>11</sup> and enable the PSR to make *"better-informed decision[s], with greater confidence in the evidential basis for that decision"*<sup>12</sup> are speculative. This is particularly the case given that the information currently being considered is not likely to be an accurate reflection of Visa's UK business activities (as explained further below) or the competitive conditions present in the market.
- 3.7 Lastly, the S&P Remedies Consultation states that RFR *"would also, if appropriate, provide an enduring basis to assess the effectiveness and proportionality of any regulatory intervention"*.<sup>13</sup> This is not properly substantiated. It is unclear how any robust views could be properly formed on the basis of the financial reports produced following an RFR exercise - particularly any assessment of the effectiveness and proportionality of regulatory intervention. This reflects the flawed approach the PSR has taken to date of seeking to understand whether the UK payments sector is working well by focusing almost exclusively on fees and profitability – the proposal appears to double down on this error.
- 3.8 It is therefore difficult to reconcile the RFR proposals with principles of good, proportionate and cost-effective, regulation.

***The RFR proposals extend beyond the PSR's powers and jurisdictional limits***

- 3.9 Visa welcomes the confirmation that the PSR will not seek to impose price caps at this stage. However, it is concerned that the PSR will pursue the RFR to facilitate doing so in the future. While the S&P Remedies Consultation states that *"[p]rice caps are not currently being*

<sup>6</sup> S&P Remedies Consultation, para 7.2 pg.69.

<sup>7</sup> S&P Remedies Consultation, Annex 1, CBA, para 1.55, pg. 99.

<sup>8</sup> S&P interim report, stakeholder submissions, Virgin Money, pg. 211

<sup>9</sup> S&P interim report, stakeholder submissions, Natwest Tyl, pg. 93.

<sup>10</sup> S&P Remedies Consultation, Annex 1, CBA, para 1.57, pg. 99.

<sup>11</sup> S&P Remedies Consultation, Annex 1, CBA, para 1.54, pg. 98.

<sup>12</sup> S&P Remedies Consultation, Annex 1, CBA, para 1.57, pg. 99.

<sup>13</sup> S&P Remedies Consultation, para 5.8 pg.48.

considered”, the PSR leaves open that “*this may be reviewed in the future, in particular with access to better data or evidence, or should we observe unexpected changes in prices*”.<sup>14</sup>

- 3.10 First, Visa considers that the PSR does not have the powers to impose such price caps under sections 54 and 55 FSBRA, and using RFR for such potential price regulation in the future would amount to an improper purpose. This would also constitute a clear deviation from the regulatory principle of proportionality and desirability of sustainable growth in the UK to which the PSR is required to have regard.
- 3.11 Second, in spite of all the currently available evidence (and over three years of review), the S&P Remedies Consultation assumes a potential need for future, non-specific regulatory intervention arising from the PSR’s views on future price changes. This is mere speculation. It is also unclear what would constitute an “*unexpected*” price change that would justify such potential intervention.
- 3.12 Finally, the proposed RFR remedy also goes beyond the scope of the PSR’s S&P market review and the geographic scope of the PSR’s powers, which therefore pursues an improper purpose and is *ultra vires*. RFR seeks non-UK related information, namely information on “products and services provided outside of the UK or to non-UK customers that utilise, as their input, information derived from the relevant UK operations (for example, transaction data)”.<sup>15</sup> This goes beyond the information the PSR needs to discharge its functions relating to end users in the UK. The PSR also does not have the power to request information broader than that which concerns the schemes’ relevant UK activities in the supply of scheme and processing services.

***The RFR proposals would be highly disproportionate***

- 3.13 The proposed RFR remedy would require Visa to provide two entirely new sets of UK-specific accounts for Visa’s UK business and ‘relevant UK operations’.<sup>16</sup> The PSR envisages that each of these accounts would include a complete profit and loss account (P&L) and a balance sheet, and that RFR be submitted on an annual basis, with the timeline for delivery after the first year being six months after the year end to which they relate.
- 3.14 As previously explained in Visa’s IR Response, RFR would require significant investment and changes to Visa’s processes, would take significant time to put in place, and there are challenges in producing the sort of information contemplated by the RFR remedy.<sup>17</sup> Despite this, the PSR has only increased the proposed burden – while previously recognising that implementation of RFR could take up to two years, the S&P Remedies Consultation expects delivery of the first RFR accounts within nine months of Visa’s financial year.<sup>18</sup> This is unrealistic and disproportionate. Visa is concerned that RFR would be extremely burdensome for Visa and would not provide a meaningful view of Visa’s UK profitability.
- 3.15 In particular, the S&P Remedies Consultation has not sufficiently considered the globally integrated nature of Visa’s business, which involves a wide range of different services and a very high proportion of common costs shared between services across Visa’s global scheme and platform. As explained in Visa’s IR Response, allocating costs and revenues from the Global or European businesses to the UK is therefore likely to require caveats and contain

<sup>14</sup> S&P Remedies Consultation, para 3.53, bullet 3.

<sup>15</sup> S&P Remedies Consultation, para 5.16, pg. 50.

<sup>16</sup> S&P Remedies Consultation, para 5.23, pg. 53.

<sup>17</sup> IR Response, para 6.29.

<sup>18</sup> See S&P interim report, para 8.49 and S&P Remedies Consultation, para 5.40

certain unavoidable limitations.<sup>19</sup> This has been the case in Visa’s engagement with the market review and would remain the case if RFR were imposed.

- 3.16 Other stakeholders share similar concerns. For example, Natwest Tyl notes that *“The allocation of costs would be a complex exercise, with various different reasonable approaches open for the parties to adopt. In the CMA market investigation or retail banking, the CMA abandoned an attempt to measure UK retail bank profitability. This could consume a lot of PSR resource for minimal gain.”*<sup>20</sup> IKEA similarly notes that they *“would question to what extent such reporting will enhance the PSR’s provisional findings”*.<sup>21</sup> This supports Visa’s position that its previously submitted fully-loaded UK P&L is a more reasonable reflection of its UK profit margins and wider profitability and represents a more proportionate approach to gathering data on Visa’s UK business as they are based on fully audited accounts.
- 3.17 RFR would also require disaggregation using activity-based costing of a very large number of separate P&Ls and balance sheets. Disaggregation at a product, service and/or customer level is a very granular request. Attempts to disaggregate at these levels is commercially unrealistic and would result in artificial results which would not particularly help the PSR’s desired outcome of better understanding the schemes’ roles within the market.<sup>22</sup>
- 3.18 More specifically to a global business like Visa, cost allocations, particularly for staff and technology, cannot be meaningfully allocated to any one activity at the product, client or geographic level. The PSR views Visa’s operations as relatively siloed, even proposing that *“Visa could develop a multi-level cost attribution model and provide financial information where costs are categorised as either direct costs or indirect (common) costs. Both could be disaggregated at the same level as revenues.”*<sup>23</sup> This is not the case in practice and such clear-cut distinctions may not necessarily always be appropriate for cost attribution purposes. Examples of this include the following.
- (a) **Staff costs.** Many of Visa’s staff have Europe-wide, or even global, roles and work across a wide range of products and customers. This makes it challenging to estimate the specific cost of staff for Visa’s UK operations, especially where a staff member may spend a majority of time on Europe region work as a whole, with no discernible distinction between ‘UK’ and ‘non-UK’ work. The resulting output for RFR purposes could be inaccurate and under-or over-allocated. Achieving any such meaningful disaggregation is likely to be extremely burdensome.
  - (b) **Research and development (R&D) costs.** Visa conducts R&D activities at a global level, relevant to multiple products and services. Different innovations may interact with one another if they are focused on solving similar problems. Visa’s innovation work will often have potential applications on a global scale with no clear delineation as to any specific products, geographies or customers to which R&D work could be allocated. The resulting output for RFR purposes would therefore significantly mischaracterise how Visa innovates in dynamic markets such as UK payments, with the risk of negatively impacting innovation by forcing Visa’s R&D operations to be

<sup>19</sup> IR Response, para 2.36.

<sup>20</sup> S&P interim report, stakeholder submissions, Natwest Tyl, pg. 93.

<sup>21</sup> S&P interim report, stakeholder submissions, IKEA, pg. 75.

<sup>22</sup> It is unclear why such detail is required. The PSR states that disaggregated information *“could allow us to understand which products, services or customers drive the level of profitability of their relevant UK operations”* and that this *“could provide useful insights into [Visa UK’s] revenue drivers”* as well as *“providing insights into their profitability”*. (S&P Remedies Consultation, paras 5.27 – 5.28, pg. 54). None of these reasons provide greater clarity as to why such specific financial information is required to inform the PSR’s decision-making, especially given the significant burden involved in preparing this information.

<sup>23</sup> S&P Remedies Consultation, para 5.29, pg. 54.

conducted within the proposed scope of the RFR remedy. The same applies for investments in – for example – cybersecurity and fraud prevention, which are investments Visa makes at a global level that are central to Visa’s offering to all stakeholders and which have significant benefits across Visa’s global payment system.

- 3.19 There are also various additional other costs and complexities that Visa - and the PSR, to an extent - would face (including one-off and ongoing costs such as IT system improvements, familiarisation and ‘set-up’, training and governance costs). There may also be costs for UK acquirers and other market participants.<sup>24</sup> As Visa is a listed company, it would face additional compliance costs when implementing RFR given the PSR may use and/or publish information derived from the UK-specific accounts produced.
- 3.20 All the points made above apply in respect of both the proposed RFR P&L and balance sheet. In addition, requiring Visa to prepare two UK balance sheets would be extremely burdensome and of even less utility to the PSR.
- (a) Visa does not have a separate legal entity for the UK, and does not produce a UK balance sheet in the ordinary course of business, and is not required to do so under UK IFR or any other applicable regulation.
  - (b) Similar to the challenges associated with cost allocation, it would be extremely difficult to meaningfully allocate cost drivers to balance sheet assets and liabilities given Visa’s asset base supports its global operations across a range of products, customers and geographies.
  - (c) There are complexities in reflecting the true value of intangible assets, which form a significant part of Visa’s asset base given the nature of its business – this would result in a need for significant caveats (as discussed in para 3.14 above), meaning the level of robust information presently sought by the PSR – even if not required for the PSR’s profitability assessment – may not be achievable at all.
  - (d) Product-specific balance sheets would hold little utility as they in no way reflect how Visa runs its business, resulting in an output which is not fit for the S&P Remedies Consultation’s stated purpose to seek further information to make ‘well-informed decisions’.

***RFR would impose a significant regulatory burden on Visa that is not applied to other, similar, commercial entities***

- 3.21 By potentially significantly impacting Visa’s business operations purely to fulfil RFR obligations, RFR also risks creating an uneven playing field with other payment methods which would not be required to comply with it, and could negatively impact Visa’s ability to do business in the UK (and beyond, including in the EEA) as well as the provision of Visa’s services, many of which are outside of the supply of scheme and processing services.
- 3.22 In addition, Visa is not aware of any requirements similar to the proposed RFR remedy for granular profitability monitoring of businesses operating in other dynamic and competitive markets subject to significant price and non-price competition (including with respect to

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<sup>24</sup> To comply with the PSR’s proposed RFR obligations, it is possible that Visa would have to verify existing data and request additional data from others such as UK acquirers to ensure that Visa’s RFR obligations are met, which would place additional burden on other market participants.

technological innovations). The proposed RFR remedy appears instead to be based on the incorrect view that Visa provides a commodity/utility service.

- 3.23 Even when compared to other regulated sectors, RFR goes beyond the information companies are required to provide and fails to recognise that Visa's business is inherently more international in nature than businesses in those sectors. For example:
- (a) **FCA** requires firms to submit audited annual financial statements within four months of their respective accounting reference date but does not prescribe any specific accounting principles as the PSR currently proposes.<sup>25</sup>
  - (b) **Ofcom** regulates Openreach (which supplies digital network delivery services) through a five-year price control process. Ofcom requests a P&L account with fully allocated costs at a product level as well as data on certain other metrics (i.e., performance and output). By contrast, the PSR's proposed RFR is more onerous and proposes a P&L account with fully allocated costs at a granular product and customer group level alongside data on a much wider array of contextual factors.
- 3.24 The S&P Remedies Consultation cites reporting obligations by the UK's six largest energy firms to Ofgem to justify a need for balance sheet reporting.<sup>26</sup> This is not, however, comparable to the present situation. These energy firms are subject to statutorily-mandated licences for the supply and distribution of gas and electricity, which includes a price control review process overseen by Ofgem. The CMA's order with regards to balance sheet reporting was driven by the CMA's concern that Ofgem was less able to effectively price regulate these energy companies under this price control process. That is not relevant to Visa. Visa is not subject to price regulation nor would price regulation be appropriate given Visa does not operate a utility/commodity service. It is also less impractical for the firms that Ofgem regulates in this way, given the inherently domestic scope of their relevant operations.

#### ***Additional concerns with RFR***

- 3.25 Contextual factors. The S&P Remedies Consultation seeks very broad 'contextual information' to help better understand Visa's financial performance.<sup>27</sup> The provisional view – yet to be scoped - is that this could include transaction volume data, splits of customer types, Visa internal innovation metrics, and other materials. As currently proposed, the PSR could request any information it considers relevant to RFR accounts - a significant, disproportionate burden.
- 3.26 Overlap with the PSR's Supervision and Compliance Monitoring (SCM) regime. The RFR risks cutting across other monitoring activities conducted as part of the PSR's SCM regime. The S&P Remedies Consultation states that the PSR has "*taken into account the potential synergies between an RFR remedy and the PSR's wider work developing its approach to supervision*",<sup>28</sup> but it is unclear how exactly. As stated in Visa's IR Response, "*[w]ithout a coherent and practical framework to give structure to the PSR's approach to supervision, it is difficult to see how the PSR will avoid unintended consequences, duplication and unnecessary regulatory burden.*"<sup>29</sup> The objectives of the SCM regime and the RFR remedy are so closely aligned that

<sup>25</sup> The PSR also "*reserve[s] the right to be more prescriptive if appropriate*" as it relates to its proposed RFR accounting principles, which only adds further uncertainty as to how RFR is expected to work in practice, compared to the FCA's more clear-cut monitoring procedure (S&P Remedies Consultation, para 5.22).

<sup>26</sup> S&P Remedies Consultation, footnote 130, pg. 55.

<sup>27</sup> S&P Remedies Consultation, paras 5.34 – 5.35, pg. 55.

<sup>28</sup> S&P Remedies Consultation, para 3.26.

<sup>29</sup> IR Response, para 6.30.

the PSR needs to ensure the SCM regime is consistent and not used for the improper purpose of gathering equivalent information requested under the proposed RFR remedy.

