

Consultation paper

Market review of card scheme and processing fees

Proposed directions
(Information, transparency and
complexity remedy; Pricing
governance remedy)

December 2025

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 13 February 2026**.

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

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

We will consider your comments when preparing our response to this consultation.

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You can download this consultation paper from our website:

<https://www.psr.org.uk/publications/market-reviews/cp253-market-review-of-card-scheme-and-processing-fees-provisional-decision/>

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Note: The places in this document where confidential material has been redacted are marked with a '[~~]'~~

1 Executive summary

Our market review

- 1.1** In the March 2025 final report of our market review into card scheme and processing fees (MR22/1.10), we concluded that:
- Mastercard and Visa are subject to ineffective competitive constraints on the acquiring side of the market.
 - Mastercard and Visa fail to provide sufficiently clear and detailed information for acquirers about their fees, creating poor outcomes for acquirers and merchants.
 - Fees have risen substantially in recent years, with no clear evidence that new fees are set on the basis of detailed cost analysis, competition or innovation. We have found evidence of Mastercard's and Visa's UK profits that is consistent with a finding that their margins are higher than would be expected in competitive markets. However, in view of the limitations of the data available, we did not consider that we could reach firm conclusions on the schemes' UK profitability.
- 1.2** In April 2025, we published a remedies consultation (CP25/1) setting out four potential remedies to address the above issues and detriment arising from these.
- 1.3** We have decided to implement two of those remedies and are now consulting on the detailed form of the directions we are proposing to make.

Remedies

- 1.4** Having considered stakeholders' submissions in response to CP25/1, and after further analysis and stakeholder engagement, our intention remains to introduce the following remedies:
- **Information, transparency and complexity remedy (the ITC remedy)** to ensure that acquirers, and merchants through their contractual relationship, receive better information to understand the fees they are charged. This is to remedy the schemes' failure to provide sufficient information to acquirers.
 - **Pricing governance remedy (the Pricing Governance remedy)** to ensure that there is evidence behind pricing decisions, a remedy to the current absence of evidence showing how pricing decisions are made.
 - **Regulatory Financial Reporting** to ensure that the PSR has access to suitable data to reach firm conclusions on the profitability of the schemes. We remain committed to progressing this and expect to be ready to consult on a draft direction for this remedy by 31 March 2026.

Remedies we are pursuing

- 1.5** Having considered the submissions received in response to our consultation and in further stakeholder engagement, we have now decided to proceed with the implementation of the ITC and Pricing Governance remedies.

- 1.6** We have engaged with the schemes and other stakeholders to refine these remedies in order to provide clarity to the schemes on what they are required to do, and to remove unnecessary elements that were disproportionate compared to their benefits.
- 1.7** Alongside this document, we have published two draft directions designed to give effect to these remedies (hereafter the proposed ITC Direction and the proposed Pricing Governance Direction).
- 1.8** We are now seeking views from stakeholders on the proposed drafting of the directions, and in particular welcome views from all stakeholders on the practical details of the remedies as set out.

Regulatory financial reporting remedy

- 1.9** We remain committed to progressing a regulatory financial reporting remedy. We expect to be ready to consult on a draft direction for this remedy by 31 March 2026.
- 1.10** We will build on the engagement we have already undertaken with stakeholders to date, to ensure that we have a refined proposal which meets the aims of the remedy in the most effective and proportionate way.
- 1.11** As we identified in the final report, both schemes are international businesses which do not run UK-specific operations or accounts. This, and other specific characteristics of these businesses, create the technical difficulties which we encountered in our market review and which prevented us from reaching a proper understanding of schemes' profitability. The purpose of the regulatory financial reporting remedy is to collect data that lets us reach robust and reliable conclusions on the schemes' profitability, in order to regulate effectively. This is essential to enable us to better assess whether the market for scheme and processing fees works well and, if appropriate, whether future interventions might be needed to promote our statutory objectives.
- 1.12** We have decided to extend our engagement to ensure we can obtain more robust regulatory financial statements, on which we will be able to rely more confidently in the future, without delaying the other remedies we are pursuing.

Remedy we are no longer pursuing

- 1.13** In our remedies consultation (CP25/1) we also proposed a fourth potential remedy, namely the **publication of schemes' information (the publishing scheme information remedy)** to increase transparency and ensure that the schemes are held to account by all stakeholders.
- 1.14** We no longer plan to implement this remedy, which would have required the schemes to publish information about their profitability and pricing decision making. We continue to recognise the importance of transparency in scheme and processing fees. However, responses to our remedies consultation, as well as our further analysis of publication-style remedies conducted by other regulators, indicated that the proposed measures would be neither effective nor proportionate and could have unintended consequences (see Annex 1).

- 1.15** We retain more general powers to collect and assess information from the schemes, including through the other three remedies outlined above, which will give us a better understanding of the market. As we collect and assess this information in the future, we will be able to consider whether and what information and/or analysis should be published to further our statutory objectives. Should we decide to do so, we will follow our usual processes and legal obligations regarding handling confidential information and appropriate engagement with stakeholders prior to publication, including consultation if required.
- 1.16** We have also decided not to pursue certain proposed elements of the potential ITC remedy we consulted on, due to concerns relating to their effectiveness, costs and risks of unintended consequences (see Annex 1).

Consultation process and next steps

- 1.17** This document sets out:
- Our assessment of the ITC and Pricing Governance remedies (Chapters 2 and 3 respectively) and how these have been reflected in the proposed directions;
 - Our assessment of the proportionality of our remedies (Chapter 4);
 - Our assessment of the remedies that we are no longer pursuing (Annex 1);
 - Our cost benefit analysis (CBA) (Annex 2 and Appendix 1);
 - A summary of submissions received in response to our consultation on ITC and Pricing Governance remedies, and further design considerations (Annex 3)
- 1.18** We now seek views on the proposed directions published alongside this document. Please send us your responses by **5pm on 13 February 2026** using the details on page 2.
- 1.19** If we decide to proceed following consideration of responses to this consultation, we will impose on Visa and Mastercard final directions using our powers under section 54(3)(c) of the Financial Services (Banking Reform) Act 2013 (FSBRA). Such directions will be published alongside a final decision including our assessment of responses to this consultation.

2 Information, transparency and complexity

The information, transparency and complexity (ITC) remedy will address our findings made in the final report that Mastercard and Visa do not provide sufficiently clear and detailed information for acquirers to understand the scheme and processing fees they are charged.

ITC remedies

- 2.1** We are consulting on the proposed ITC direction published alongside this document.
- 2.2** Under this proposed direction, from twelve months after it is imposed, each scheme would be required to give acquirers clear and accurate information that enables them to understand the scheme and processing fees they are charged, including existing, new and modified fees. This would enable acquirers to act on relevant pricing information (e.g., by avoiding unwanted optional services or adapting their behaviour to address the costs of behavioural fees). Specifically, the schemes would be required to provide:
- **For ITC1 (existing fees):**
 - a. the minimum information that is necessary for acquirers to understand the nature of scheme and processing fees and how they are triggered
 - b. the minimum information that allows acquirers to perform effective reconciliation of their fees in a relevant billing period
 - **For ITC2 (new and modified fees):**
 - a. the minimum information that is necessary for acquirers to understand new and modified scheme and processing fees and how they are triggered six months before they are implemented
 - b. the minimum information acquirers need to understand the financial impact of new or modified behavioural fees on request and make it available three months before its introduction, or a change is implemented.
- 2.3** In addition, we have included in the proposed ITC direction several provisions to ensure that the information provided under this remedy meets the needs of acquirers, and to enable us to monitor compliance effectively.
- 2.4** For the reasons set out in our CBA (Annex 2), we consider that this remedy should:
- a. reduce the cost to acquirers in understanding and forecasting fees, and making appropriate changes to which services they buy
 - b. enable acquirers to pass on better information to merchants which should in turn help merchants understand fees more easily and avoid unwanted optional services and avoidable behavioural fees

- c. improve acquirers' understanding of how a fee is triggered (and give them access to the transactions or events that have triggered a fee), so that they can more accurately allocate fees to their merchants, avoid any billing errors and better explain charges to merchants.

Our findings and our proposals in the remedies consultation

- 2.5** Insufficiently clear and detailed information affects acquirers' ability to understand the fees they are charged and act on relevant pricing information, including by avoiding unwanted optional services or adapting their behaviour to address the costs of behavioural fees (which is a market failure referred to in our CBA as 'imperfect information').¹ Acquirers' inability to act on this information can also impact their merchants. We concluded that this situation is below the standard that we would expect in a well-functioning market, specifically because it does not serve the interests of service users well.²
- 2.6** In our remedies consultation (CP25/1), we put forward an ITC remedy with four potential components aimed at ensuring that acquirers can understand the fees that they are charged.³
- 2.7** Following the feedback we received, we have decided to only proceed with the first two components (ITC1 and ITC2, described above), and not to proceed with the two other proposals we consulted upon, namely:
- **ITC Proposal 3 (ITC3):** Schemes should respond meaningfully and promptly to acquirers on their fee-related queries.
 - **ITC Proposal 4 (ITC4):** Schemes should provide merchants with information on fees charged to acquirers.
- 2.8** As set out in more detail in **Annex 1**, we are concerned that the imposition by the PSR of prescriptive obligations on how to respond to queries or how to engage with merchants (with whom the schemes generally have no direct customer relationship) might be ineffective, have unintended consequences and therefore be disproportionate. Nonetheless, we welcome any initiative by the schemes to engage with acquirers and merchants to develop processes that would pursue similar objectives. We may revisit these proposals in future, once we have assessed the effects of ITC1 and ITC2 in practice.

Remedies consultation feedback

- 2.9** Following the publication of CP25/1, we received written responses from 19 stakeholders and further engaged with several acquirers, merchants and the schemes through bilateral calls and workshops.

1 See Annex 2.

2 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 1.14.

3 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraphs 4.14 to 4.32.

Views on the ITC remedies' aim and purpose

- 2.10** Acquirers and merchants were generally supportive of our ITC remedies. Mastercard recognised the need to be transparent about the fees they charge.⁴ Visa recognised the need to enable acquirers to enhance their transparency to merchants.⁵
- 2.11** We have reflected carefully on the feedback we received in relation to the risks of unintended consequences raised by a range of stakeholders and decided to refine our proposed ITC1 and ITC2 remedies, as set out in more detail below, while not taking forward ITC3 and ITC4 (for the reasons set out in Annex 1).
- 2.12** We recognise that the two ITC remedies we are pursuing do not directly target merchants. Instead, they focus on the information the schemes provide directly to acquirers who can then pass this information on to their merchants. We consider that this is a more appropriate way to achieve the aims of this remedy as it reflects existing commercial and contractual relationships, with schemes having a direct customer relationship with acquirers and acquirers having a direct customer relationship with merchants (see Annex 1).

ITC1 and ITC2 (existing, new and modified fees): Views on the minimum data to be provided for acquirers to understand the nature of a fee and how a fee is triggered

- 2.13** In our remedies consultation, we consulted on the minimum data we consider necessary for acquirers to understand the nature of a fee and how it has been triggered (in CP25/1 this was referred to as Box 1).⁶
- 2.14** We received strong support from a range of stakeholders which highlighted the need for acquirers to have access to information that enables them to understand what a fee is and why/how it is triggered, including its classification, purpose, rates and units of billing.
- 2.15** We remain of the view that the proposed remedy should specify the minimum information to be provided under ITC1 and ITC2. This will enable acquirers to, among other things, understand a fee's calculation logic, allocate scheme and processing fees to their merchants, choose effectively which optional fees they (and by extension their merchant customers) purchase, and avoid incurring unnecessary behavioural fees. This approach reflects our finding from the final report that the quality of information acquirers receive from the schemes is often insufficient for them to understand behavioural, mandatory and optional fees (which in turn impacts the quality of information that merchants receive).⁷ We found that this is even more the case in the context of complex fee structures, with acquirers finding it difficult to accurately price their offerings to merchants. This requires them to spend time and cost to navigate this complex landscape.⁸
- 2.16** However, having considered the responses we received (including from the schemes), we have refined the minimum information to be required under this remedy to ensure it is

4 Mastercard's response to CP25/1, page 11.

5 Visa's response to CP25/1, paragraph 4.1.

6 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraph 4.16.

7 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.116.

8 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.122.

effective and proportionate, as set out in more detail below and in Annex 3. We have also considered the most appropriate ways for acquirers to receive the information, and how to ensure these requirements remain effective over time.

ITC1 (existing fees): Views on the minimum data to be provided on transactions and events triggering a fee

- 2.17** In our remedies consultation, we consulted on the minimum transaction-level data that acquirers would need to understand fees (in CP25/1 this was referred to as Box 2 information).⁹
- 2.18** Having considered feedback to our consultation, and the support expressed by several acquirers for this aspect of the ITC remedy, we remain of the view that acquirers should receive from the schemes the minimum transaction-level data that allows for an effective reconciliation of the fees they have been invoiced for in a relevant billing period.
- 2.19** This reflects our findings in the final report that acquirers can find it difficult or impossible to accurately price their offerings to merchants,¹⁰ and as a result, they often have to purchase optional services to understand the fees they pay, and can make costly errors such as charging their merchants incorrectly or failing to pass on changes in fees.¹¹ We also found that this may distort their responses to Mastercard's and Visa's price signals.¹²
- 2.20** However, we also heard some challenges associated with this remedy, including that it might result in disproportionate information overload and that it might be operationally challenging to implement.
- 2.21** We agree that information overload through unnecessary granularity and/or operational challenges could significantly undermine this remedy's effectiveness. We expect that acquirers should have appropriate processes to enable reconciliation as part of their own commercial activities (provided they receive appropriate information to do so). As explained in Annex 3, we have simplified the minimum information needed for this purpose. As a result, schemes can meet the minimum requirements by at least providing either a single identifier/reference for each transaction that has triggered a fee or a unique combination of codes that would enable an acquirer to clearly reconcile a fee to the originating transactions.
- 2.22** In addition, while we do encourage the schemes to provide information that is useful to acquirers, for the purposes of the proposed ITC direction, we do not consider it proportionate to mandate the schemes to provide, as suggested by a few acquirers, merchant-level data. In our view, data about the transactions or events that have triggered a fee should be sufficient for acquirers to undertake that further allocation work themselves as part of the acquiring services they provide to their own customers.
- 2.23** Finally, we have considered Visa's view that it is unnecessary to provide transaction level data (and therefore disproportionate to the costs¹³) as fees are not assessed at the

9 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraph 4.17.

10 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.122.

11 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.77.

12 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.78.