#### 4. Information, Transparency and Complexity (ITC) remedy

- 4.1 Visa's clients are sophisticated financial institutions including medium and large acquirer customers - such as [redacted] - who have a direct relationship with UK merchants. Visa is committed to enabling acquirers to provide sufficient information to, and be transparent with, their merchant customers and supports acquirers in enhancing their transparency to merchants.<sup>30</sup> For example, the Visa rules require acquirers to provide certain pricing information to merchants.
- 4.2 Visa already provides information to acquirers to enable them to understand its fees. For example, Visa Access is a dedicated client platform website with extensive information, including details on fees, FAQs, best practice guides and Visa Business News articles. Acquirers can access the Visa Fee Schedule through this website, which provides key information about each active fee in any given country. This includes information on: (i) the name of the fee; (ii) its frequency; (iii) which party is responsible for paying it; (iv) the fee level (e.g. whether it is levied per transaction or as a percentage of sales); (v) a description of the fee (i.e. what the fee is charged for and when and how it is collected); and (vi) the billing line, a nine digit unique code with a description which matches to the reference that appears on the acquirer's billing statement (for cross-referencing purposes). Acquirers can also contact their Visa Account Executive/Manager for additional support.
- 4.3 Visa continually seeks to improve transparency with its acquirers, including in response to specific acquirer feedback. For example, Visa recently announced on 1 May 2025 a new acquirer billing guide, provided free of charge as an additional resource to the existing Visa Fee Schedule and acquirer invoicing, to assist acquirers with their internal reconciliation billing processes. The guide provides detailed fee criteria for the [redacted], references available reports to assist reconciliation and onward invoicing to merchants, and outlines how to obtain further billing support from Visa. Visa also plans to introduce an enhancement to acquirer PDF invoices from September 2025 that will group individual billing lines under helpful business activity/service headings, in line with Visa's fee hierarchy – making it easier for acquirers to interpret, track, manage and invoice merchants.
- 4.4 These improvements reflect specific acquirer feedback and have been designed in collaboration with acquirers, and Visa urges the PSR to take these enhancements into account before proposing further ITC remedies which are not based on specific acquirer feedback.
- 4.5 In addition, as explained in further detail in **Annex 4**, the Final Report's findings do not support the need for the ITC remedies. In particular, the Final Report adopts a one-sided approach when considering stakeholder evidence, often giving disproportionate weight to a selection of negative feedback submitted by acquirers – which have not been gathered or assessed on a systematic basis - and failing to properly reflect evidence submitted by Visa, including on transparency improvements.
- 4.6 Visa considers that certain elements of the ITC remedy could, if appropriately scoped, improve outcomes for end users but has concerns with aspects of the remedy as currently proposed.

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<sup>30</sup> As previously explained to the PSR, Visa respects the direct contractual relationship between acquirers and merchants and provides significant information, resources, reports and support to acquirers to provide sufficient information to enable acquirers to be transparent with their merchant customers.



## ITC 1 and 2

- 4.7 Aspects of ITC 1 and ITC 2 would present significant challenges for Visa. For example:
- (a) Providing the information set out in Boxes 1, 2 and 3 across *all* Visa fees and fee changes, billing lines and at a transaction or merchant-level for changed and new fees (Box 2) would involve very significant investment, including setting up new data flows and systems.<sup>31</sup> Acquirers (and merchants) are in any event unlikely to benefit from this level of detail across all fees as many will not be relevant to them.<sup>32</sup>
  - (b) It would be disproportionate to require Visa to provide the ITC 2 information six months ahead of all fee changes or new fee introductions given this level of granularity and the wide range of services offered.
  - (c) Visa is not able to provide transaction-level data for fees which are not transaction-driven.
  - (d) Visa relies on acquirers for certain types of information set out in Boxes 2 and 3 (such as merchant names / IDs and transaction data), and the quality of such data varies.<sup>33</sup> In addition, no uniform naming convention exists (nor do Visa rules stipulate a standardised naming convention). Therefore, reporting merchant-level billing information back to acquirers, to billing-grade quality/accuracy, would be very challenging and require a very significant amount of data cleansing and processing,<sup>34</sup> and is in any event unnecessary for acquirers.
- 4.8 It is also inappropriate for Visa to provide the historical data identified in Box 3 for the purposes of forecasting fee changes. This data would not provide an accurate view of the expected financial impact of a fee change and risks being misleading. It does not account for the client's commercial choices in response to a new or changed fee and would not improve outcomes for acquirers or end users, particularly in the case of optional fees<sup>35</sup> and behavioural fees (which are aimed at influencing future behaviour).

## ITC 3

- 4.9 The requirement in ITC 3 that Visa should resolve or provide a meaningful response to all queries raised by acquirers within three working days is not practicable and risks worsening outcomes for acquirers by imposing an artificial and restricted timeframe. Visa receives a range of queries from acquirers and the time needed to meaningfully respond will vary accordingly.<sup>36</sup> Indeed, it is more likely that acquirer queries will be of a more complex nature given the significant amount of information and support Visa already provides to acquirers (see paragraph 4.2 above). Visa considers a more appropriate approach to be an initial

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<sup>31</sup> Visa offers a wide range of services, providing acquirers (and their merchant customers) choice with regards to specific components of services for which they opt.

<sup>32</sup> This may, for example, lead to an overwhelming amount of data which is difficult to process efficiently. In addition, to comply with the PSR's proposed ITC obligations, Visa may also need to request additional information from UK acquirers (via changes in scheme rules) which would place additional burden on other market participants to ensure that Visa's ITC obligations are met.

<sup>33</sup> Acquirers provide transaction data to Visa for some, but not all, fee types through aggregated reports. Acquirers hold more granular transaction data sets than Visa.

<sup>34</sup> Were Visa to attempt to institute a scheme mandate requiring standardised Merchant Names and IDs, this would be a major undertaking for both Visa and acquirers – this may require some conformity across schemes and would likely require acquirers to make significant technology and process changes across their systems. This could take a number of years to implement.

<sup>35</sup> Optional may be more or less popular than initially anticipated.

<sup>36</sup> These are complex business-to-business interactions between Visa and businesses with varying sizes and levels of resource – this makes it very difficult to apply a 'one size fits all approach'.

triaging of queries and then, within a reasonable time, provide either an answer to the query (if possible) or an estimate of how long resolution will take, with reasons.<sup>37</sup>

#### **ITC 4**

- 4.10 Visa welcomes this ITC 4 proposal to set up a website for SMEs but needs more clarity on what the PSR envisages would be published. Visa reserves its rights to comment once further detail is available.

#### ***Proposal for ongoing work on 'fee volume reductions'***

- 4.11 Visa strongly opposes any proposal for 'fee volume reductions', including the requirement in the remedy consultation to obtain a report from a 'skilled person'.
- (a) As recognised in the S&P Remedies Consultation and raised in stakeholder feedback, there are significant risks that a reduction in the number of fees would lead to worse outcomes for acquirers and end users through the risk of less fee transparency and bundling of services, contrary to the PSR's aims in the ITC remedies.<sup>38</sup> Visa's fees reflect its business-to-business service offering, ensuring that acquirers (and merchants) can choose which services they use, resulting in greater end user choice and transparency. This is supported by stakeholder feedback.<sup>39</sup>
  - (b) There is no proper justification for appointing a 'skilled person' and this process would be wholly disproportionate, particularly the requirement to provide significant amounts of information to such a person. Visa has already provided significant information to the PSR on its fees and no conclusions were reached in the Final Report on the need for such a fee volume reduction.
  - (c) The PSR's review has already lasted over three years and this proposal would further extend the lengthy period of regulatory uncertainty. It is difficult to understand what a skilled person would do that the PSR has not done in the previous three years. This is not consistent with principles of good regulation.
  - (d) It would be disproportionate to require Visa to materially change its fee structure, particularly in circumstances where Visa does not charge UK-specific prices. Any changes required for the UK may also have a potential impact on UK competitiveness relative to other countries, including in Europe, contrary to the Government's growth ambitions.
  - (e) The PSR has proposed other remedies seeking to improve fee transparency for acquirers which carry significantly fewer adverse consequences for stakeholders, and the PSR should evaluate any improvements made following the introduction of other

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<sup>37</sup> An initial period of three working days also appears more appropriate than the range suggested by the PSR based on calls by acquirers of "between 24 hours/one business day and three days" (S&P Final Report, para 7.99), given this range only reflects the qualitative responses of a small number of acquirers and does not factor in Visa's quantitative analysis of query types and response times previously provided to the PSR (see, e.g. Visa's IR Response, para 5.21(b)). Further points relating to the PSR's approach to ITC evidence are set out in **Annex 4**.

<sup>38</sup> See S&P Remedies Consultation, para 3.20 and PSR summary of stakeholder roundtables, para 13.

<sup>39</sup> For example, Revolut submitted that a forced reduction in the 'number' of fees may "reduce the ability for the schemes to innovate and offer new services which may create value for end users." S&P interim report, stakeholder submissions, pg. 100. UK Finance also reported that acquirers considered this proposal "somewhat misguided" and that "[t]his could lead to grouping of services and less transparency or less choice in accepting or declining a service." S&P interim report, stakeholder submissions, pg. 197.



ITC proposals before taking further action on the number of fees charged by the schemes.

***Compliance reporting and implementation timeline***

- 4.12 The PSR's proposed compliance reporting and implementation timeline of six months would be extremely burdensome if not impossible. Visa would require at least [redacted] to put in place any materially new reporting given the time to design, resource and implement it. The suggestion of providing annual acquirer satisfaction reports or system tests to show whether acquirers have access to information on fees would be entirely disproportionate.

**5. Pricing governance remedy**

- 5.1 The basis for the pricing governance remedy is unsubstantiated.<sup>40</sup> As set out in further detail in **Section 2** above and **Annex 2**, there is an abundance of evidence, including internal documents and third-party submissions, demonstrating that Visa is subject to effective competitive constraints which are reflected in its pricing decisions and innovation efforts.
- 5.2 In addition, the S&P Remedies Consultation does not demonstrate why such a pricing governance remedy is either necessary or proportionate (in line with the PSR's principles and statutory objectives), particularly as Visa already has governance processes in place which strike a balance between ensuring legitimate commercial decisions are appropriately evidenced, and avoiding hampering Visa's ability to be agile and to respond to competitive dynamics and customer needs. The proposed remedy could lead to a more rigid approach to pricing over time which would constrain Visa's ability to respond dynamically to changes in the competitive landscape, to the potential detriment of end users.<sup>41</sup>

***Visa has well-established governance processes in place***

- 5.3 The suggestions in the S&P Remedies Consultation that Visa's existing governance processes are ineffective and that there is a "*regulatory information gap*" are unfounded.<sup>42</sup> Visa has governance processes in place for both fee changes and new fees which are aligned with end users' interests and which it continually seeks to develop and improve.
- 5.4 These processes include:
- (a) [redacted];<sup>43</sup>
  - (b) [redacted];<sup>44</sup>
  - (c) providing timely notification (i.e., at least six months in advance) of material fee changes to acquirers; and
  - (d) providing the PSR with details of material fee changes as part of Visa's General Direction 1 (GD1) obligations.

<sup>40</sup> S&P Final Report, para 6.193.

<sup>41</sup> As noted in Visa's IR Response, "[t]his applies for example to allowing Visa to amend its pricing and pricing strategy in response to ordinary course changes in market conditions or more significant economic and geopolitical shocks (such as the recent Covid-19 pandemic or other financial and geopolitical events)." (para 6.43(a), pg. 64)

<sup>42</sup> S&P Remedies Consultation, para 6.10 and CBA, pg. 88.

<sup>43</sup> Visa notes that [redacted]. It is not clear whether these updates have been reflected in the PSR's proposals.

<sup>44</sup> [redacted].

- 5.5 Together, these existing processes already enable the PSR to “investigate or understand the basis on which pricing decisions are taken”, which appears to be the key driving force behind the proposed remedy.<sup>45</sup>

***Against this backdrop, the pricing governance remedy is unnecessary and highly disproportionate***

- 5.6 The additional documentation requested in the S&P Remedies Consultation – i.e. pricing decision records (PDR) and compliance reports – would be highly disproportionate and resource intensive. The objective of – and need for – imposing such a remedy remains unclear in light of Visa’s existing governance processes (as explained above).
- 5.7 Visa’s pricing changes and related governance is a global process which takes into account Europe-specific (including UK) considerations. The proposed pricing governance remedy would require Visa to set up bespoke, separate, and additional UK processes and documentation. The S&P Remedies Consultation does not explain why such an additional burden is necessary or proportionate.
- 5.8 As Visa already provides advance notification to acquirers, and to the PSR under GD1, it is also unclear why the PSR considers it necessary to formalise this requirement as part of the pricing governance remedy and/or what benefit this would achieve. As explained below, Visa is happy to engage with the PSR on how existing pricing documentation [redacted] could be improved.
- 5.9 It is notable that the PSR assumes that its desired outcomes can only be achieved through additional documentation. The PSR has not attempted, or even suggested, conducting a gap analysis between Visa’s existing practices and its expectations for the PDRs and compliance reports. The outcomes the PSR is seeking could well be more proportionately achieved through small amendments to Visa’s existing practices.
- 5.10 In addition, requiring Visa to produce a PDR for every fee change would not only be impractical and overly onerous for Visa, but information on a vast proportion of the fee changes would not be meaningful for the PSR. Given the nature of Visa’s global business, many of its fee changes will have a non-material impact on UK clients. The administrative burden of requiring Visa to produce a detailed PDR in these circumstances would significantly outweigh any potential benefit.
- 5.11 The pricing governance remedy is also wrongly weighed in the CBA. While “the prevention of potential user detriment”<sup>46</sup> via future intervention is factored in the CBA as a benefit, the CBA does not consider the costs associated with any future intervention – which could vary considerably depending on method of intervention. This is one of only two entirely speculative benefits of the remedy mentioned in the CBA, the other being “lower scheme and processing fees from the ‘must pay due regard’ components of the remedy”.<sup>47</sup>
- 5.12 As with the RFR remedy, the CBA states that these benefits are either “difficult” or “not reasonably practicable” to quantify.<sup>48</sup> This is striking and does not support the PSR’s preliminary view that pricing governance should be imposed, given the level of costs and benefits are both unquantified and no conclusion has been made as to which would outweigh the other if the pricing governance remedy were imposed.

<sup>45</sup> S&P Remedies Consultation, para 6.1.

<sup>46</sup> S&P Remedies Consultation, initial CBA, para 1.62.

<sup>47</sup> S&P Remedies Consultation, initial CBA, para 1.62.

<sup>48</sup> S&P Remedies Consultation, initial CBA, paras 1.65 and 1.67.