13 [3]. We also noted in this context [3].

individual transaction level and that acquirers already have access to the information, tools and support necessary to accurately reconcile the fees they pay for the transaction and non-transaction related services that they consume. Visa submitted that this information, tools and support includes: monthly invoices, the Visa Fee Schedule, the Acquirer Billing Guide, the Visa Analytics Platform and the ability to raise queries to client support teams. In principle we are not opposed to identifying alternative routes to compliance that would be equally effective in achieving our aim of addressing the issues outlined in paragraph 2.19 above. However, we have not yet received an alternative proposal which in our view would be effective and therefore have not included one in the proposed ITC direction. The evidence we have collected to date indicates that the information currently available to acquirers is insufficient to achieve reconciliation on a consistent basis, also noting that the costs of purchasing reports, or seeking information on an ad hoc basis acts as a deterrent. Therefore, the proposed ITC direction requires the schemes to provide certain transaction-level data on the basis that we consider this to be an effective and proportionate way to achieve the aim of this element of the ITC remedy.

2.24 However, in light of Visa's submission, we are inviting views from stakeholders on whether the proposed ITC direction should enable the PSR, on proportionality grounds, to agree to an alternative option for compliance, in circumstances where the PSR considers that such an alternative option would be as effective as the one we have included in our proposed ITC Direction. In practice, that would mean that the ITC direction would enable the PSR, in appropriate circumstances, to allow schemes to choose their preferred compliance method, on the basis that both are effective. This could be achieved either through explicit provisions or building on exemption provisions already set out in the proposed ITC Direction. Obviously, such optionality should only be allowed (and built into the ITC direction) if we can be confident that the alternative is indeed effective in achieving the aims of this element of the remedy. Visa's submission is based on this assumption. In view of this, we are specifically seeking views on whether reconciliation of fees could take place (avoiding costly errors such as incorrectly charging their merchants or failing to pass on changes to fees) with the following information alone (and in what conditions / on what terms such information alone would be sufficient):

- The technical details of the transaction type, product, service and/or event, that trigger an acquirer fee to be due. This could include operational data field positions, values or other technical attributes, in relation to the specific platform or service in question.
- Details of any reporting tools that support this understanding and facilitate reconciliation.
- Acquirers' own internal sources of transaction information.

Question 1: Do you consider that, as an alternative to the approach set out in the proposed ITC Direction, reconciliation could also take place in an effective manner only on the basis of the information outlined in paragraph 2.24? If so, should the ITC direction explicitly provide for optionality between two effective approaches?

ITC2 (new and modified fees): Views on the information to be provided in relation to the expected financial impact of a fee

- 2.25** In our remedies consultation we said the schemes should give acquirers a sample of how their historic transactions would have been affected by a fee change (this sample was referred to as Box 3 in CP25/1).¹⁴
- 2.26** Several acquirers agreed with the aim of this component of the proposed ITC remedy. We remain of the view that enabling acquirers to forecast the impact of new and modified fees is important, as it would allow acquirers to easily and accurately forecast the impact of changes to scheme and processing fees, and act upon it appropriately (including by adapting their behaviour to address avoidable fees). This would address the finding made in our final report that acquirers experience difficulties in understanding, and therefore preparing for changes to fees.¹⁵
- 2.27** Some acquirers suggested alternatives to our proposal in the remedies consultation, while the schemes raised some concerns, in particular the risk of the remedy being overly burdensome. We also acknowledge that under the proposed ITC direction acquirers would receive minimum information to understand a fee (as discussed in previous subsections of this chapter) which should already result in them better understanding the financial impact of a new fee or a fee change (for example, due to having access to the technical specifications of a fee and the conditions that trigger a fee).
- 2.28** Therefore, having considered the range of submissions received on this element of the ITC remedies, our view is that this additional information about the financial impact should not be necessary for all new and modified fees. Instead, we now consider that this additional information should only be required for behavioural fees, as reflected in the proposed ITC direction. This reflects our finding in the final report that behavioural fees are often more complex to understand.¹⁶ We therefore believe that additional personalised support is necessary to enable acquirers to consistently understand the actions they and their merchants can take to avoid or mitigate them.
- 2.29** In Annex 3 we provide a summary of stakeholder feedback and explain how we have further refined our approach to this element of ITC2. In view of the above, in our proposed ITC direction we have refined the requirement to provide information on the financial impact of new and modified fees, and have limited its scope to behavioural fees.

14 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraph 4.24.

15 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.45.

16 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.59.

ITC 2 (new and modified fees): Views on the appropriate notice period for new and modified fees

- 2.30** In the remedies consultation, we proposed that the schemes should give acquirers information about new and modified fees at least six months before they implement them.
- 2.31** We received strong support from a range of acquirers, merchants and trade bodies representing merchants (see Annex 3) for our proposal. Submissions from these stakeholders indicate that acquirers need six to nine months to plan and implement the necessary system changes, and communicate fee impacts effectively to merchants.
- 2.32** The schemes should give acquirers the minimum information to understand the nature of a new or changed fee so as to be able to take the necessary steps to react or raise queries with the schemes. Having considered responses to our consultation, we consider that a notice period of six months before fees are introduced or amended is appropriate (subject to the exceptions outlined in Annex 3), and this has been reflected in the proposed ITC direction.

Scope of ITC1 and ITC2 (materiality threshold)

- 2.33** In our remedies consultation, we envisaged ITC1 and ITC2 applying to all fees charged to acquirers.
- 2.34** [~~2.34~~], Visa argued that providing information across all Visa fees and billing lines would entail a significant administrative and compliance burden on Visa. Visa submitted this would have limited benefit to acquirers, given the existing tools and resources already available for all fees. These tools and resources include the Visa Fee Schedule, which includes fee definitions for Visa's billing lines that acquirers may incur, as well as the ability to raise queries to client support teams if the suite of available information does not address acquirers' needs. In order to remain proportionate, Visa argued that we should introduce a materiality threshold, suggesting that we adopt a tiered approach as follows, based on fees paid by acquirers in aggregate in respect of UK merchant transactions. Visa noted that the aggregate level at which these materiality thresholds are set should be considered within the context of the UK market, where there are over 120 acquirers operating:
- ITC1 (existing fees) would not apply with an aggregate impact of less than USD 250,000 per billing line per year in respect of UK acquirer revenue.
 - ITC2 (new and modified fees), would apply to fees whose introduction or change:
 - results in them becoming part of the set of fees which in aggregate accounts for the vast majority (~~95~~%) of the scheme and processing fees that UK acquirers pay on average (as set out below), and/or
 - is expected to result in additional charges (in aggregate) to acquirers (in respect of UK acquirer revenue) above a threshold of USD [~~250,000~~] per year.
 - Certain aspects of ITC1 and ITC2, including the provision of the technical specifications requirement of all fees and the provision of the minimum information that allows acquirers to perform effective reconciliation of their fees in a relevant billing period, would only apply to fees with material impact. For example, this could apply to fees which, in aggregate, accounted for the vast majority (~~95~~%) of the scheme's total scheme and processing fees revenue that UK acquirers paid in the most recent full year prior to the draft direction coming into effect.

- 2.35** Mastercard did not propose the introduction of a materiality threshold for our ITC remedy.
- 2.36** We consider that, to the extent that schemes charge a fee to acquirers, they should provide them with the minimum information that enables acquirers to understand what that fee is, what triggers it and how to reconcile it. As explained earlier in this chapter, we have refined the ITC remedy to ensure that this minimum information includes what is necessary and proportionate to achieving the remedy's aims. We also note that the ITC remedy seeks to address issues relating to the lack of consistency and uniformity across fees.
- 2.37** That said, we are also mindful that we should not be imposing an unnecessary implementation burden on the schemes and help focus their resources and efforts where they would have the greatest impact.
- 2.38** Therefore, in reaching a view on the appropriateness (and level) of a materiality threshold, we sought to balance the costs and benefits of doing so.
- 2.39** To the extent that certain fees have limited or negligible user impact, we believe it would not be proportionate to mandate the schemes to undertake this additional work given that the costs to the schemes may outweigh negligible benefits to acquirers.
- 2.40** We also considered the risk of unintended consequences associated with a materiality threshold. This includes a risk of additional complexity for the PSR, schemes and stakeholders and distortion of incentives for the schemes. For example, it might create an incentive for the schemes to have more low-value fees rather than fewer fees that would cross the materiality threshold (leading potentially to increased complexity for acquirers).
- 2.41** In view of the above, we have decided to include in the proposed ITC direction a materiality threshold provision. However, having balanced the considerations set out above, and based on the evidence available to us, we consider it appropriate to limit the scope of that materiality threshold to the ITC2 component of this remedy, and only for mandatory and optional fees (excluding behavioural fees from the scope of the materiality threshold).
- 2.42** In reaching this view, we considered that:
- a. One of the key benefits of the ITC remedy is to help acquirers better understand complex fees, and therefore the application of a materiality threshold should be dependent on the inherent complexity of fees and/or on the benefits of receiving additional information for those fees. On that basis we consider it appropriate to exclude behavioural fees from the application of the materiality threshold due to the complexity of these fees (and the higher benefits of having clear information). We also considered the implementation challenges and the additional costs of monitoring compliance that would arise from applying a materiality threshold to behavioural fees (due to the difficulty of forecasting revenues for behavioural fees).
 - b. Bearing in mind the aim of this remedy to provide consistent information across acquirers' fees, our view is that the requirement under ITC1 should not be subject to a materiality threshold.
 - c. While giving six-months' notice of new or modified fees under ITC2 enables acquirers to take steps in preparation for these changes and to act upon this information, we consider that the likelihood of acquirers doing so (and therefore the benefit) will be negligible for small fees which represent a small amount of net revenues for each

scheme (hence an even smaller cost to individual acquirers). Our view is that fees generating a total net revenue under £100,000 would fall within that category.

2.43 With respect to the specific levels put forward by Visa in its proposal, we consider that:

- Bearing in mind the aim of this remedy to provide consistent information across acquirers' fees, our current view is that the levels proposed by Visa are too high, would exclude too many fees (by number and value) and, as a result, would undermine the effectiveness of our ITC remedy.
- Specifically on the [~~2~~] % revenue threshold proposed by Visa, we note that such a threshold would mean that a large number of fees (by number but also in terms of total revenues as these would account for more than £[~~2~~] million for both schemes) would be excluded from the scope of this remedy, which would materially undermine its aim of achieving consistency across fees.

2.44 We acknowledge that these views were reached on the basis of our current evidence and that adjustments to the drafting of the proposed ITC Direction might be appropriate either in response to this consultation or in future as a result of ongoing monitoring and evaluation of the direction. We welcome views (and evidence supporting these views) from all stakeholders on the level of the materiality threshold as set out in the proposed ITC direction. As set out in Annex 2 we invite stakeholders to explain whether their views on costs and benefits vary between different components of the proposed ITC direction (for example, whether certain information is more costly for the schemes to provide or less relevant to acquirers and merchants in relation to lower-value fees, and if so at what value).

2.45 We also envisage that further limited exemptions might be given in future to ensure that our approach remains proportionate over time, and have reflected this in the drafting of the proposed ITC direction.

Question 2: Do you agree with the scope of the materiality threshold included in the proposed ITC Direction, including limiting it to ITC2 (mandatory and optional fees) and its level? Are there any likely unintended consequences we should consider?

Implementation timelines and monitoring

2.46 In order to implement this remedy, the proposed ITC direction requires the schemes to review the information they already provide to identify the changes that the schemes need to make to be fully compliant with the proposed ITC direction. As part of this exercise, the proposed ITC direction requires the schemes to engage with acquirers and to take into account their feedback in assessing how to comply with the requirements of this remedy. We believe that this engagement is important to ensure that the schemes provide, in a clear and effective manner, the information acquirers need to understand fees.

2.47 Having considered the systems and process changes needed to comply with ITC1 and ITC2, and to allow sufficient time for meaningful engagement with acquirers, we consider that twelve months from our final decision is an appropriate period for implementation.

2.48 Finally, the proposed ITC Direction contains several provisions designed to enable the PSR to monitor compliance and evaluate the effectiveness of this remedy. For example, it includes a requirement to provide the PSR with annual compliance reports and to retain relevant documents which the PSR can request in future.

3 Pricing governance

The Pricing Governance remedy is designed to address our finding that the schemes do not keep clear records of the factors informing pricing decisions. This will ensure the PSR can rely upon contemporaneous evidence to assess the reasons behind pricing decisions and how certain considerations (directly relevant to an assessment of prices) are taken into account.

Pricing Governance

- 3.1** We are consulting on the drafting of the proposed Pricing Governance direction published alongside this document.
- 3.2** Under the proposed Pricing Governance direction, each scheme will be required, in relation to relevant decisions to change existing, or introduce new, scheme and processing fees for acquirers, to:
- a. Pay due regard in its pricing decisions to the Pricing Decision Principle (as defined in the proposed Pricing Governance Direction).
 - b. Compile records setting out the reasons underpinning these fee decisions, and how it has complied with the Pricing Decision Principle.
- 3.3** In addition, we have included in the proposed Pricing Governance Direction several provisions to enable us to monitor compliance effectively, including a requirement to put in place (and keep under review) appropriate compliance processes and annually provide a compliance report to the PSR. Finally, to provide an ongoing overview of Acquirer Fee Decisions, we are proposing to require the schemes to annually provide an overview of their Acquirer Fee Decisions.
- 3.4** For the reasons set out in Annex 2, we consider that this remedy should be effective in addressing the regulatory information gap we identified in the final report.

Our findings and our proposals in the remedies consultation

- 3.5** In our final report, in relation to pricing market outcomes, we concluded that:¹⁷
- a. Mastercard and Visa revenues from scheme and processing fees rose very substantially in recent years.
 - b. The balance of scheme and processing fees falls on the acquiring rather than the issuing side.

17 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraphs 6.103 to 6.110.

- c. Our econometric analysis found average acquirer fees for mandatory services increased substantially in recent years.¹⁸
- d. Our analysis of a specific set of fee changes found very limited evidence that new fees are driven by cost changes. However, our understanding of the drivers of fee changes was limited, as Mastercard and Visa do not consistently record in writing all the factors considered by decision-makers when approving fee changes.
- e. In the context of a lack of effective competitive constraints, the ‘value-based’ pricing that the schemes refer to is not an outcome of competition but only reflects customers’ willingness to pay and therefore is focused on the schemes’ own financial performance.

3.6 In the market review, we explained that we are concerned about the potential user harm in view of the significant rise in fee levels charged to acquirers over the last few years, noting the lack of competitive constraints on that side of the market. However, the poor pricing records limit our ability to assess fee drivers and whether Mastercard and Visa are setting prices contrary to user interests (we describe this in our CBA as the regulatory information gap). The aim of the proposed Pricing Governance remedy is to address this issue and ensure clear records of the factors informing pricing decisions are maintained.

3.7 In the remedies consultation, we proposed a Pricing Governance remedy to address these concerns, comprising requirements for the schemes to:¹⁹

- a. ‘pay due regard’ to three pricing principles when changing or introducing fees (a pricing decision). These pricing principles were described as system outcomes (Principle 1), service users’ interests (Principle 2), and reasonableness (Principle 3).
- b. to produce a record for pricing decisions, including demonstrating how they have paid due regard to the pricing principles.

Remedies consultation feedback

3.8 Following the publication of our remedies consultation, we received written responses to our consultation from 12 stakeholders in relation to this remedy and our overall remedy package, set out further in Annex 3.