***To the extent a pricing governance remedy is imposed, it must be proportionately and appropriately scoped***

- 5.13 Visa considers that a pricing governance remedy requiring the application of a set of pricing principles could be less disproportionate than a more prescriptive price methodology (i.e., the PSR's original proposal in the Interim Report).
- 5.14 However, the principles set out by the PSR would need to reflect the dynamic payments sector within which Visa operates and Visa's business model, and cannot focus on only a narrow – and inappropriate – set of considerations. For example, it is not appropriate for Principle 3 (Reasonableness) to focus on the *“specific costs incurred in delivering the scheme and processing service”*.<sup>49</sup> As previously explained to the PSR, Visa does not provide a commodity/utility service but rather operates in a dynamic sector characterised by strong competition on price *and* non-price factors (e.g. innovation). Visa's fees support and incentivise long-term investments to improve the services offered to end users. A focus on the cost of providing a specific service would be an inappropriately narrow view of the economics of Visa's business and this sector, and any regulatory intervention on this basis risks adverse consequences to the detriment of UK merchants and consumers.
- 5.15 In addition, for a pricing governance remedy to be practicable, it must be proportionately scoped. First, if the PSR's intention is for Visa to produce PDRs and compliance reports in addition to its existing pricing proposal templates and GD1 notifications – which is unclear from the S&P Remedies Consultation - this would not only be unduly burdensome but it would also lead to a high degree of duplication. It is essential therefore that each individual output is appropriately scoped with a specific purpose to avoid this. Second, the proposal as currently scoped would not be practicable as it does not specify a materiality threshold for fees that would fall under the proposed process/documentation. It would be disproportionate for Visa to produce detailed PDRs in respect of *all* fee introductions and changes. Visa considers that, at a minimum, a threshold like that which it currently applies for reporting material fee changes to the PSR under its GD1 obligations would be necessary and appropriate.
- 5.16 Visa considers that a more proportionate and effective approach could instead be to consider enhancing existing processes, namely [2] where the PSR considers further information should be captured. Visa has consistently submitted GD1 notifications to the PSR for many years but has not received feedback from the PSR on the scope of its GD1 submissions. As previously explained, Visa is happy to engage on how these could be improved.
- 5.17 Similarly, the PSR's call-in power would also need to be proportionately scoped. The S&P Remedies Consultation contains very little detail on this, other than that Visa would *“have to give [PDRs to the PSR] on demand”*<sup>50</sup> but it is essential for any requirement for Visa to share PDRs with the PSR to be subject to reasonable deadlines.

<sup>49</sup> S&P Remedies Consultation, para 6.27. Visa considers it inappropriate, and unnecessarily limiting, for Principle 3 (Reasonableness) to be focused on three prescriptive dimensions: *“the specific costs incurred in delivering the scheme or processing service [and/or] the quality of the service provided [and/or] for behavioural fees, the intended behaviour that is trying to be encouraged or discouraged (that is, at lowest cost to users)”*.

<sup>50</sup> S&P Remedies Consultation, Chapter 6, 'Remedies under consideration – pricing governance', pg. 59.

## 6. Publishing scheme information remedy

6.1 The basis for the publishing scheme information remedy is unsubstantiated. The S&P Remedies Consultation also does not establish why a publishing scheme information remedy is necessary or proportionate.

6.2 In particular:

- (a) Visa does not compete only, or even principally, on price;
- (b) requiring Visa to publish data on its financial performance and rationale for fee changes is disproportionate and highly unusual, and it is unclear how it will lead to better outcomes for end users; and
- (c) the remedy is likely to significantly harm competition, innovation and the interests of services users of payments systems, against the PSR's statutory objectives.

### ***Visa does not compete only, or even principally, on price***

6.3 Requiring Visa to publish financial and performance-based metrics so that end users can scrutinise and *"comment on, the level of the schemes' economic profits"* inappropriately assumes that Visa competes predominantly on price and therefore that its profits alone are reflective of the state of competition in the market. As explained in this response (including in **Annexes 2 and 3** below), Visa does not provide a commodity service and instead operates in a dynamic and competitive landscape characterised by significant competition on price and non-price factors.

### ***The publishing price information remedy is disproportionate, highly unusual and it is not clear how it will lead to better outcomes for end users***

6.4 The S&P Remedies Consultation does not establish that a publishing scheme information remedy is appropriate or proportionate, and appears to view the remedy as a complementary enhancement to the RFR and pricing governance remedies, rendering independent justification unnecessary. This is not appropriate – all remedies must be properly considered and tested for effectiveness and proportionality.

6.5 The remedy appears to have been designed to generate *"immediate"* effects given that the *"RFR and pricing governance remedies will not be immediate as they depend on the PSR collecting data over time"*.<sup>51</sup> This is not an appropriate basis to impose a remedy. Under the PSR's own reasoning, it is the Phase 2 element of the publishing scheme information remedy that will be most impactful and it will not be immediate as it is dependent on information flows to the PSR.

6.6 If the goal of the remedy is to *"enable service users to scrutinise the schemes' level of fees relative to the services they offer"*, as suggested in paragraph 3.45 of the S&P Remedies Consultation, the ITC remedy alone would be effective in addressing this. Requiring both the ITC remedy and the publishing scheme information remedy would be disproportionate and inconsistent with the regulatory principles set out in section 53(b) of FSBRA and the general proportionality principles set out in paragraph 2.23 of the S&P Remedies Consultation.

6.7 Finally, the publishing scheme information remedy appears to be without precedent in the regulation of comparable sectors. The one example of authorised push payment (APP) scams

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<sup>51</sup> S&P Remedies Consultation, para 7.2.

cited in the S&P Remedies Consultation is not comparable given its direct relevance to consumers – i.e. its aim is to enable consumers to assess service quality (how effectively their financial institutions handle APP scams) and not price / profitability.<sup>52</sup> This is not the case here. Price publication is generally only required where the relevant regulated entity is a monopoly.<sup>53</sup> Price publication is also sometimes used as a transitional regulatory rule during a period of liberalisation to make anti-competitive price discrimination by a former monopolist easier to see. Neither of those situations is comparable to the competitive market in which Visa operates (as explained further in **Annex 2** below).

***Contrary to the PSR's statutory objectives, the remedy is likely to significantly harm competition, innovation and the interests of services users of payments systems***

- 6.8 Requiring Visa to publish highly commercially-sensitive, granular information on its financial performance and fee changes from the RFR and pricing governance remedies is likely to significantly harm competition, innovation and the interests of services users of payments systems. Such a remedy runs the risk of forcing Visa and Mastercard to signal their future pricing intentions to one another and other payment service providers, which runs contrary to the PSR's statutory objectives, good regulation and competition policy. It is also disproportionate given the potential benefits (if any) of such a remedy are unlikely to outweigh the significant cost to the market.
- 6.9 The PSR dismisses concerns relating to the publication of commercially sensitive information on the basis that the information would be "*historic and therefore not forward looking*".<sup>54</sup> However, the fact that the information is historical is not itself dispositive of this point. Past fee change patterns could indicate how businesses are likely to approach future fee changes, enabling other participants (including direct competitors) to anticipate (and, conceivably, simultaneously mirror or otherwise respond to) upcoming price competition. This could create a risk of softened price competition, leading to more homogenous or aligned pricing across the industry. It is for this reason that competition authorities have consistently discouraged market interventions which create artificial price-signalling mechanisms. Imposing these publishing requirements solely on Visa and Mastercard, while not subjecting other important players in the payment sector (e.g. American Express, PayPal, Klarna, etc.) to this same level of scrutiny also risks creating an uneven playing field.

## 7. Conclusion

- 7.1 Visa will continue to work with the PSR to improve end user outcomes and ensure continued end user choice, innovation and competition in the UK payments sector and we look forward to engaging with the PSR on its remedies package in the months ahead.

<sup>52</sup> S&P Remedies Consultation, para 7.27.

<sup>53</sup> See Visa IR Response, para 6.33.

<sup>54</sup> S&P Remedies Consultation, para 7.17.

1. **Annex 1 – Note from Dr Jorge Padilla on the PSR’s treatment of two-sided markets in the Final Report**

**Executive Summary**

- 1.1 On 6 March 2025, the PSR published its Final Report on scheme and processing fees. This followed the Interim Report published by the PSR in May 2024, which set out its initial findings.
- 1.2 The conclusions set out in the Final Report are largely unchanged from the Interim Report. The Final Report concludes that there are problems with the way the market is working due to ineffective competitive constraints on the acquiring-side, and that regulatory interventions are needed. To reach these conclusions, the Final Report analysed competitive constraints on each side of the card schemes’ platforms separately, and by doing so has – in my view – not properly engaged with evidence presented by Visa in relation to two-sided markets (including, in particular, [redacted]).<sup>55</sup>
- 1.3 The Final Report concluded that:
- (a) there is a difference in the competitive conditions between the acquiring and issuing sides, which may result in upward pressure on acquiring-side fees;<sup>56</sup>
  - (b) the difference in competitive conditions between the two sides means that it is appropriate to analyse each side of the market separately for the purposes of the market review;<sup>57</sup> and
  - (c) acquiring-side fees may be higher than socially optimal.<sup>58</sup>
- 1.4 In reaching its conclusions, the PSR has – in my view - relied on limited reference to the economic literature on two-sided markets. I consider that the literature cited in the Final Report has been misinterpreted and that its understanding of two-sided markets and, consequently, its analysis of competition is flawed. My view, informed by the economic literature and my own experience, is that:
- (a) **Asymmetric fees arise for reasons other than differences in competitive constraints and are not a sign of market failure.** There is a difference in user preferences between the two sides of the market, with a tendency towards single-homing on one side and multi-homing on the other. It is this difference that drives asymmetric pricing between the two sides of the market, rather than a difference in competitive constraints.
  - (b) **The two sides of the market should be analysed together because not doing so is likely to overlook important effects regarding investment and innovation.** Although user preferences differ across the two sides of the platform, it does not follow that the two sides should be analysed separately in a market review that is aiming to determine whether the market (in relation to scheme and processing fees) is working well as a whole. A closer inspection of the literature relied on in the Final Report supports taking a holistic look at the market. A holistic view is necessary, in part because scheme and processing fees not only fund Visa’s operations, but also incentivise investment and innovation, which benefits both sides of the market. It

<sup>55</sup> [redacted].

<sup>56</sup> S&P Final Report, paras 3.16 and 3.18.

<sup>57</sup> S&P Final Report, paras 3.17-3.18 and 3.22.

<sup>58</sup> S&P Final Report, para 3.20.

follows that any intervention affecting pricing on either side of the market will have repercussions on both sides due to the impact on incentives to innovate.

- (c) **The Final Report does not demonstrate that acquiring-side fees are above the socially optimal level.** This conclusion is inconsistent with the notion that Visa is incentivised to maximise the volume of transactions on its platform, and in fact the alignment of incentives across the two sides of the platform is likely to lead to a fee structure that overall benefits both consumers and merchants.

- 1.5 If the Final Report considered both sides of the card schemes' platforms as two interdependent sides of the same platform, it could have come to very different conclusions in its market review. For instance, when viewed with an understanding of two-sided markets guided by the literature, the Final Report's observations around the asymmetric structure and the evolution of prices on the two sides of the platforms align with features of a well-functioning, competitive market.

***The understanding of two-sided markets set out in the Final Report is flawed and the Final Report does not sufficiently engage with the evidence provided on two-sided platform dynamics***

- 1.6 Despite Visa's attempts to explain how competition works in two-sided markets, the Final Report does not engage with this properly. I consider that the Final Report relies on a limited application of economic literature on two-sided markets.

First, asymmetric fees arise for reasons other than differences in competitive constraints and are not a sign of market failure

- 1.7 The Final Report considers that, in the absence of competitive constraints on the acquiring-side, competition on the issuing-side may lead to upward pressure on acquiring-side fees. The Final Report refers to literature from Guthrie and Wright (2007) who find that if merchants are heterogeneous, issuing-side competition leads to higher acquiring-side fees.<sup>59</sup> I note the authors did not conclude that issuing-side competition leads to acquiring-side fees that are *too high*, for example, from the point of view of economic efficiency. The findings of this study do not imply that higher fees on the acquiring-side are a sign of market failure, but instead that the two sides of the market are closely linked and should be analysed together.
- 1.8 In two-sided markets, it is not unusual to see asymmetric fees, and I am not aware of any literature that points to asymmetric fees in and of themselves being a sign of a competition problem or market failure. Instead, an asymmetric distribution of fees arises naturally as a result of different user preferences on the two sides of the market. Merchants generally prefer to multi-home while cardholders generally prefer to single-home. The side of the market that has a tendency towards single-homing (in this case cardholders) is generally much more responsive to changes in fees than multi-homers (merchants): that is, the issuing-side has more elastic demand.
- 1.9 A pattern of single-homing on one side of the market and multi-homing on the other side, with prices being lower on the single-homing side, is a feature that has been described extensively in academic literature, and is observed across a range of industries. For example, this has been observed by Armstrong and Wright (2007).<sup>60</sup> Rysman and Wright (2014) explain

<sup>59</sup> S&P Final Report, para 3.16-3.17.

<sup>60</sup> Armstrong, M. and Wright, J., 2007, Two-sided markets, Competitive Bottlenecks and Exclusive Contracts, *Economic Theory*, 32:353-380.



that asymmetric pricing “*arises naturally and can enhance welfare when there are externalities between consumers and merchants*”.<sup>61</sup>

- 1.10 Visa interacts directly with relatively similar financial institutions on both sides of Visa’s platform: issuers and acquirers. Acquirers compete with each other to attract merchants, and issuing banks compete with each other to attract cardholders. In this respect, the conditions of competition that arise directly on the two sides of Visa’s payments platform are relatively similar. However, end-users are different on the two sides (i.e. merchants and cardholders), and these end-users have fundamentally different preferences. As explained above, the users that tend more towards single-homing (cardholders) are more sensitive to changes in fees than the other set of users (merchants). It is the sensitivity to fee changes of the respective sets of end-users that drives the differences in the distribution of fees on each side of Visa’s platform and leads to asymmetric pricing, rather than a difference in competitive constraints, as the Final Report has found.<sup>62</sup>
- 1.11 If fees across Visa’s scheme were symmetric, it is highly unlikely that they would remain stable in the context of a market where Visa’s payments platform competes with other payments systems. One of the ways that Visa seeks to maximise participation on its platform is through innovations and investments, for which Visa incurs cost and takes on significant risk. Visa funds these investments using the scheme and processing fees that it collects from issuers and acquirers. If Visa allocated fees across the two sides of the market symmetrically, issuers may choose to use other payment systems that have a lower price compared to Visa. Issuers are able to do this because they generally only need to access a single payment method. The number of transactions on Visa’s network would then decrease to the detriment of both sides. Merchants may end up paying more to accept payments given that alternative payment methods charge higher merchant fees compared with Visa, and a reduction in transactions on the Visa payment system would adversely affect Visa’s ability to innovate. It would therefore be surprising if the socially optimal outcome was symmetric, which explains why, in practice, asymmetric pricing in two-sided markets is observed.