Views on the Pricing Governance remedy’s aim and purpose

3.9 The aim of this remedy is to address a regulatory information gap in relation to the schemes’ pricing practices on the acquiring side of the market, while also setting out how we expect Mastercard and Visa to account for user interests when setting prices.

3.10 We received support from non-scheme stakeholders on our proposed Pricing Governance remedy, but some were concerned that our remedies package (including regulatory financial reporting (RFR)) does not go far enough. We have also considered the feedback from the schemes. While we do not agree that our proposals are unnecessary or disproportionate, having considered stakeholders views, we have refined our approach to this remedy to

18 While controlling for transaction mix, value and volume.

19 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraph 1.12.

eliminate unnecessary burden and ensure it is effective in addressing its specific aim - to enable us to better understand how the schemes make decisions on fees to acquirers.

3.11 As set out in Annex 2, we consider that this remedy will ensure that the PSR can obtain better evidence of the drivers behind decisions taken by the schemes in relation to acquirers' fees, including how the schemes have paid due regard to service users' interests in reaching such decisions. In the course of our market review, the insufficient availability of this type of evidence hampered the PSR's ability to understand the reasons behind the significant increase in fee levels observed in the last few years, and therefore both any additional services that might have been associated with any increase and the PSR's ability to gauge whether more direct regulatory interventions might be appropriate. As we continue to monitor this market, we will consider whether to revisit these issues. Within that context, we believe that evidence produced under this remedy (especially if combined with our proposed RFR remedy) will enable us to make a more informed assessment of the level of fees, and, if appropriate, make more informed regulatory decisions in future, thereby reducing the risk of regulatory failure.

Pricing records and pricing principle(s)

3.12 In the remedies consultation, we set out that each scheme would have to produce and maintain records for all pricing decisions affecting UK users. We further set out that each scheme would have to pay due regard to three distinct pricing principles as part of the fee decision making process, and demonstrate how it has done so through the pricing records. Each principle stipulated that the schemes must pay it due regard and our expectation that this would require more than a superficial consideration of the principle.²⁰

3.13 We received broad support from stakeholders, while the schemes raised concerns about the burden this remedy may have on them (see below our discussion of a materiality threshold).

3.14 We remain of the view that requiring the schemes to create a contemporaneous record setting out the reasons for their decisions will tackle our final report finding.

3.15 The Pricing Governance remedy will also include requirements to ensure that each Decision Record will include detail on such considerations which we consider particularly relevant to enable us to assess whether these pricing decisions serve the interests of service users.²¹

3.16 However, having considered the responses to our consultation, we now consider that the aims of the Pricing Governance remedy can be best achieved by requiring the schemes, as part of their decision making, to 'pay due regard' to a single principle, focused around user interests (the Pricing Decision Principle), rather than three distinct principles as envisaged in our remedies consultation.

3.17 In reaching this view, we have been mindful that there is an overlap between 'service users' interests' and 'system outcomes', and that requiring the schemes to apply more

20 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraphs 6.20 to 6.22 (Principle 1), 6.23 to 6.26 (Principle 2), 6.27 to 6.30 (Principle 3) and 6.31 to 6.33 (application of the principles).

21 As set out in Annex 2, there is a possibility that the Pricing Decision Principle, combined with the PSR's increased ability to monitor pricing practices arising from this remedy package, has the potential to affect the schemes' behaviour (e.g. due to incentives to align with the regulator's expectations), and potentially lead to lower fees than would otherwise prevail. However, the materiality of any such effect is uncertain, and we did not put weight on this in our cost benefit analysis.

than one principle may leave them uncertain about the PSR's expectations, thus leading to less effective implementation, compliance, monitoring and – if required – enforcement. We also consider that 'reasonableness' in the context of this remedy is best understood through a single lens – users' interests. In response to the schemes' submissions on costs and Principle 3 (reasonableness), this remedy will not create a requirement to set prices in relation to costs or any other factor. The schemes will, however, be required to explain whether every fee decision relates to specific costs or cost changes, and other factors, and the weight attributed to these factors in the decision-making process. For example, as set out in Annex 1 to the draft Pricing Governance Direction, we would expect the schemes to confirm whether or not considerations such as cost and quality, including changes in cost and quality, have informed their pricing decisions. We consider that, taken together, these requirements will be a more effective way to achieve the aim of our remedy to address a regulatory information gap.

3.18 In order to provide clarity to the schemes on the expectation regarding the Pricing Decision Principle, we have sought to set out in Annex 1 of the proposed Direction relevant considerations to be taken into account under the Pricing Decision Principle. For example, the schemes are required to:

- a. assess and consider the financial impact of an Acquirer Fee Decision on all users (including specific classes of users, for example smaller acquirers), for all fees
- b. consider questions on the effectiveness and cost of all behavioural fees
- c. consider whether the service is being designed on an opt-in or opt-out basis, and the reasons why, for optional fees
- d. consider whether competition, or investment and innovation is leading to specific service improvements for users.²²

3.19 We are aware of the risk that the Decision Records do not accurately reflect pricing decisions. Through our supervisory approach, we will seek to ensure that appropriate Decision Records are prepared by the schemes and we have included in the draft Pricing Governance Direction a number of provisions to facilitate effective monitoring.

3.20 We set out further our thinking on the expected outcome and benefits of the remedy in Annex 2.

Views on the scope of the Pricing Governance Remedy

3.21 In the remedies consultation, we said this remedy would apply to all decisions made by Mastercard and Visa to introduce or change UK scheme and processing fees. Within that context, we sought views on whether it would be appropriate to apply a materiality threshold to limit the scope of the remedy.

3.22 As set out in Annex 3, we received a range of responses. The schemes were in favour of a materiality threshold, some stakeholders submitted that the remedy should apply to all

²² For example, we are requiring Mastercard and Visa to explicitly demonstrate whether and how specific service improvements are linked to fee changes and new fees, in order to address concerns from stakeholders that recent fee increases were not associated with commensurate improvements in service quality or increases in the value that they receive from the schemes' services.

fees, while others recognised that it might be proportionate to apply a threshold. One trade association suggested that it should be tiered (using a combination of metrics).²³

3.23 In assessing the appropriate scope of the proposed remedy, we sought to ensure that the burden on the schemes is proportionate to the benefits, and therefore that the remedy only applies to the extent necessary and proportionate to achieving its aim.

3.24 Having considered stakeholders feedback, we reached the view that the remedy should:

1. apply to the acquiring side of the market only
2. apply to all fee categories
3. Exclude fees below a certain revenue threshold

3.25 *Only the acquiring side of the market:* Having found that Mastercard and Visa face some competitive constraints on the issuing side of the market²⁴, and having focused in the market review on fees charged to the acquiring side, we think that applying this remedy to issuing fee decisions goes beyond the aim of this remedy.

3.26 *All fee categories:* We do not agree with the suggestion made in response to our consultation that optional fees which are subject to some competitive pressure should be excluded from the remedy. While the lack of competitive constraints was one of the market failures identified in our final report, since Mastercard and Visa have varying degrees of constraint across their optional services²⁵, we consider it important for us to understand the extent to which competition may or may not drive pricing decisions across fees. For example, we would want to understand if a scheme is introducing an optional service in direct response to competitive pressure from the other scheme or an alternative provider or simply as an innovative new offering. As such, excluding optional fees (or a subset thereof) from the remedy would undermine the expected benefits set out in Annex 2. Finally, we are concerned that excluding optional fees from this remedy might have distortive effects on how pricing decisions are made.