Second, the two sides of the market should be analysed together because not doing so is likely to overlook important effects regarding investment and innovation

- 1.12 The Final Report considers it appropriate to assess the two sides of the market separately due to a difference in competitive conditions. I consider that the two sides need to be analysed together, in line with the consensus expressed in economic literature regarding two-sided markets.
- 1.13 My concern stems from the Final Report’s argument that the differences between the two sides of the market mean that it is appropriate to analyse the two sides separately in this market review. The Final Report relies on the conclusions of Armstrong (2006), who finds that in a ‘competitive bottleneck’, the two sides of the market act as two separate markets.<sup>63</sup> When interpreting this literature, there are two questions to be considered: (i) whether Armstrong’s conclusions are applicable in this case such that the two sides act as separate markets; and (ii) whether this means that the two sides should be assessed separately in the context of a market review that is aiming to understand whether scheme and processing services are working well for the market *as a whole*.

<sup>61</sup> See Rysman and Wright (2014), pg. 303.

<sup>62</sup> S&P Final Report, para 3.16-.17.

<sup>63</sup> S&P Final Report, para 3.18.



- 1.14 A holistic view would be more appropriate, in part because scheme and processing fees are used to fund card schemes' operations and to incentivise investment and innovations benefitting both sides of the market, for example fraud prevention measures. When a card platform makes investment decisions, the incentives on both sides of the market are relevant. It follows that any interventions affecting pricing on either side of the market will have repercussions on *both* sides.
- 1.15 This is reflected in the academic literature, including papers cited in the Final Report. For example:
- (a) The Final Report cites Guthrie and Wright (2007) to argue that in the absence of competitive constraints on the acquiring-side, issuing-side competition would not constrain fees charged to acquirers and may even result in upward pricing pressure.<sup>64</sup> However, the Final Report does not acknowledge that Guthrie and Wright (2007) consider that "[t]he result highlights the dangers of using one-sided logic in making inferences in two-sided markets".<sup>65</sup>
  - (b) The Final Report relies on Rysman (2009) to support its argument that features facilitating tipping such as single-homing also make it more difficult for new competitors to emerge.<sup>66</sup> However, Rysman (2009) also mentions that "[regulators determining optimal prices in two-sided markets] *would have to investigate demand and cross-price elasticities on both sides*".<sup>67</sup>
  - (c) The Final Report cites Rysman and Wright (2014) to justify its use of literature on interchange fees in its market review for scheme and processing fees.<sup>68</sup> However, Rysman and Wright also discuss that merchants take into account the surplus that cardholders get from the use of cards in deciding how much they are willing to pay to accept cards, indicating that the two sides of the market are intrinsically linked.<sup>69</sup>
- 1.16 The Final Report also considers that its approach is consistent with the approach used by the UK Competition and Markets Authority (**CMA**) when assessing the competitive effects in mergers involving two-sided platforms.<sup>70</sup> However, the CMA's guidelines suggest that analysing both sides together may be more appropriate when, for example: (i) improvements to technology benefit both sides of the platform; or (ii) when network effects are strong in both directions. In Visa's case, both of these factors are true such that the CMA's guidelines point to analysing both sides of the market together.<sup>71</sup>

Third, the Final Report does not demonstrate that acquiring-side fees are above the socially optimal level and the literature is inconclusive regarding socially optimal pricing

<sup>64</sup> S&P Final Report, footnote 46.

<sup>65</sup> See pg. 59. Guthrie, G. and Wright J., 2007, Competing Payment Schemes, *The Journal of Industrial Economics* 55(1): 37 to 67.

<sup>66</sup> S&P Final Report, para 3.21.

<sup>67</sup> See pg. 140. Rysman, M., 2009, The economics of two-sided markets, *Journal of Economic Perspectives*, 23(3): 125 to 143.

<sup>68</sup> S&P Final Report, footnote 54.

<sup>69</sup> This is because it allows them to increase their price or capture additional demand (a term that is coined as 'merchant internalisation'). See Rysman and Wright (2014), pg. 304.

<sup>70</sup> S&P Final Report, para 3.18.

<sup>71</sup> Moreover, it should be noted that the CMA's guidelines relate specifically to whether a merger changes competitive conditions in two-sided platforms, and not in assessing whether competition was functioning well in the *status quo*. CMA guidelines: 4.24. Available at: [https://assets.publishing.service.gov.uk/media/61f952dd8fa8f5388690df76/MAGs\\_for\\_publication\\_2021\\_-\\_pdf](https://assets.publishing.service.gov.uk/media/61f952dd8fa8f5388690df76/MAGs_for_publication_2021_-_pdf) (last accessed 14/05/2025). This is important because it might be expected that a reduction in competition on one side of the market following a merger would not be counterbalanced by an increase in competition on the other side. There can be no such presumption when assessing competition in a market as a whole.

- 1.17 The Final Report concludes that, in the absence of competitive constraints on the acquiring-side, card schemes are likely to have an incentive to set acquiring-side fees above a socially optimal level. However, the Final Report did not seek to determine the socially optimal fees and in general, it is difficult to see how one can reach such a clear view given that the literature recognises the difficulties in establishing the socially optimal level of pricing for two-sided markets.
- 1.18 This is - in part - because determining the socially optimal price is a complex exercise that requires looking at the specific circumstances on both sides of the market.<sup>72</sup> Socially optimal prices depend on the strength of network effects, the elasticity of users as well as their propensity to single- and multi-home. Conclusions in the literature vary depending on the assumptions each model uses, including the number of platforms, the homogeneity or heterogeneity of merchants and issuers, and specific demand and cost functions.<sup>73</sup>
- 1.19 The Final Report cites Rochet and Tirole (2011) regarding socially optimal pricing but does not sufficiently consider the context in which the authors' conclusions are formed.<sup>74</sup> Specifically, their result is in the context of interchange fees and the Final Report does not sufficiently investigate whether insights from interchange fees can be applied to scheme and processing fees. Instead, they are assumed to be equivalent. More broadly, academic studies relating to interchange fees are treated as directly applicable to scheme and processing fees<sup>75</sup> but, in reality, the only notable similarity is that they are both likely to be asymmetric.<sup>76</sup> They are structured differently and serve fundamentally different purposes.<sup>77</sup> The authors of this study also rely on a model of retailing which makes several assumptions including merchant homogeneity, complete cardholder single-homing and that cardholder benefits exceed issuers' per transaction markup.<sup>78</sup> The Final Report does not investigate whether the conclusions reached using the model assumptions would also hold true in the real scenario.
- 1.20 The fact that these studies were conducted with a very specific set of assumptions supports my view that two-sided markets are complex. As sufficient work has not been done to determine whether the assumptions applied in these studies are also applicable to this market review, I consider that it would have been more appropriate for the PSR to rely only on the high-level findings of these studies, for example that in general it is important to consider both sides of the market when looking at two-sided markets.

<sup>72</sup> For example, in the context of interchange fees, Rysman and Wright (2014) argue that it is difficult to identify the socially optimal level of fees (pg. 305) and similarly Wright (2012) mentions that the right level to regulate fees is uncertain (pg. 775). Guthrie and Wright (2007) advocate that two-sided analysis is needed and that it is difficult to estimate efficient fee benchmarks as they require knowing merchants' avoided costs from accepting cards (para 59-60), a point that is also made by Wright (2012) who notes that measuring merchants' avoided costs is not straightforward (pg. 775).

<sup>73</sup> This is evident by the varying policy recommendations observed in the literature. For example, Rochet and Tirole (2011) argue for regulatory intervention when aiming to maximise short term total user surplus using the benchmark they developed which relies on assumptions of homogeneous merchants and constant issuer margins. On the contrary, Guthrie and Wright (2007) note that one should *not* regulate fees solely on the paper's analysis but needs to understand why merchants do not steer their customers to other payment means if that would make them better off (pg. 60). Uncertainties in policy recommendations arise further due to the literature relying on strong assumptions such as merchant internalisation which have not been empirically tested (see e.g., Wright, 2012 pg. 775 and Rysman and Wright, 2014, pg. 341).

<sup>74</sup> S&P Final Report, para 3.20. Rochet, J. and Tirole, J., 2011, Must-Take Cards: Merchant Discounts and Avoided Costs, *Journal of the European Economic Association*, 9:462–495.

<sup>75</sup> The PSR cites the following studies which relate to interchange fees: Guthrie and Wright (2007), Wright (2012), Rochet and Tirole (2011), and Rysman and Wright (2014).

<sup>76</sup> As explained in Section 1 above, an asymmetric distribution of fees arises as a result of different user preferences on the two sides of the market.

<sup>77</sup> Interchange fees are flows between issuers and acquirers, two intermediaries that interact with the card schemes, and are intended to solve an externality issue, whereas scheme and processing fees are intended to fund cards schemes' operations and to incentivise innovation.

<sup>78</sup> See Rochet and Tirole (2011), pg. 485-486.

- 1.21 Lastly, the Final Report's conclusion is inconsistent with the notion that Visa is incentivised to maximise the volume of transactions on its platform.<sup>79</sup> Visa would not want to raise fees on either side of its platform in a way that would risk driving down participation, as this would degrade the value of the payments system to all participants and also mean that a smaller client base would be available to fund the costs of investing in new products and services (which in turn attracts users to Visa's payment system). This suggests that, in practice, card schemes are incentivised to structure their fees such that the value of their platforms is maximised (through high transactions volumes and high investment in innovation), which is likely to be in line with a socially optimal fee structure.

***The Final Report may have reached very different conclusions if it had properly taken into account the two-sided nature of the market***

- 1.22 The Final Report concludes that there are competition problems in the market, which is heavily influenced by its separate analysis of the two sides of the market.
- 1.23 I disagree with this approach, and I note that the interactions between the two sides has not properly considered at relevant junctures.<sup>80</sup> For example:
- (a) When looking at pricing outcomes, the Final Report concludes that:
    - (i) **the balance of scheme and processing fees falls on the acquiring-side.** However, as explained in this annex, an asymmetric balance of fees across the two sides of a two-sided market is not unusual and this is not evidence of a problem in the market;
    - (ii) **acquiring-side fees have increased substantially in recent years and that there is limited evidence that they are driven by cost.**<sup>81</sup> However, as explained in this annex, the socially optimal level of fees in a two-sided market depends on a range of factors other than cost (such as, for example, changes in preferences of end users over time and evolution in network effects).
  - (b) When looking at non-pricing market outcomes, the Final Report concludes that fee changes on the acquiring-side have not been accompanied by commensurate quality improvements.<sup>82</sup> As I understand it, this conclusion is primarily based on an inconsistent set of evidence representing the views of a limited number of acquirers and merchants, and it does not consider the wider improvements across the two sides of the market, or the 'behind-the-scenes' innovations that both sides benefit from.
  - (c) The Final Report focuses on whether alternative payment methods exert a competitive constraint on the acquiring-side. The Final Report acknowledges that schemes also face a degree of competition on the issuing-side from these alternatives, which gives schemes an incentive to improve cardholder experience, but then largely

<sup>79</sup> The idea that card platforms seek to maximise the volume of card transactions has also been expressed in the literature. See for example Rysman and Wright (2014), pg. 311.

<sup>80</sup> The Final Report recognises some interactions between the two sides of Visa's platform but dismisses any potential impact of these interactions on their assessment of competition, without quantification or reference to evidence / literature. For instance, the Final Report assesses that: (i) competition on the issuing-side can indirectly benefit the acquiring-side through innovations that affect all users of the platform, but considers that it will not protect acquirers on pricing and non-pricing dimensions which are specific to the acquirer side and not common for both sides; and (ii) there may be a 'trade-off' between the degree of competition on the two sides, but increasing acquiring-side competition would not materially reduce schemes' incentive to innovate to be attractive to issuers and cardholders (see S&P Final Report, paras 6.14 and 6.184).

<sup>81</sup> S&P Final Report, paras 6.104-6.107.

<sup>82</sup> S&P Final Report, para 6.176.

ignores this when reaching its conclusions.<sup>83</sup> This approach fails to adequately consider the two-sided nature of the market.

- 1.24 If the Final Report had considered the two-sided markets context, it could have found that its observations around the structure and evolution of fees align with features of a well-functioning, competitive market.
- 1.25 To illustrate this, I note that none of the outcomes observed in the Final Report are inconsistent with two-sided platforms competing strongly with other platforms and where there has been *increasing* competition between platforms. This increasing competition between platforms could arise as a result of, say, technological changes, or exogenous shocks in the market – both of which are plausible, given the pace of innovation in the payments sector. This competition could cause asymmetric pricing in the market to widen, but it would be wrong to conclude that widening for these reasons points to an issue of market failure or insufficient competition. As such, a finding that asymmetric fees are symptomatic of competition issues is inconsistent with the evidence set out in the Final Report and a proper understanding of the economic theory and literature of two-sided platforms.

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<sup>83</sup> S&P Final Report, paras 4.7-4.8.

## 2. Annex 2 - The Final Report's approach to the competitive constraints present on the acquiring side of the payments market, and the ways in which they constrain Visa's decision making

- 2.1 As is evident from the websites of UK merchants, the UK payments ecosystem is thriving and credible payment methods other than cards are used by consumers and accepted by UK merchants every day.<sup>84</sup>
- 2.2 Despite this, and the wealth of evidence provided by Visa over the course of the PSR's market review - including numerous internal business documents which demonstrate that Visa monitors a wide range of alternative payment methods which it recognises constrain Visa's pricing and drive its innovation - the Final Report continues to significantly understate the level of competitive constraints Visa faces.
- 2.3 The Final Report unduly dismisses these alternatives:
- (a) **American Express** – while the Final Report acknowledges that American Express “has a material share of transactions”<sup>85</sup> in the UK and is “particularly important for some merchant categories”,<sup>86</sup> it continues to downplay its significance and dismisses the scheme as a viable alternative due to its higher costs relative to Visa cards. Higher costs do not undermine the fact that American Express competes with Visa. Competition within the dynamic payments landscape is not driven by pricing alone but also encompasses factors such as service quality, value propositions and technological innovation. Moreover, American Express's established presence and influential role in particular segments indicate that it exerts meaningful competitive pressure on Visa, especially in areas where merchants and consumers value the unique benefits it offers.
  - (b) **Apple Pay** and **Google Pay** are dismissed on the basis that they “only support cards” and therefore “cannot be considered real alternatives to Mastercard and Visa”.<sup>87</sup> Visa disagrees with this assessment. Indeed, Worldpay's 2025 Global Payments Report<sup>88</sup> lists digital wallets as the leading e-commerce payment method in the UK accounting for 40% of e-commerce value in 2024. Digital wallets such as Apple Pay and Google Pay, as well as Amazon Pay, have strong brands with direct customer relationships, and are increasingly expanding into payment systems. Indeed, the Worldpay report forecasts continued growth of these payment methods and predicts digital wallets will reach a share of e-commerce value of 58% in 2030 (also predicting the shares of debit and credit cards to decrease significantly).<sup>89</sup>

As noted in Visa's IR Response, there is evidence that rail substitution by digital wallets and BNPL (as discussed below) is credible, which itself constrains Visa as this would have

<sup>84</sup> Examples of prominent UK online retailers which accept several alternative payment methods include: Currys accepts American Express, PayPal, Apple Pay and Google Pay; Co-op accepts Apple Pay, Google Pay, PayPal; Argos accepts Argos Card, American Express and Klarna; ASOS accepts American Express, ClearPay, Apple Pay, Google Pay, PayPal, and Klarna; Marks & Spencer accepts American Express, Apple Pay, PayPal, Sparks Pay and ClearPay; and John Lewis accepts American Express, PayPal, Apple Pay, Google Pay, Klarna, Clearpay and credit.

<sup>85</sup> S&P Final Report, Annex 1, para 1.325.

<sup>86</sup> S&P Final Report, paras 4.60-4.63.

<sup>87</sup> S&P Final Report, para 4.65.

<sup>88</sup> WorldPay, *Global Payments Report*, pg. 114, available at <https://offers.worldpayglobal.com/rs/850-JOA-856/images/GPR25.pdf>.

<sup>89</sup> WorldPay, *Global Payments Report*, pg. 114, available at <https://offers.worldpayglobal.com/rs/850-JOA-856/images/GPR25.pdf>.

a significant effect on card transactions.<sup>90</sup> This includes Apple's soft-launch of a new iPhone wallet app that is integrated with the UK's Open Banking framework which could credibly begin accepting or switching to Open Banking in the future.<sup>91</sup> Google has also partnered with India's Unified Payments Interface to integrate it with Google Pay and make it available internationally.<sup>92</sup>

- (c) **PayPal Digital Wallet** is dismissed on the basis that *"many of the transactions taking place through PayPal in the UK are funded through card payments"*.<sup>93</sup> However, this perspective overlooks PayPal's broader usage and acceptance among consumers and merchants, as well as its capacity to impose competitive constraints on Visa. As acknowledged by the Final Report, PayPal also enables transactions through alternative funding sources, such as bank transfers, PayPal balances and PayPal Credit, with non-card payments accounting for *"a significant percentage of overall payments"*.<sup>94</sup>
- (d) **BNPL providers** also present alternative payment solutions. The Final Report dismisses BNPL schemes on the grounds of high fees.<sup>95</sup> However, BNPL schemes such as Klarna have gained significant traction among merchants in the UK, with over 25,000 UK merchants currently accepting these solutions. Like digital wallets such as PayPal, Klarna and other BNPL providers can be funded not only by Visa and Mastercard, but also by other non-card based payment methods. Indeed, the Final Report acknowledges that evidence from Klarna shows that *"non-card payment methods constitute a large proportion of funding transactions in the UK, indicating that BNPL services do, to an extent, substitute card rails"*.<sup>96</sup>
- (e) **Open Banking** – while the Final Report acknowledges that Open Banking payments are *"expected to become a more effective alternative to cards through technical innovations an regulatory interventions currently progressing"*, it discounts their competitive impact on the basis that they will *"take time to have a competitive constraint on the schemes"*.<sup>97</sup> This static approach to evaluating competition is unsuitable for a forward-looking assessment of a dynamic and innovative market as well as statements in the Final Report itself that the PSR considers it important to look at the likely evolution of the competitive landscape over the next three to five years.<sup>98</sup> The available evidence, including data cited in the Final Report, clearly demonstrates the growing adoption of Open Banking payments, which already serve as a credible alternative to card payments in some segments. Moreover, a recent article by Open Banking highlights that *"every month the*

<sup>90</sup> IR Response, Technical Annex 1, para 1.8. Indeed, Revolut also noted in their response to the IR consultation that one of their solutions *"enables merchants to accept EEA to UK transactions via Revolut Pay without dependency on Visa or Mastercard rails"* and that *"As Open Banking, stablecoin and other digital wallet solutions gain traction we expect competition to increase."* (See IR Feedback, pg. 100).

<sup>91</sup> See Apple, *New Apple feature helps users more conveniently access their most relevant account information and make informed purchases*, 16 November 2023, available at: <https://www.apple.com/uk/newsroom/2023/11/new-apple-pay-feature-helps-users-access-account-information-more-conveniently/#:~:text=A%20new%20feature%20is%20available,at%20the%20time%20of%20purchase>. Also see IBS intelligence, *Could Apple Wallet, Open Banking and SoftPOS be the holy trinity of payments*, 17 January 2024, available at: <https://ibshintelligence.com/blogs/could-apple-wallet-open-banking-and-softpos-be-holy-trinity-of-payments/>.

<sup>92</sup> See Payments Industry Intelligence, *UPI selects Google to take digital wallet global*, 17 January 2024, available at: <https://www.paymentscardsandmobile.com/upi-selects-google-to-take-digital-wallet-global/>.

<sup>93</sup> S&P Final Report, para 4.66.

<sup>94</sup> S&P Final Report, para 4.137, and Annex 1, para 1.176.

<sup>95</sup> S&P Final Report, para 4.68.

<sup>96</sup> S&P Final Report, Annex 1, para 1.207.

<sup>97</sup> S&P Final Report, para 4.85.

<sup>98</sup> S&P Final Report, Annex 1, para 1.4.

*number of open banking users and transactions continues to grow as more customers and businesses recognise the opportunities, products and services it can provide”.*<sup>99</sup>

- 2.4 Visa disagrees with the Final Report’s approach of dismissing alternative payment methods on the basis that they are more expensive for merchants to accept than a four-party card scheme such as Visa. As set out above, the evidence points to these payment methods being widely used by consumers and accepted by merchants in the UK. It is also difficult to reconcile any notion that Visa is not sufficiently constrained on the acquirer (and merchant) side with this pricing pattern.
- 2.5 The Final Report’s conclusions on competitive constraints contradict the PSR’s 2025 Strategy Update which identifies several developments which demonstrate that the level of competitive constraint Visa is subject to should not be understated. These include identifying *“the emergence of new potential payment systems and the growth of digital assets”* as an industry development since the PSR’s 2022 strategy was published, alongside recognising that *“[b]ig tech players continue to move into payments” and are doing so “at greater pace in recent years”*.<sup>100</sup> The Strategy Update also acknowledges that alternative payment methods *“are becoming more widespread across various countries”* and that there is an increase in the number of transactions made using Faster Payments and initiated by open-banking.<sup>101</sup>
- 2.6 It is clear therefore that the alternative payment methods to cards set out in Visa’s submissions are viable alternatives in their own right and should not be dismissed.

<sup>99</sup> Open Banking, The Future Is Open: Navigating the Next Phase of UK Open Banking, 17 March 2025, available at: <https://www.openbanking.org.uk/insights/the-future-is-open-navigating-the-next-phase-of-uk-open-banking/>.

<sup>100</sup> PSR, PSR Strategy Update, 16 January 2025, pg. 11, available at: [https://psr.org.uk/publications/psr-strategy-documents/strategyupdate2025/?utm\\_medium=email&utm\\_name=&utm\\_source=govdelivery](https://psr.org.uk/publications/psr-strategy-documents/strategyupdate2025/?utm_medium=email&utm_name=&utm_source=govdelivery).

<sup>101</sup> PSR, PSR Strategy Update, 16 January 2025, pg. 11, available at: [https://psr.org.uk/publications/psr-strategy-documents/strategyupdate2025/?utm\\_medium=email&utm\\_name=&utm\\_source=govdelivery](https://psr.org.uk/publications/psr-strategy-documents/strategyupdate2025/?utm_medium=email&utm_name=&utm_source=govdelivery).



### 3. Annex 3 - The Final Report's approach to innovation benefits and the interaction between quality and profitability

#### **Introduction**

- 3.1 As explained in this response, and in Visa's IR Response, Visa invests significant amounts in the safety, security, reliability and ease-of use of its payments system, for the benefit of all end users including UK merchants and consumers. These investments contribute towards a resilient and secure payments sector, giving people and businesses trust that money can move reliably, swiftly and safely, in turn contributing to economic growth. Visa also continuously invests in innovations that generate direct benefits for its clients and end users – notable examples include the development and rollout of contactless payments and tokenisation which have transformed the way in which consumers transact with UK merchants. The service quality and innovation dimensions of card payment systems are therefore central to Visa's (and other payment systems') business.
- 3.2 Visa is concerned that the Final Report understates the importance of quality and innovation outcomes and places significantly more weight on pricing and profitability. The Final Report's key conclusion on outcomes simply notes that the card schemes "*provide valuable services to merchants and consumers, and in recent years have introduced innovations that have benefited card users*".<sup>102</sup> Visa is concerned that the Final Report:
- (a) does not give due consideration and weight to the extensive evidence submitted by Visa that its service quality has significantly increased over time<sup>103</sup> and that even analysing just two of its innovations demonstrates benefit for UK merchants and consumers of approximately £9 – 11 billion;<sup>104</sup> and
  - (b) relies on a flawed understanding of the relationship between profitability, competition, and investment incentives.
- 3.3 These concerns are set out in more detail in this annex.

#### ***The Final Report does not give due consideration and weight to key evidence submitted by Visa and other stakeholders on quality and innovation***

- 3.4 In particular, Visa is concerned that the Final Report:
- (a) affords insufficient weight to Visa's efforts to improve the reliability, resilience, and security of its payment system;
  - (b) does not properly reflect key evidence highlighting Visa's significant investments in innovation which has benefited UK merchants and consumers;
  - (c) mischaracterises and misinterprets key evidence from customer surveys commissioned by Visa; and
  - (d) does not consider stakeholder evidence holistically.

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<sup>102</sup> Final Report, para 6.191.

<sup>103</sup> IR Response, para 3.11.

<sup>104</sup> IR Response, para 3.16. See also Visa's Response to the IR, Supplemental Annex 2: Social value of Visa's payment innovations in the UK.



- 3.5 As a result, the Final Report concludes that fee increases have not been accompanied by commensurate service quality improvements. Each of these points is discussed in more detail below.

*The Final Report affords insufficient weight to Visa's efforts to improve the reliability, resilience and security of its payment system*

- 3.6 While the Final Report *recognises* that there has been innovation in payments in recent years, including from contactless and tokenisation,<sup>105</sup> it appears to place no weight on the high quality of service underpinned by Visa's significant and continued investment. The result of Visa's investment is a range of positive and measurable outcomes for end users, including but not limited to:<sup>106</sup>

- (a) **A reliable and resilient platform** with over 200 months of continuous availability and 99.999% processing quality. Visa also provides a range of services to mitigate disruption risks on the network more broadly, such as Stand-In Processing (STIP), which can provide processing services when an issuer is unavailable to respond to an authorisation request.
- (b) **Robust payment protections and security** including industry-leading fraud prevention and service-user protections, and transactions backed by the Zero Liability Guarantee. Visa's investments in fraud and cybersecurity have prevented over £30 billion in global fraud in 2023, up from £18 billion in 2022<sup>107</sup> and resulted in a 28% decrease in card fraud on the Visa network over three years.<sup>108</sup> Globally, Visa has invested \$10 billion in cybersecurity and technology in the last five years, which has enabled Visa to tackle over 70,000 cyber-attacks daily around the world.<sup>109</sup> In the last ten years, Visa has also invested approximately £2.3 billion in AI and data infrastructure, allowing Visa to utilise AI to protect its clients and customers.<sup>110</sup> For example, Visa Protect, which analysed billions of UK transactions leveraging the latest AI technology and network data, has successfully prevented an additional 54% of fraud and APP scams, beyond those identified by the banks' existing sophisticated fraud prevention systems.

- 3.7 Further, and importantly, the Final Report does not recognise the way in which Visa's service quality has been maintained and improved against an increasingly challenging environment – including a rise in the prevalence and sophistication of threat actors, requiring increasing investment to maintain the same high standard. It is particularly important to account for this because many investments and improvements take place behind-the-scenes and are not directly apparent to acquirers and merchants. However, absent these investments by Visa, it is likely that reliability and security would decline and this decline *would* be noticeable to end users. The Final Report has not done analysis to consider how the external environment has evolved over the review period, and the Final Report does not mention this factor in its discussion of Visa's evidence.

<sup>105</sup> Final Report, para 6.174.

<sup>106</sup> See IR Response para 3.8 for further details. Examples of innovations launched by Visa in the last several years include: Visa Payment Threat Intelligence; eCommerce Threat Disruption; Visa Payments Threat Lab; development of 'Request to Pay' message; Visa Transaction Controls; Visa Account Updater; Visa Provisioning Intelligence; Visa Payment Passkey Service (see IR Response, pg. 3).

<sup>107</sup> Visa, 'Visa's new AI tool for Faster Payments could help save UK over £330m a year on fraud and APP scams', 30 May 2024.

<sup>108</sup> Visa Navigate, 'Stepping up the fight against fraud', September 2023.

<sup>109</sup> Pymnts, 'Visa extends risk management solutions to non-Visa transactions', 27 March 2024; American Banker, 'How Visa's risk chief defends it against 71,000 cyber attacks a day', 23 February 2023.

<sup>110</sup> 30 years of AI and counting | Visa

*The Final Report does not properly reflect key evidence highlighting Visa's significant investments in innovation which has benefited UK merchants and consumers*<sup>111</sup>

- 3.8 While the Final Report acknowledges that innovations such as contactless payments and tokenisation have delivered “*large benefits*” to UK merchants and consumers, estimated at £9–11 billion,<sup>112</sup> it appears to downplay their significance on the basis that “*a precise estimate of those benefits is challenging*”.<sup>113</sup> The nature of such benefits means reasonable assumptions and estimates must be made (which likely understate the benefits generated),<sup>114</sup> particularly where the value is realised through improved customer experience, increased convenience, or enhanced security. The inability to *precisely* quantify these benefits does not invalidate their importance.
- 3.9 Moreover, despite recognising the scale of these benefits, the Final Report does not appear to give them any meaningful weight in its overall conclusions. There is no clear rationale provided as to why acknowledged benefits of this magnitude are not more prominently factored into the Final Report’s assessment of innovation or quality outcomes.<sup>115</sup> Rather, these do not appear to have been taken into account in the Final Report’s conclusions.
- 3.10 Overall, the analysis in the Final Report does not sufficiently engage with the high level of quality and innovation in the Visa ecosystem and the way in which those levels have been maintained. Where the Final Report looks at the experiences of Visa’s clients and end-users (which Visa agrees are important factors), it does not properly reflect key evidence from Visa that has been gathered over time in a commercial (rather than a market review) context, as explained below.