3.27 *Exclusion of fees below materiality threshold:* For the reasons set out below, we consider it appropriate to exclude from the scope of the substantive requirements decisions relating to fees that are expected to generate less than £100,000 of net revenues per year.

3.28 The Pricing Governance remedy seeks to ensure that Mastercard and Visa are clearly and contemporaneously documenting all reasons behind fee decisions, including how certain considerations (directly relevant to an assessment of prices by a regulator) are taken into account. This is to ensure, as set out in Annex 2, that the PSR is able to rely in future on such documentation to better understand fee decision making, trends in the market, and the appropriateness of the overall level of acquirers' fees and the schemes' profitability (see paragraph 3.11).

3.29 The materiality threshold included in the proposed Pricing Governance Direction is set by reference to the expected annualised revenue impact a fee decision is likely to have. This is because fees generating a small revenue for schemes (and therefore an even smaller

23 Stakeholder response to CP25/1 [↗].

24 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 1.15.

25 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 1.10.

level of costs to acquirers) might not be particularly relevant in assessing the appropriateness of the overall level of fees and profitability.

- 3.30** In assessing the appropriate level for the materiality threshold, we considered in particular the number of annual pricing decisions (and how different levels of materiality threshold would affect the practical scope of this remedy). This and the marginal cost of implementing the remedy per decision are important factors in determining whether our approach is the most proportionate way to effectively achieve our aim.
- 3.31** We asked Mastercard and Visa for a list of all fee changes and new fees affecting UK acquirers implemented between 2022 and 2025, and the expected annualised net revenue impact of each. From this, Visa amended or introduced [redacted] fees, which gives an average of [redacted] decisions per year and Mastercard amended or introduced [redacted] fees, which gives an average of [redacted] decisions per year over this period. We calculated that a threshold of £0.1 million narrows the scope to [redacted] fee decisions for Visa and makes no change to Mastercard. A threshold of £0.5 million narrows the scope to [redacted] fee decisions for Visa and [redacted] fee decisions for Mastercard. A threshold of £1 million narrows the scope to [redacted] fee decisions for Visa and [redacted] fee decisions for Mastercard.
- 3.32** While we recognise that a higher threshold would reduce the number of fee decisions captured by this remedy and therefore reduce the (variable) costs of this remedy, it would also reduce the availability of evidence to carry out the assessment described above. The proposed materiality threshold seeks to exclude fee decisions with a negligible or limited user impact, which may therefore be of limited relevance to the PSR in terms of assessing whether scheme and processing fees are set at appropriate levels.
- 3.33** In our assessment we also considered the risk of unintended consequences associated with a materiality threshold. This includes a risk of additional complexity for the PSR and the schemes and a distortion of incentives for the schemes. For example, it might create an incentive for the schemes to make lower, incremental, but more frequent pricing decisions in order to circumvent a materiality threshold based on a revenue threshold.
- 3.34** On balance, we consider that a materiality threshold set at £100,000 will ensure that the remedy is effective in generating sufficient contemporaneous evidence necessary to achieving our aims under this remedy, while mitigating costs and risks of unintended consequences.
- 3.35** We also envisage that further limited exemptions might be given in future to ensure that our approach remains proportionate over time, and have reflected this in the drafting of the proposed Pricing Governance Direction.

Question 3: Do you agree with the scope of the materiality threshold included in the proposed Pricing Governance Direction? Are there any likely unintended consequences we should consider?

Views on governance and compliance processes

- 3.36** In our remedies consultation, we proposed several requirements relating to the governance processes of each scheme, including setting up appropriate structures of governance and appointing a senior responsible manager with overall responsibility.
- 3.37** Having considered stakeholders' responses, we remain of the view that the approach outlined in the consultation is appropriate. While we note the suggestion from an acquirer

that the PSR should review a scheme's evidence before it changes a fee, we consider that it would not be appropriate to set up a remedy through which the PSR would monitor on an ongoing basis individual pricing fee decisions, nor to give customers access to confidential information about the schemes' decision making.^{26,27} This in our view would go beyond the specific aim of this remedy, i.e. addressing the regulatory information gap, and ensuring that in future the PSR is able to make more informed assessments of price levels, and if appropriate, take more robust regulatory interventions (see paragraph 3.11 and Annex 2).

- 3.38** We acknowledge the schemes' submission that they may set fees to acquirers on a non-UK basis. We still expect them, however, to keep accurate records of fee change events affecting UK users and pay due regard to their interests. We have embedded flexibility into the draft direction on how this can be done.
- 3.39** In view of the responses from stakeholders, we have refined and fleshed out in the proposed ITC direction our approach to compliance governance. This is set out in more detail in Annex 3.
- 3.40** The proposed Pricing Governance direction sets out that decisions made from four months from the publication of final directions as part of our final decision on remedies will need to be compliant (even if the decision-making process started before that date). As a result, all of the implementation steps (including setting up and notifying the PSR of compliance processes) will need to be taken by then.

26 The PSR may, however, in future decide to use information it gathers, including through this remedy, for further assessing the levels of fees in the market and as appropriate publish its assessment (see in Annex 1 our discussion of the publication remedy).

27 As set out in our remedies consultation, we decided not to progress the mandatory consultation proposal: CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraph 3.22.

4 Proportionality of our remedies and considerations of regulatory requirements

4.1 Section 53 FSBRA sets out the regulatory principles which we must have regard to when exercising our general functions relating to payment systems. As per 3.5 of the PSR's Powers and Procedures Guidance, we consider that these regulatory principles are also relevant when we are performing any other functions under FSBRA.²⁸ These regulatory principles include in particular: the efficiency principle;²⁹ the proportionality principle;³⁰ the desirability of sustainable growth;³¹ and the transparency principle.³²

Proportionality of our remedies

4.2 In considering proportionality we consider whether each remedy is:

- Effective in achieving its legitimate aim;
- No more onerous than it needs to be to achieve that aim, and the least onerous remedy if several equally effective measures have been considered; and
- Does not produce adverse effects which would be disproportionate to the aim pursued.

4.3 For the reasons set out in this document and summarised below, we consider that the remedies are each proportionate to the aims they pursue.³³

Proportionality of our ITC remedy

4.4 *Is effective in achieving its legitimate aim:* We consider our ITC remedy will be effective in achieving our aim of ensuring that acquirers (and ultimately merchants through their commercial relationships with acquirers) receive better information to understand the fees they are charged. This should reduce costs to acquirers (and ultimately benefit merchants).³⁴

28 See sections 3.3 to 3.5 of the PSR's Powers and Procedures Guidance (June 2024) which explains that when performing functions (including non-general functions) under FSBRA, we will have regard to our statutory objectives, to financial stability, and to the regulatory principles set out in section 54 FSBRA.

29 The need to use the resources of each regulator in the most efficient and economical way - section 53(a) FSBRA.

30 The principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction - section 53(b) FSBRA.

31 Section 53(c) FSBRA.

32 The principle that the regulators should exercise their functions as transparently as possible - section 53(h) FSBRA.

33 We further note that some of the remedies we consulted upon are not being progressed on proportionality grounds (see Annex 1).

34 In reaching this view, we take into account the analysis set out in Chapter 2 and in our CBA (see Annex 2).

4.5 *Is no more onerous than needed to achieve that aim / the least onerous if there is a choice:* We do not consider that other measures could be equally effective in achieving the remedy's aim. We have significantly refined the scope of our ITC remedy in light of scheme and acquirer feedback to remove elements unnecessary to achieving the remedy's aim.³⁵

4.6 *Does not produce adverse effects which are disproportionate to the aim pursued:* The remedy is net beneficial (see Annex 2). In designing the remedy we have sought not to create distinctions or potential distortions between acquirers.