*The Final Report mischaracterises and misinterprets key evidence from customer surveys commissioned by Visa*

- 3.11 The Final Report relies on two sources of survey evidence from Visa, namely Visa Merchant Surveys and the GCES,<sup>116</sup> and in both cases the Final Report’s assessment suffers from serious analytical flaws.

(i) *Visa’s Merchant Surveys*

- 3.12 The Final Report argues that perceived inconsistencies in merchant responses indicate flaws in Visa’s Merchant Surveys. For example, it states that Visa Merchant Survey results are “*often unclear, and closely related questions appear to elicit inconsistent responses*”, assessing that “*[t]his may be a result of the way some questions were framed*”.

<sup>111</sup> For the avoidance of doubt, Visa also notes that key evidence it has submitted has been mischaracterised, when the S&P Remedies Consultation suggests that, in Visa’s view, ‘*value-based pricing is the essence of competition*’. This is not Visa’s view. Rather, as stated in our IR Response, “*Visa rejects any suggestions that the value it considered in the course of pricing decisions is “abstract and often ambiguous”. [As demonstrated above,] Visa’s payment systems and services provide clear and direct benefits to UK end users. Its services are utilised by acquirers and other end users because they provide commercial benefits at reasonable, competitive prices. Pricing based in part on the value of a service is neither abstract nor ambiguous – it is the essence of competition.*” The Final Report misses the fact that the value of a service is one of several factors which plays a role in Visa’s pricing decisions, and both maintaining high network quality and innovating to drive new improvements result in real, wide-scale innovation and quality outcomes for end-users.

<sup>112</sup> Final Report, para 6.158.

<sup>113</sup> Final Report, para 6.174.

<sup>114</sup> As explained in para 3.16 of the IR Response, the calculations do not include other benefits for UK merchants and consumers including from an expansion of overall retail activity e.g. due to innovations of promoting the growth of e-commerce.

<sup>115</sup> No benefits generated by the schemes are explicitly referred to within the Final Report’s ‘Conclusion on pricing, profitability, innovation and quality outcomes’ (Final Report, paras 6.191 – 6.194).

<sup>116</sup> Final Report, para 6.161.

- 3.13 The Final Report has *not* identified genuine material inconsistencies in Visa's Merchant Survey results which are sufficient for the evidence to be disregarded. Rather, differences in responses often reflect the distinct nature of questions asked and the Final Report compares answers from distinct questions that it incorrectly interprets as similar.
- 3.14 For example, the Final Report highlights that Visa's merchant surveys show high and increasing levels of agreement with the sentence "*Visa provides good value for money*", increasing from 49% agreement in 2019 to 79% in 2024. In 2019, 27% of respondents agree with the statement that "*fees for accepting card payments are good value*". The Final Report concludes that the responses to these questions are inconsistent.<sup>117</sup> Visa disagrees with this conclusion. The two questions measure different things. The first focuses specifically on Visa's value for money (and, as explained in the IR Response, Visa's offer is much wider than just competitive fee levels<sup>118</sup>) whereas the second relates more broadly to the cost of accepting card payments, which may reflect perceptions of other card schemes or acquirer services.
- 3.15 The suggestion in the Final Report that Visa Merchant Survey response data is not 'robust' because of alleged inconsistencies between the responses for certain questions is not a sufficient reason for the Final Report to ignore clear time trends in the data which shows improvement over time: most notably, the clear and increasing proportion of merchants agreeing that Visa provides good value for money (rising from 49% in 2019 to 79% in 2024) based on *responses to the same question*. Answers to the same questions over time are not subject to the alleged flaws that the Final Report points out.
- (ii) Visa GCES
- 3.16 Visa runs annual Global Client Engagement Surveys (GCES) covering (amongst other types of customers) issuers, acquirers, and merchants. From the responses to the GCES, Visa computes 'Net Promoter Scores' (NPS), a widely used business metric used to assess customer satisfaction.
- 3.17 While the Final Report highlights selected positive feedback from schemes surveys (e.g. a high NPS [خ] from acquirers on Visa's GCES)<sup>119</sup> it concludes that the evidence is not sufficiently robust to indicate acquirers and merchants are satisfied with scheme innovations.
- (a) The Final Report suggests that participation may be overstated as multiple contacts from the same client organisation can be asked to respond to the survey. This does not undermine the robustness of the survey. In fact, different individuals within the same firm can engage with Visa in varied ways for different purposes, depending on – for example - their level of seniority or their functional role in the firm. Capturing these multiple perspectives provides a more comprehensive view of the client experience, rather than relying on the view of a single contact.
- (b) The Final Report suggests that there is a risk of bias in the results since these surveys are not anonymous and survey results can be attributed to individual clients but does not specify the direction or rationale for any such bias. Visa and its acquirer clients operate within long-standing relationships where there is a clear expectation that Visa will consistently deliver high standards of service. In this context, acquirers have no reason to misrepresent their experience in survey responses. If anything, the nature

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<sup>117</sup> Final Report, para 6.155.

<sup>118</sup> See IR Response, pg. 7.

<sup>119</sup> Final Report, para 6.161.

of the relationship encourages honest, constructive feedback - both to uphold service expectations and to support ongoing service improvements.

- (c) The Final Report states that NPS from UK acquirers were significantly lower than the average across all UK respondents and declined year-on-year, with a similar downward trend observed among merchants responding to the GCES. The Final Report fails to undertake any assessment of what constitutes a good or acceptable NPS in this context. While relative comparisons may offer useful context, they are not determinative of whether a score is problematic. A score that is lower in relative terms can still represent a strong and positive outcome when assessed against industry norms. In this case, Visa's 2024 score of [redacted] for acquirers is considered a 'favourable' score in the industry<sup>120</sup> and had in fact declined by only [redacted] points in a scale that ranges from -100 to +100

*The Final Report fails to consider other stakeholder evidence holistically*

- 3.18 As noted above, while the Final Report dismisses or downplays the comprehensive evidence submitted by Visa on innovation and service quality, it appears to place disproportionate weight on limited evidence from a small group of third-party stakeholders – namely nine merchants, the British Retail Consortium (BRC), and two issuers.
- 3.19 The Final Report ultimately concludes that, while recognising the value of services and recent innovations, there remains a perception among some acquirers and merchants that fee increases have not been matched by commensurate improvements in service quality.<sup>121</sup>
- 3.20 Visa has the following concerns with this assessment.
  - (a) It is unclear why the Final Report places such significant weight on limited feedback from a small group of merchants. The Final Report itself notes that merchant responses were limited in number and may not be representative, and further concedes that merchants may not be well-placed to observe all service changes, particularly those that are technical or behind the scenes.<sup>122</sup>
  - (b) While the Final Report questions the reliability of Visa's GCES survey on the grounds that the results could be biased (as a result of non-anonymous responses), it does not consider that responses from acquirers and merchants may also be subject to bias, particularly in the context of a market review where those stakeholders are commenting on the conduct of a party under regulatory scrutiny.
  - (c) Finally, even within the limited stakeholder evidence cited, the responses are mixed. Merchants acknowledged the value of innovations such as 3D Secure and Account Updater, and issuer submissions highlighted Visa's role in supporting broader economic growth through continued innovation. However, while these positive elements are noted in the Final Report, they appear to not have been taken into account in the Final Report's broader conclusions. As noted above, the Final Report overlooks wider system-level developments such as substantial investments in fraud

<sup>120</sup> See Qualtrics, "What is NPS? Your ultimate guide to Net Promoter Score." ([link](#)), in which it suggests that a score above zero is good, above 20 is favourable, above 50 is excellent, and above 80 is world class. Qualtrics also says that NPS is a widely used metric. See also NPS Prism by Bain and Company, "NPS Prism 2024 U.S. Cross Industry Leaderboard" ([link](#)), in which credit card and payments companies received a maximum NPS of 54.

<sup>121</sup> Final Report, paras 6.169–6.170.

<sup>122</sup> Final Report, para 6.175.

prevention, strong reliability performance, and ongoing innovation initiatives that clearly point to meaningful improvements in service quality and value.

***The Final Report relies on a flawed understanding of the relationship between profitability, competition and investment incentives***

3.21 The Final Report’s assessment of the relationship between fees and investment incentives faced by card schemes reflects a flawed understanding of core investment principles and the economic realities of two-sided markets. In particular:

- (a) The Final Report’s conclusions regarding competitive constraints and incentives to invest relies on a flawed assessment of Visa’s profitability and an overly simplistic view of capital allocation.
- (b) The Final Report overlooks how innovation in two-sided markets is shaped by competitive dynamics across the entire ecosystem.

***The Final Report’s assessment of competitive constraints and incentives to invest relies on a flawed assessment of profitability and takes an overly simplistic view of capital allocation***

3.22 The Final Report states that *“a firm in a competitive market would expect to earn zero economic (or zero supernormal) profits”*, and that *“[t]he presence of persistent economic profits can be a result of a lack of effective competitive constraints”*.<sup>123</sup> The Final Report considers that *“[t]o establish whether economic profits are present”*, one can compare the company’s margins *“with those of comparable firms operating in competitive markets”* and which *“have broadly comparable risk and capital intensity”*.<sup>124</sup> Despite being unable to reach a firm conclusion on the level of economic profits earned by Visa,<sup>125</sup> the Final Report concludes that its profitability assessment is *“consistent with a finding that Mastercard and Visa’s margins are higher than would be expected in a competitive market”*.<sup>126</sup>

3.23 The Final Report further suggests that while revenues support investment, high returns are *“generally not a prerequisite to fund investment”* and rather *“successful investment should generate the returns to fund it”*. The Final Report also notes that the estimated EBIT margins already account for investments by schemes, and then concludes that Visa’s profit levels (as observed over the period) are not ‘necessary’ to support or incentivise Visa’s investment levels.<sup>127,128</sup>

3.24 Visa disagrees with these findings.

3.25 First, the Final Report’s views on capital allocation fail to capture how the relationship between returns and investment plays out over time. The suggestion that returns are not necessary to support and incentivise investment misunderstands how investment decisions are made in practice. In particular, firms are incentivised to invest now under the expectation of future profits and preserving this expectation of future profits is necessary to continue incentivising investment, particularly in the payments sector which is characterised by strong innovation competition.

<sup>123</sup> Final Report, Annex 10, para 2.53.

<sup>124</sup> Final Report, Annex 10, paras 2.54 – 2.55.

<sup>125</sup> Final Report, para 6.137.

<sup>126</sup> Final Report, para 6.133.

<sup>127</sup> Final Report, para 6.181.

<sup>128</sup> The Final Report also notes that financial data from the schemes was not granular enough to conclude whether the fee increases have been accompanied by comparable increases in investments or innovation.

3.26 In addition, the Final Report's assessment of Visa's profitability is flawed and therefore cannot be relied upon to make any conclusions on the level of Visa's profits (including whether Visa's current margins are necessary to incentivise and support investment). As also explained in the IR Response:

- (a) **The profitability comparators the Final Report uses are not appropriate.** There is no basis to conclude, as the Final Report does, that eftpos and OFX are sufficiently similar comparators in terms of operation and risk profile to Visa.<sup>129</sup> The Final Report dismisses a range of companies that are [redacted].
- (b) **The Final Report's comparison of Visa's margins to that of its comparator set is not performed on a like-for-like basis.** A like-for-like comparison should reflect the inherent differences between four-party and non-four-party models. Four-party scheme operators continuously invest in the valuable technology that enables transactions to take place, with end users then able to choose from a wide range of issuers and acquirers who provide direct payments services to merchants and consumers. In this way, the scheme operators effectively 'outsource' the costs of managing the direct relationship with end users to third parties and generate revenue only with respect to fees charged to issuers and acquirers. Other payment methods do not typically 'outsource' this component – they provide services and charge fees directly to merchants and consumers. They retain the full costs and revenue generated from the provision of payment services to end users and will therefore inevitably have a higher revenue and cost base than Visa, leading to lower EBIT margins as a percentage of revenue. The expert economic consultancy [redacted] estimated that, when accounting for these differences, [redacted].
- (c) **There are significant limitations in using published financial accounts for a margin comparison exercise.** The Final Report relies on accounting-based profit margins, calculated by reference to published financial statements and reflecting individual accounting standards, judgements and policies.<sup>130</sup> This is not, however, representative of economic measures of profitability. This limits the robustness of the Final Report's profitability comparator assessment and is further exacerbated by the Final Report's decision to rely on only three potential comparators.
- (d) **The Final Report incorrectly dismisses Visa's bespoke UK P&L submissions.** The Final Report dismisses the UK P&L accounts which Visa provided on the basis that the data is likely to understate Visa's UK profitability.<sup>131</sup> This is not correct. There are a number of simple and intuitive reasons [redacted].

3.27 In any event, economic profits are not necessarily indicative of a lack of sufficient competition, given the dynamic and innovative sector that Visa operates in:

- (a) First, economic theory predicts that economic profits are zero only in perfectly competitive idealised markets that are in long-run equilibrium.<sup>132</sup> A perfectly competitive market is characterised by: (1) many firms producing identical products; (2) a large number of buyers and sellers with access to perfect information; and (3) no barriers to entry. A firm in a perfectly competitive market is known as a price taker, because the pressure of the large number of other competing firms forces it to accept

<sup>129</sup> Final Report, para 6.103.

<sup>130</sup> Final Report, Annex 10 para 6.148.

<sup>131</sup> Final Report, para 6.119.

<sup>132</sup> See Mathur et al., *The Challenges of Using Return on Capital as an Indicator of Monopoly Power 2020*, pg. 4.



the prevailing equilibrium price.<sup>133</sup> In other words, in the long-run, all firms earn zero economic profits. However, ‘perfect competition’ is a theoretical framework used to provide a model against which the level of competition in real-world markets can be assessed. Real-world markets differ significantly in the degree of product differentiation, evolving competition and technological change. In dynamic industries that are regularly subject to technological innovations, such as the payments sector, Visa would not expect the market to remain in a long-run equilibrium as the market is constantly changing and developing over time.

- (b) Second, in highly competitive, real-world markets, it is not unusual to see successful and innovative firms exhibiting persistent economic profits as they (successfully) implement innovations that benefit their customers. In fact, empirical research has shown that, over the last 50 years, successful companies in competitive industries have managed to sustain and renew competitive advantages through successful innovation.<sup>134</sup>

- 3.28 In the payments sector, the relationship between returns and innovation can be illustrated by the **pace of development of domestic schemes** in certain countries. Standard investment theory holds that lower fee revenues, especially when regulated, reduce incentives and capacity to invest in innovation.<sup>135</sup> As explained in the IR Response, domestic schemes in Australia, Germany, Denmark, and Norway, all with lower fee levels, launched technologies such as contactless and tokenisation up to a decade later than Visa.<sup>136</sup> The Final Report dismisses this consideration, simply stating that the incentives faced by these schemes “*could have been affected by factors that go beyond the difference in fee levels*”<sup>137</sup> but offers no alternative explanation.

*The Final Report overlooks how innovation in two-sided markets is shaped by competitive dynamics across the entire ecosystem*

- 3.29 The Final Report expects that greater competitive pressure on the acquiring side may lead to greater innovation from the schemes.<sup>138</sup> While it is broadly accepted that, all else equal, higher levels of competition can lead to higher levels of innovation (since innovation is one of the dimensions through which firms compete), Visa is concerned that the Final Report’s framing overlooks key dynamics of two-sided markets.
- 3.30 As explained in **Annex 1**, generally, platforms’ investment decisions are made with the whole ecosystem in mind and innovations on one side of the market can be beneficial for the other including by maximising the number of transactions on the network. Even if it was the case that greater investment is ‘directed’ toward the issuing side, the resulting increase in cardholder engagement enhances the platform’s attractiveness to merchants.
- 3.31 As such, it follows that any assessment of the extent to which service quality and innovation has been ‘commensurate’ with fee increases should take into account the overall changes in fees across both sides of the platform. In a two-sided market, where value is created and

<sup>133</sup> See Greenlaw, Shapiro, MacDonald et al., *Principles of Economics 3e*, section 8.1.

<sup>134</sup> See Mathur et al., *The Challenges of Using Return on Capital as an Indicator of Monopoly Power 2020*, pg. 5.

<sup>135</sup> See Alesina, Alberto, et al. “Regulation and Investment.” *Journal of the European Economic Association*, vol. 3, no. 4, 2005, pgs. 791–825. The authors, in their conclusion, say: “[t]ight regulation of the product markets has had a large negative effect on investment. The data for sectors that have experienced significant changes in the regulatory environment suggest that deregulation leads to greater investment in the long run.”

<sup>136</sup> See IR Response para 3.21.

<sup>137</sup> Final Report, para 6.182

<sup>138</sup> Final Report, paras 6.184 – 6.185.

delivered across an interconnected ecosystem, assessing fee changes or service outcomes on one side in isolation presents an incomplete and potentially misleading picture.

#### 4. Annex 4 - The Final Report's approach to stakeholder evidence

- 4.1 The Final Report adopts a one-sided approach when considering stakeholder evidence, often giving disproportionate weight to negative evidence submitted by acquirers and failing to properly reflect evidence submitted by Visa. This applies particularly in its assessment of transparency to clients, as set out below.
- 4.2 In the IR Response, Visa raised concerns with the approach in the IR to gathering and assessing evidence.<sup>139</sup> The Final Report states that it does not agree with Visa's statements,<sup>140</sup> but does not properly engage with and respond to Visa's concerns.
- 4.3 Visa remains concerned with the approach in the Final Report to gathering and interpreting evidence and the tendency to place disproportionate weight on unstructured, anecdotal evidence from acquirers over more systematically-gathered evidence presented by Visa. This approach does not appear to be aligned with regulatory best practice and remains biased towards negative feedback.
- 4.4 As recognised in the Final Report, Visa's evidence shows that it achieves generally good outcomes.<sup>141, 142 143</sup> It is unclear therefore how these "good" outcomes are consistent with the Final Report's finding that outcomes are "significantly below the standard expected in a well-functioning market".<sup>144</sup> As set out in Visa's IR Response, good client relationships, transparency, clear communication and continuous improvement of users' experience are core tenets of Visa's business. An international organisation as large as Visa inevitably receives a mix of feedback from clients, much of which is very positive.<sup>145</sup> However, Visa continues to focus on improving transparency of communications with its clients and their overall experience. The PSR's analysis fails to reflect this sufficiently.

#### ***The approach in the Final Report to gathering evidence is not systematic and its interpretation remains biased towards negative feedback***

- 4.5 The Final Report does not sufficiently engage with Visa's concerns regarding the PSR's approach to gathering and interpreting evidence.<sup>146</sup>
- 4.6 Firstly, it appears that the approach to gathering evidence has been unstructured and unsystematic, and inconsistent with standardised, best-practice approaches that are widely

<sup>139</sup> Visa IR Response, Technical Annex 5, para 5.2 onwards. Visa explained that the PSR's approach to gathering evidence in relation to the transparency and complexity of pricing information was not systematic and that the PSR's assessment of these issues appeared to be driven by anecdotal evidence and was biased towards negative feedback. Visa also explained that the evidence presented in the IR did not support its provisional findings.

<sup>140</sup> Final Report, para 7.5-7.6, 7.115, 7.122. The Final Report maintains that: (a) "the evidence we have gathered indicates that the issues are sufficiently material as to create poor outcomes for acquirers and merchants"; and (b) "these outcomes are significantly below the standard expected in a well-functioning market" in the sense that the situation 'as is' "does not serve the interests of service users well".

<sup>141</sup> Visa's NPS from acquirers was [redacted] in 2024. Qualtrics (a market leading survey firm) explains that "a score Above 0 is good, Above 20 is favourable, Above 50 is excellent, and Above 80 is world class" (see Qualtrics, "What is a Good Net Promoter Score", available at [link](#)). For reference, the industry average NPS for financial institutions (banks) in the UK was 14 in 2024 (down from 18 in 2023) (see Forrester European net Promoter Ranking 2023 and 2024).

<sup>142</sup> See Visa's IR Response, Technical Annex 5, para 5.18-5.22, for a further discussion of Visa evidence that indicates good outcomes.

<sup>143</sup> See Final Report, para 7.24, where the PSR describes Visa's NPS from UK acquirers as "good".

<sup>144</sup> Final Report, para 7.122.

<sup>145</sup> For example, a 2022 client satisfaction survey found that [redacted] UK acquirers rated Visa at 7/10 or better and [redacted] of UK acquirers rated Visa at 9/10 or better. See Visa IR Response, Technical Annex 5, para 5.18.

<sup>146</sup> See Visa IR Response, Technical Annex 5, para 5.4-5.12.



recognised in regulatory settings.<sup>147</sup> In particular, the approach appears to incorporate evidence from: (i) responses to various formal and informal information requests sent to acquirers over the course of this market review; (ii) potentially unstructured, bilateral follow-up calls between the PSR and acquirers; and (iii) ‘freeform’ responses to the IR from various stakeholders – all of which have been collected over a period of 2-3 years in the context of a dynamic and evolving sector. Indeed, it is unclear whether all of the issues identified by acquirers are still current, and the Final Report acknowledges that the feedback received from stakeholders does not account for any improvements implemented by Visa since July 2023.<sup>148</sup>

- 4.7 Secondly, having chosen to gather evidence in this way, it is incumbent on the PSR to adopt a systematic approach to its analysis; it is not clear that such a systematic analysis has been undertaken. The Final Report does not set out a clear and robust framework or methodology for interpreting and analysing qualitative evidence. The Final Report explains that the Final Report has “*considered individual experiences thematically, with similar issues grouped together*”.<sup>149</sup> However, this does not constitute an effective framework or methodology that reflects analytical best practice for working with qualitative data. Such frameworks and methodologies are critical for analysing qualitative information effectively and without bias. They are generally not a simple exercise, as the Final Report seems to imply,<sup>150</sup> but rooted in best practice for qualitative research and data analysis.<sup>151</sup> It is concerning that the Final Report has not set out more fully the evidence base (or at least the structure of the evidence base).
- 4.8 Thirdly, the Final Report remains reliant on anecdotal evidence that appears to be presented without full context (e.g., “*one acquirer told us that...*”).<sup>152</sup> The Final Report also refers to “*acquirers that, during one-on-one calls to discuss remedy options, expressed a view on...*”).<sup>153</sup> Such statements made by one acquirer in relation to specific challenges or some acquirers on bilateral calls must be properly contextualised and interpreted before reliance can be placed on them to form conclusions in this market review. However, the Final Report does not explain the share of respondents affected by clearly defined issues, consider whether certain types of respondents were more affected than others by particular conduct, assess the relative severity of issues, consider how acquirers’ experiences of any particular issues have evolved over time, and/or distinguish between ‘edge cases’ and more prevalent challenges.

***Visa invests to improve the experience of acquirers and responds to acquirer feedback***

- 4.9 As Visa has previously explained to the PSR,<sup>154</sup> Visa commits significant time and resources to improving its client relationships, including by providing clients with dedicated support to address the issues and questions they have. Visa’s engagement with its acquiring clients is

<sup>147</sup> See, for example, the European Commission’s ‘Better Regulation’ toolbox, which explains that “*Qualitative data, more than quantitative, is extremely prone to bias, and systematic analysis helps prevent this*”. European Commission, ‘Better regulation toolbox 2023, Chapter 7 – Stakeholder consultation’, pg. 483.

<sup>148</sup> Final Report, para 7.26.

<sup>149</sup> Final Report, para 7.8.

<sup>150</sup> Final Report, para 7.5.

<sup>151</sup> See for example Cabinet Office (2003) *Quality in Qualitative Evaluation: A framework for assessing research evidence* (available at [link](#)). This widely cited study conducted by the National Centre for Social Research (NCSR) sets out an assessment framework for qualitative research methods. Key issues in the report include the clarity of the research questions, defensible rationale for choice of methods (i.e., ‘fitness for purpose’), narrative of data collection process, etc.

<sup>152</sup> Final Report, para 7.69 (second bullet).

<sup>153</sup> Final Report, para 7.99 (second bullet).

<sup>154</sup> Visa IR Response, Technical Annex 5, para 5.18 *et seq.*

largely very positive. For instance, in the FY24 Global Client Engagement Survey (GCES), Visa received the following good scores from acquirers:<sup>155, 156</sup>

- (a) [redacted] in delivering products and services meeting acquirers' needs;
- (b) [redacted] in providing solutions for acquirers to reliably process transactions and/or manage their programme; and
- (c) [redacted] in effectively resolving acquirers' service and support requests.

- 4.10 Visa's client surveys are designed to collect objective client feedback in a systematic manner and to inform Visa's efforts to improving service quality, and there is no inherent reason for clients to overstate their levels of satisfaction, as the Final Report seems to suggest.<sup>157</sup> The assessment in the Final Report does not sufficiently reflect the extensive evidence submitted by Visa, and instead relies on anecdotal evidence submitted by acquirers.
- 4.11 Visa notes that the Final Report has raised some limited concerns in relation to the NPS, including that the NPS is "*a very high-level indicator*" and that "*[i]ts reliability has also been questioned in the technical literature*".<sup>158</sup> However, the Final Report does not explain why the NPS being "*a very high level indicator*" is inherently an issue or provide any references to the "*technical literature*". In Visa's experience, NPS is widely used as an indicator of customer/client sentiment across a range of industries, in large part due to its simplicity and ease of comparison and benchmarking.<sup>159</sup> As discussed in **Annex 3**, Visa has received favourable scores in the industry.<sup>160</sup> Visa continues to encourage the PSR to consider NPS as an integral part of its analysis – not least because NPS is available for a period of multiple years and provides insights on client/customer satisfaction during a period of rapid and continuing change in UK payments. In Visa's view, the NPS has too quickly been dismissed as relevant evidence.
- 4.12 Visa notes that the Final Report acknowledges recent improvements made by schemes following client feedback but does not make a proper attempt to consider whether these improvements have been (or are likely to be) effective. It is therefore possible that the Final Report's analysis is focused on issues that are in large part no longer current. For the avoidance of doubt, Visa disagrees with the Final Report's finding that "*neither Mastercard or Visa is taking comprehensive action to alleviate the issues faced by acquirers in understanding their fees*".<sup>161</sup>
- 4.13 The Final Report states that "*When considering all the information in the survey responses and in Visa's accompanying internal documents, the evidence on acquirers' experience is more nuanced*".<sup>162</sup> The Final Report does not explain these statements further and Visa is unable to respond to these statements without further clarification. While Visa recognises that the evidence on acquirer experience is nuanced, there will always be some variation in client experience and feedback for any large, international business particularly in the context of an

<sup>155</sup> Visa Europe's response to the PSR's s81 Notice (31 October 2024).

<sup>156</sup> See also Visa Note [redacted], December 2024.

<sup>157</sup> Final Report, para 7.23.

<sup>158</sup> Final Report, para 7.23.

<sup>159</sup> For example, Qualtrics (the survey firm) explains that NPS "*is the gold standard of customer experience metrics*" and that NPS is "*now used by millions of businesses to measure and track how they're perceived by their customers*" (See Qualtrics, "What is NPS? Your ultimate guide to Net Promoter Score", available at [link](#)).

<sup>160</sup> Further details on Visa's use of NPS are also provided in **Annex 3**, paras 3.16–3.17.

<sup>161</sup> Final Report, para 7.58.

<sup>162</sup> Final Report, para 7.22.

evolving and dynamic sector undergoing change. It is therefore all the more important to take a holistic view of this nuanced evidence before reaching overarching conclusions - which has not been done in the Final Report.

***The Final Report provides insufficient evidence to support its conclusions***

- 4.14 The Final Report provides insufficient evidence to support the conclusion that acquirers “often experience difficulties”<sup>163</sup> related to the information they receive from schemes, and that these issues are “sufficiently material as to create poor outcomes”<sup>164</sup> that are “significantly below the standard expected in a well-functioning market”.<sup>165</sup>
- 4.15 As explained previously,<sup>166</sup> the analysis in the Final Report does not demonstrate that the issues experienced by acquirers are “material” or that they apply to “the acquiring market as a whole”. In particular:
- (a) The Final Report incorrectly says that 90% of “the total acquiring market” was “affected” on the basis that acquirers who accounted for 90% of UK transaction value in 2023 experienced some issues over an unspecified period of time. The only conclusion that can be drawn from this evidence is that many acquirers have experienced some issues over some period of time, some of which may have already been resolved or are no longer current. As explained above,<sup>167</sup> such challenges are a normal part of business over a sufficiently long period of time and can coexist with overall good client satisfaction. There is, of course, always room for improvement and Visa continues to focus on improving transparency of communications with its clients and their overall experience. But it is inappropriate for the Final Report to conclude that because of the existence of some issues the market is functioning “significantly below the standard expected”.<sup>168</sup>
  - (b) An isolated incident occurring at a particular point in time does not indicate that the entire transaction value or volume of an acquirer was affected for a prolonged period of time, as the analysis in the Final Report implies. Indeed, the Final Report does not establish that the cited issues are representative of an acquirer’s overall experience with Visa.
  - (c) The Final Report has revised the share of “the acquiring market” “affected” by two types of issues down from 90% in the IR to 65% in the Final Report.<sup>169</sup> The Final Report does not comment on this revision or explain how this is consistent with its finding that outcomes remain “significantly below the standard expected in a well-functioning market”.<sup>170, 171</sup>

<sup>163</sup> Final Report, para 7.31.