Proportionality of our Pricing Governance remedy

4.7 *Is effective in achieving its legitimate aim:* We consider that our Pricing Governance remedy will be effective in achieving its specific aim of ensuring pricing decisions are appropriately evidenced, while also setting out how we expect Mastercard and Visa to account for user interests when setting prices. This information will enable the PSR to understand, through contemporaneous evidence and documentation, the drivers and impact of specific fee changes and use this information in future work.³⁶

4.8 *Is no more onerous than needed to achieve its aim / the least onerous if there is a choice:* We do not consider that other measures could be equally effective in achieving the remedy's aim. We leave significant discretion to the schemes regarding how to compile Acquirer Fee Decision Records, only setting out minimum requirements.³⁷

4.9 *Does not produce adverse effects which are disproportionate to the aim pursued:* The proposed remedy is net beneficial (see Annex 2) and will bring benefits over time which we consider to be significant enough to justify the relatively low implementation costs, while not producing unintended consequences such as adverse effects on innovation.

Other relevant regulatory principles

4.10 Taking into account the above, the findings made in our final report and the expected outcomes and benefits outlined in Annex 2, and having considered the regulatory principles set out in Section 53 FSBRA, we consider that the ITC direction and the Pricing Governance direction:³⁸

- would be effective in pursuing the PSR's statutory objectives of promoting effective competition and ensuring that payment systems are operated in a way that takes account of, and promotes the interests of, those who use them;

35 Including by not progressing proposals such as ITC3 and ITC4.

36 In reaching this view, we take into account the analysis set out in Chapter 3 and in our CBA (see Annex 2).

37 While other potentially effective remedies were explored – including ongoing scrutiny of pricing decisions – we did not propose such remedies, as they would have been materially more burdensome for the schemes and the PSR.

38 Having had regard to the other regulatory principles set out in section 53 FSBRA (d to g), we have reached the view that the proposed direction does not conflict with any of these principles. We also consider that the PSR has exercised its functions as transparently as possible by undertaking a three-year market review and consulting extensively with the schemes and other stakeholders. We do not consider that our proposed remedies will have an impact on financial stability, confidence in the UK financial system, or the performance of functions by the Bank of England in its capacity as a monetary authority.

- are consistent with supporting sustainable growth in the economy of the UK (see in particular the section 'Impact on economic growth' in Annex 2);
- represent an efficient use of our resources in view of the impact of the proposed requirements.

Monitoring and evaluation

4.11 We have also considered, as part of our assessment of proportionality and effectiveness, how we will monitor and evaluate the efficacy of these remedies:

- *ITC*: We plan to review the schemes' compliance reports and we will monitor effectiveness through engagement with acquirers to understand whether the prescribed information is being provided, and at a level that effectively addresses our concerns. Through these mechanisms we will consider whether further intervention or refinement to the ITC remedies are necessary.
- *Pricing Governance*: we will receive annual compliance reports, as well an annual overview summarising relevant fee changes over the past year. We will engage with the schemes through our supervisory relationship to ensure that compliance is effective and we envisage reviewing a sample of Acquirer Fee Decision Records to ensure appropriate implementation of the remedy.

4.12 Beyond compliance, we will monitor the effectiveness of any requirements we formalise in specific directions. We plan to review our interventions in line with best practice as set out in the FCA rule review framework.³⁹

³⁹ As set out in HM Treasury's consultation, A Streamlined Approach to Payment Systems Regulation, the government intends to abolish the PSR and consolidate its functions primarily within the FCA. Within that context, the government is proposing that the FCA should have powers for when it acts in relation to payment systems that are broadly equivalent in scope and substance to what the PSR currently has. As a result, we expect the FCA, in due course, to take over responsibility for monitoring and evaluating these remedies.

Annex 1

Remedies we are no longer pursuing

This annex sets out remedies that we considered in CP25/1, have already consulted on, and are not taking forward.

Publishing scheme information

The remedy as proposed in our remedies consultation

- 1.1** In our remedies consultation (CP25/1) we proposed a two-part remedy to increase transparency and ensure schemes could be held to account by all stakeholders.
- 1.2** We considered that increasing transparency could mitigate the effects of lack of competitive constraints on the schemes through reputational effects, and could act as reputational incentive on the schemes' pricing behaviour. It could also enable stakeholders to identify and bring issues to our attention and effectively contribute to the regulatory regime. We proposed to publish the information on our website and to also require the schemes to publish relevant information.

Responses to our remedies consultation

- 1.3** Both schemes opposed the introduction of a publication remedy as set out in the remedies consultation. They questioned the basis for such a remedy as well as its proportionality.⁴⁰ Mastercard recognised the importance of transparency where it is useful, proportionate and targeted to stakeholder needs,⁴¹ but Mastercard questioned whether it was relevant for stakeholders such as SMEs and cardholders.
- 1.4** Amongst non-scheme respondents, there was general support for enhanced transparency.⁴² One acquirer recommended additions beyond the scope of the remedy as set out in the remedies consultation, such as the disclosure of gross and net fees for both acquirers and issuers.⁴³

40 Visa and Mastercard's responses to CP25/1. Visa, pages 17 and 18; Mastercard, page 38.

41 Mastercard's response to CP25/1, page 41.

42 Stakeholder responses to CP25/1 [↗].

43 Stakeholder response to CP25/1 [↗].

- 1.5** A number of stakeholders⁴⁴ suggested that any publication should be supported by an assessment of changes from year to year. This included the recommendation that the PSR should publish an annual update to its market review findings, an annual ‘State of the Market’.⁴⁵
- 1.6** However, an acquirer and a trade association representing financial services firms both expressed a material concern that such a remedy could hinder regulatory relationships⁴⁶ and could impact our ability to obtain detailed voluntary feedback in future reviews or consultations.⁴⁷

Our assessment

- 1.7** After considering stakeholder feedback to our remedies consultation (CP25/1), we have decided not to proceed with the publishing scheme information remedy. We continue to recognise the importance of transparency in scheme and processing fees. However, responses to our remedies consultation and our further analysis of publication style remedies conducted by other regulators have convinced us that we should not pursue the remedy as set out in the remedies consultation. This is because:
- It would not be the most effective route to achieve this aim, and could cause unintended consequences, such as stakeholders misinterpreting data in the absence of relevant context.
 - In the specific circumstances of this market it would be difficult to set up a publication requirement that appropriately manages the handling of confidential information, which in turn might exacerbate these concerns around effectiveness and the risk of unintended consequences.
- 1.8** Our analysis of publication style remedies by other regulators indicates that these are likely to be most effective in situations where there is either a threat of enforcement action, a reputational risk or an ability for customers to act upon the information (e.g. by switching). However, we found in our final report that both schemes are ‘must take’ for acquirers and merchants and it is unclear at this stage how to design a publication remedy that would generate better incentives on schemes and stakeholders.
- 1.9** However, as we receive information as a result of other remedies we are currently progressing (including regulatory financial reporting), we will be able to assess and analyse this information. At that point, we will be able to consider whether it is appropriate, as part of furthering our statutory objectives, to publish PSR analysis that relies on this information (which may be in combination with other information and analysis available to us through other regulatory and supervisory activities in relevant markets). Specifically, this would enable us to better consider not only the content but also the format of such publications in order to achieve our aims in the most efficient and impactful manner. It would also make it easier to deal appropriately with legitimate confidentiality and commercial considerations.
- 1.10** As the PSR already has flexible powers to publish reports under FSBRA, we do not consider it necessary to set up a specific regime as part of this remedy process, but intend

44 Stakeholder response to CP25/1 [↗].

45 Stakeholder response to CP25/1 [↗].

46 Stakeholder responses to CP25/1 [↗].

47 Stakeholder response to CP25/1 [↗].

to rely instead on our existing powers. If we were to decide to publish data from these remedies, we would follow a clear process involving engagement with the schemes and the wider industry, as appropriate.