<sup>164</sup> Final Report, para 7.115.

<sup>165</sup> Final Report, para 7.122.

<sup>166</sup> Visa IR Response, Technical Annex 5, para 5.26-5.27.

<sup>167</sup> See para 4.13 above.

<sup>168</sup> Final Report, para 7.122.

<sup>169</sup> The two types of issues being: (1) understanding mandatory/optional fees; and (2) obtaining clarifying information.

<sup>170</sup> See Final Report, para 7.116; and IR, paras 7.97 and 7.120.

<sup>171</sup> For example, the IR considered that acquirers “often experience difficulties” in understanding mandatory/optional fees and clarifying information with schemes (IR para 7.139). The Final Report mostly refers to the number or proportion of acquirers reporting or experiencing issues. Similarly, the Final Report no longer considers that acquirers experience “consistent difficulty” understanding behavioural fees (IR para 7.139) but rather that “in some instances” the information that acquirers receive does not help them understand behavioural fees “sufficiently” (Final Report, para 7.41).

- (d) The Final Report does not engage with Visa's concerns regarding the estimated financial cost of the issues identified and acquirer decisions to escalate these issues.<sup>172</sup> In particular, Visa is concerned that the estimates provided by acquirers are not internally consistent and are therefore unsuitable as measures of the potential impact of any issue.
- 4.16 Overall, the Final Report has not identified a reliable measure to assess the materiality of the negative impacts it claims to have identified, but nevertheless concludes that the analysis may understate costs to acquirers and the impact of these issues.<sup>173</sup> Visa disagrees, and notes that there is no basis for reaching this conclusion.
- 4.17 Finally, as regards recent service improvements made by schemes, the Final Report states that the PSR is "*not persuaded*" that these improvements have had (or are likely to have) "*a sufficiently material effect in resolving or mitigating the detriment we have identified*".<sup>174</sup> The Final Report also has no basis for these statements. Specifically:
- (a) The Final Report does not provide evidence of work done to assess the impact of the service improvements that Visa has implemented in recent years. Indeed, the only analysis of these improvements in the Final Report is a single statement that "[most acquirers] *did not mention the recent improvements introduced by schemes* [in response to the IR], *indicating that they were not considered sufficient to address the issues*".<sup>175</sup> The final part of this statement is speculative, particularly as Visa understands stakeholders were not asked about these improvements in the IR Consultation.<sup>176</sup> Even so, some respondents noted recent improvements, unprompted.<sup>177</sup>
- (b) The Final Report also has no basis to suggest that the improvements are unlikely to have an impact going forward. Indeed, it would be contrary to commercial decision-making for Visa to invest in improvements that were not expected to have any effect.<sup>178</sup>

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<sup>172</sup> Visa IR Response, Technical Annex 5, para 5.27 (b) and (c).

<sup>173</sup> Final Report, para 7.117.

<sup>174</sup> Final Report, para 7.28 and para 7.121.

<sup>175</sup> Final Report, para 7.27.

<sup>176</sup> IR, pg. 146 (Questions 15 to 19).

<sup>177</sup> Final Report, para 7.27. See also Final Report, para 7.88: "*Some acquirers' submissions described recent improvements the schemes had made* [regarding the provision of clarifying information]. *A few said that one or both schemes have assigned dedicated technical support staff to their account*".

<sup>178</sup> Further details on the value of Visa's investments and innovations are provided at **Annex 3**, paras 3.6 – 3.10.

Wise

**PSR CP25/1**  
**Market review of card scheme and processing fees remedies**  
*Wise response*

**Contact:** [REDACTED] Wise – [REDACTED]

**About Wise**

Wise is a global technology company, building the best way to move and manage the world's money. With Wise Account and Wise Business, people and businesses can hold over 40 currencies, move money between countries and spend money abroad. Large companies and banks use Wise technology too; an entirely new network for the world's money.

One of the world's fastest growing, profitable tech companies, Wise launched in 2011 and is listed on the London Stock Exchange under the ticker, WISE. In fiscal year 2024 Wise supported around 13 million people and businesses, processing approximately £118bn billion in cross-border transactions, and saving customers over £1.8 billion.

**Response to CP25/1**

Wise welcomes the opportunity to provide feedback on the PSR's consultation into card scheme and processing fees remedies. While we appreciate that the PSR is asking specific questions, we will be distilling our response into one longform text, rather than respond to each question individually. We are more than happy to provide additional detail, data or insights if helpful.

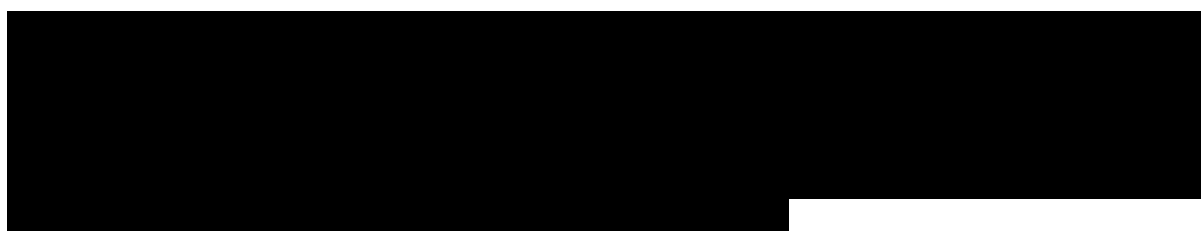
Wise is supportive of more transparency in the card market, as we believe that this is ultimately beneficial for the end-user and will lead to lower cost services. We agree with the PSR's view that there is a lack of transparency and accountability in the card market. While we are of the view that the card market works well operationally, further progress can be made on competition and end-user outcomes.

One example of the lack of transparency is in the programme opt-out process. Visa and Mastercard have recently started automatically enrolling all acquirers and issuers in new programmes or services, giving a three months 'free trial' and relying on them to opt out to avoid fees when the trial is over. However, the opt-out process is complex. There is low transparency on whether the opt-out was successful and it requires the party opting out to check whether everything went through correctly and they are no longer part of the programme or service they had been enrolled in automatically. While we believe that the PSR has undertaken significant investigations into the card market, especially when it comes to costs, these overly complex processes that may lead to unexpected fees have not been taken into account. Therefore, we encourage the PSR to also include an obligation on the schemes to notify acquirers as well as issuers before being opted in and make it easier for them to opt out if desired, or require explicit consent before being opted in.

We were particularly pleased to see the PSR put forward its pricing governance remedy. Today, when introducing mandatory new fees or services that cannot be reduced, rebated or opted out from, Visa and Mastercard are unable to provide information on what tangible benefit the party paying the fee is receiving for that fee. Especially when a fee becomes mandatory, the

schemes should be obligated to show the benefit their customers will receive. Mandating the schemes to evidence their pricing decisions will help achieve this outcome, but we would request that this information is also made available to customers, not just to the authorities.

Requiring the schemes to provide understandable information about their fees to merchants and acquirers will help reduce operational costs. Today, Visa and Mastercards do not provide transparency of fees, rates and conditions to merchants directly. Merchants receive an invoice where the acquirer has often grouped fees together and changed the name from the terminology Visa and Mastercard use to reduce the complexity of invoices. However, this results in merchants having limited ability to question, understand, challenge or change practices in order to reduce their fees. If a merchant does not understand the intricacies or have dedicated teams to understand the complexities, it is very easy for merchants to be paying significantly higher fees.



Worldpay





**Worldpay Response -  
PSR CP25/1: Market review of card scheme  
and processing fees remedies**

Privileged & Confidential

August 11, 2025

## Overview

- Worldpay welcomes the opportunity to comment on the Payment Systems Regulator (PSR) [Market review of card scheme and processing fees remedies](#) consultation paper (CP25/1). We understand the PSR is seeking views from the industry on whether its proposed remedies to improve transparency and governance in card scheme fees will help to address issues it identified in its [Market Review of card scheme and processing fees: final report](#) (MR22/1.10) published in March 2025.
- Worldpay is a leading Payment Service Provider (PSP) in the UK payments sector, providing acquiring and money remittance services to merchants of all sizes, from sole traders and microenterprises, small and medium sized businesses/corporates to large enterprises. In 2024, Worldpay processed 10.4bn transactions in the UK worth £385bn.
- Worldpay has reviewed the proposed remedies set out by the PSR in its consultation paper and prepared comments based on its primary business model as a large-scale acquirer in the UK.
- Worldpay is a long-standing member of Visa and Mastercard and this relationship is at the core of our value proposition to merchants. As per previous feedback, and while we value the PSR objective of increased transparency, we have observed recent improvements introduced by both schemes to provide further transparency which seems to be in line with some of the proposals made by the PSR.
- We are pleased that large parts of our previous feedback to the PSR have been considered in the final report and support the transparency objectives behind the proposed remedies. However, we would like to reiterate the need for the PSR to carefully consider how these remedies will be implemented in practice to prevent unintended consequences. As per previous feedback, we are concerned that excessive transparency could lead to unnecessary complexity and further costs for acquirers and merchants.
- In our response, we only address the proposed set of remedies on information transparency and complexity laid out in Chapter 4 of the consultation paper. We do not provide views on remedies linked to regulatory financial reporting, pricing decisions and publication of information as these are specific to the schemes.

## Response

- We are delighted that our feedback has been recognised and overall, we are supportive of the PSR's intention to reduce complexity with scheme fees and further improve the quality of service provided by the schemes to acquirers. We consider the Information Transparency and Complexity (ICT) remedy to be material and mostly aligned with our previous feedback to the PSR on scheme fees.
- We welcome the PSR's decision not to enforce a reduction in services. This promotes a more competitive and efficient market, thereby supporting merchant choice and enabling more dynamic and transparent pricing structures. Similarly, we welcome the PSR's decision not to require schemes to consult stakeholders on every fee change. Although we advocate for improved collaboration, subjecting acquirers to an excessive number of consultations on minor changes could have become unnecessarily resource-intensive and counterproductive in practice.
- We are particularly supportive of the proposed ITC requirement for scheme to provide acquirers with sufficient information to understand existing, changed and new fees and give us 6-month notice prior to any change.
- We welcome the notification requirements as one of the key issues is the recovery of fees linked to late and/or unclear changes in scheme fees. The late or unclear increase in scheme fees are charged to acquirers, but schemes do not always provide them with the appropriate information to be able to recharge the cost to other streams of revenue. We see the benefit of having a formal requirement for schemes to inform the market of potential changes to fees ahead of their implementation. We also consider that 6 months is a strict minimum time period for acquirers to be able to implement the changes.
- Furthermore, we are supportive of the requirements for scheme to respond promptly to acquirers' queries relating to fees and would welcome having measures in place such as Service Level Agreements (SLAs), similar to those existing for acquirers to respond to queries from the schemes. While we have recently seen key improvements coming from the schemes, reasonable SLAs or equivalent commitments could certainly enhance communication. For

example, the schemes could have a standard SLA in place (for example, 3 days) to reply to members' queries, and where it cannot be met, the schemes could have policies in place to update members on progress.

- The PSR should be mindful as to not introduce confusion due to added complexity and unjustified costs by pursuing excessive transparency. Specifically, we are concerned that mandating the schemes to provide information to merchants on fees charged to acquirers might inadvertently increase complexity. The complexities involved in understanding, interpreting, and aligning these fees could outweigh the benefits, leading to confusion and potential competitive disadvantages, especially for smaller entities within the market.
- We respectfully reiterate that the two principal contractual relationships underpinning the current market structure are: (i) between card schemes and acquirers, and (ii) between acquirers and merchants. These well-established legal frameworks provide clarity, accountability, and operational efficiency, ensuring that responsibilities and communication channels are clearly delineated.
- Contractual arrangements between acquirers and merchants may vary depending on the nature of the services provided and the level of information required. Introducing a non-contractual relationship between schemes and merchants risks creating unnecessary complexity, potentially duplicating roles and responsibilities, and undermining the coherence of existing processes.
- We believe that leveraging the current frameworks allows acquirers to continue delivering timely and relevant information to merchants, ensuring they remain informed of any material developments. This avoids the need to introduce an additional layer of communication via the schemes, which we consider both unnecessary and potentially disruptive.
- It remains our view that acquirers should be the main conduit of information between its client merchants and the schemes. The schemes, in turn, should ensure that acquirers are provided with the right type and amount of information to appropriately cascade any fee changes to their merchants. By maintaining these direct relationships, we uphold the value of personalised service and support, enhancing trust and collaboration with our merchants.

- It is unclear how the fees would be presented in the public domain. However, we are concerned that the intricacies involved in presenting these fees in a public domain can create significant alignment challenges for merchants trying to reconcile these published fees with their acquirer pricing structures, billing methods, and descriptions.
- Similarly, this misalignment could result in operational difficulties for acquirers as they would need to establish and maintain a cross-reference between the scheme-published fee information and what they bill merchants. This additional layer of complexity could strain resources and divert attention from core business activities.
- Moreover, some fees are absorbed by acquirers and not passed onto merchants, which could lead to confusion for the merchants. Additionally, certain fees are levied at the acquirer level rather than the merchant level, making it challenging for schemes to accurately publish this information or for acquirers to bill merchants. Examples include fees related to data integrity, fraud and chargeback monitoring programs, and registration fees for third parties or payment facilitators. If the fee descriptor and amount are made public, merchants may struggle to comprehend their implications without a clear understanding of the criteria that trigger these fees. The complex and technical nature of these criteria could be particularly challenging for merchants to understand.
- Such requirement might generate complexity and operational costs for merchants [REDACTED]  
[REDACTED]  
[REDACTED] Merchants may find it challenging to navigate these complexities, as schemes often update clarifications through bulletins, which can lead to outdated information. Merchants would require dedicated resources to continually review these updates and seek clarifications from acquirers and schemes, resulting in siloed conversations which could further complicate their operations. As previously stated, a key role for acquirers is to be the conduit of information between the schemes and the merchants, this is part of our value proposition to merchants to help them navigate complex fees and understand changes to these.

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