Information, transparency and complexity

1.11 In our remedies consultation, as part of the ITC remedies package, we consulted on the following ITC proposals:

ITC Proposal 3 (ITC3): Schemes should respond meaningfully and promptly to acquirers on their fee-related queries.

ITC Proposal 4 (ITC4): Schemes should provide merchants with information on fees charged to acquirers.

1.12 We also asked for views on whether reducing the number of fees the schemes charge is desirable, and how we could do this while minimising unintended consequences.⁴⁸

1.13 In the sections that follow, we set out the feedback received on these remedy proposals and our assessment.

ITC 3: fee-related query responses

1.14 In our remedies consultation, we proposed that schemes should respond meaningfully and promptly to acquirers on their fee-related queries. To achieve this, we envisaged that the schemes would, as a minimum:

- offer acquirers an option of raising fee-related queries through a centralised method, ensuring a single port-of-call
- provide a resolution – or, for more complex queries, a meaningful response – within three working days
- not close query tickets without the acquirer’s agreement

1.15 We received support for ITC3 from acquirers, merchants, two trade bodies representing merchants, and another trade association.⁴⁹ One acquirer noted that improved responsiveness would help acquirers to plan and allocate resources, with merchants receiving clearer and more timely explanations of changes affecting their pricing.⁵⁰ A trade association representing merchants argued that, 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.⁵¹

1.16 That said, two acquirers noted that a strict timeframe may risk the schemes providing inaccurate or holding responses purely to meet their deadline.⁵² One acquirer argued that the time frame of three working days to provide a response could be an unrealistic deadline for schemes to turn around a response and recommended five days for more

48 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraphs 4.33 to 4.42.

49 Stakeholder responses to CP25/1 [↗].

50 Stakeholder response to CP25/1 [↗].

51 Stakeholder response to CP25/1 [↗].

52 PSR calls with stakeholders on 25 June 2025 and [↗] [↗].

important queries only, such as the financial impact of fee changes.⁵³ Another acquirer suggested that the technical information and notice requirements in ITC1 and ITC2 could reduce the need for ITC3, as the provision of this information will result in fewer queries being raised.⁵⁴

1.17 Mastercard had the following concerns:

- It already maintains a system to triage all the queries it receives through its customer contact centre. This allows it to prioritise important high-value and high-impact queries, and to resolve them as quickly and efficiently as possible.⁵⁵
- Replacing this system with a blanket three-day requirement for all fee-related queries does not add value, as not all queries are equally urgent and impactful. It is often not fee-related questions but operational issues that require the most expedient solutions.⁵⁶

1.18 Visa had the following concerns:

- It said our proposal is not practicable and risks worsening outcomes for acquirers by imposing an artificial and restricted timeframe.⁵⁷
- Visa receives a range of queries from acquirers, and the time needed to respond meaningfully will vary. These are complex 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’.⁵⁸
- It is likely that acquirers’ queries will be complex, given the significant amount of information and support Visa already provides to acquirers.⁵⁹

Our assessment

1.19 This remedy proposal generally received support from acquirers and merchants. However, we also received several concerns and challenges. In particular, we note the concerns raised that a strict timeframe risks certain unintended consequences, such as schemes prioritising less important queries or providing inaccurate or incomplete responses.

1.20 We share the concern that a one-size-fits-all solution may not be appropriate for addressing the issues we found in our final report; in particular, the difficulties acquirers face in obtaining, in a timely and adequate manner, responses to their requests for clarifying information from the schemes.⁶⁰ While the timing element is very important, if the schemes’ main driver is adherence to a strict timeframe, this may risk undermining the adequacy of the response, which needs to be of high quality and enable acquirers to understand the fees that schemes charge. Adequacy of responses was another issue

53 Stakeholder response to CP25/1 [↗].

54 PSR call with stakeholder on 30 June 2025 [↗].

55 Mastercard’s response to CP25/1, page 15, section 3.2.6.

56 Mastercard’s response to CP25/1, page 15, section 3.2.6.

57 Visa’s response to CP25/1, paragraph 4.9.

58 Visa’s response to CP25/1, paragraph 4.9.

59 Visa’s response to CP25/1, paragraph 4.9.

60 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.116.

acquirers faced, as per our final report,⁶¹ and we would not want this issue to be exacerbated by this remedy proposal.

1.21 In addition, our engagement with acquirers showed that ITC1 and ITC2 will help them receive fee-related information promptly. This should mean that there will be fewer queries raised by acquirers on fee-related issues, with the remaining queries being raised from more complex matters, the effective resolution of which may require more time. In these situations, a strict timeframe for these may be inappropriate and worsen current outcomes.

1.22 For these reasons, we have decided to pause ITC3 and focus on refining ITC1 and ITC2. We may revisit this remedy once we have assessed the impact of ITC1 and ITC2.

ITC 4: merchant portal

1.23 In our remedies consultation, we proposed a requirement for the schemes to develop a website (an 'online portal') for merchants that includes information about the scheme's fees and the rationale behind them. We considered that this could be of particular importance for small and medium-sized enterprises (SMEs), as improved understanding will help them avoid actions that trigger fees.

1.24 A trade association, three trade bodies representing merchants, a merchant and one acquirer supported this remedy, arguing that we should proceed with remedies to give merchants more detailed and transparent information.⁶² They argued that it would be helpful for the following reasons:

- It is essential to inform merchants' strategic decisions about payments processing and to provide clarity on the schemes' services. For example, it can be hard for merchants to understand which services are optional (such as 3DS and AVS), and whether there are realistic alternatives.⁶³
- SMEs often lack the resources to analyse payment costs in detail. Our proposal would help them make better-informed business decisions about payment acceptance, pricing strategies, and potentially steering customers toward lower-cost payment methods where appropriate.⁶⁴
- Without this website, the task of understanding this information is left to the individual capabilities of each acquirer to document and explain card scheme information to its merchants, which leads to an uneven playing field for merchants. Also, making information directly available to merchants should drive card schemes to present their information in a way understandable to a 'lay' person, non-specialist audience.⁶⁵
- It can lower the barriers to SMEs participating in policy debates and ongoing scrutiny of the schemes, ultimately benefitting the entire card payments ecosystem.⁶⁶

61 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.87.

62 Stakeholder responses to CP25/1 [~~3~~].

63 Stakeholder response to CP25/1 [~~3~~].

64 Stakeholder responses to CP25/1 [~~3~~].

65 Stakeholder response to CP25/1 [~~3~~].

66 Stakeholder response to CP25/1 [~~3~~].

- 1.25** Two acquirers and a trade association representing financial services firms were against this remedy⁶⁷ for the following reasons:
- Requiring the schemes to provide information to merchants on fees charged to acquirers might increase complexity.⁶⁸
 - It does not respect existing commercial and contractual relationships, and does not recognise that acquirers are best placed to pass on the relevant information to merchants.⁶⁹
 - Acquirers use blended rates when they bill the vast majority of merchants. Any website produced by the schemes will not align with the simplified way fees are presented to these merchants.⁷⁰
 - They doubt merchants would actively engage with, or understand, the information, even at a high level.⁷¹
 - Merchant-friendly bulletin translations alongside ITC proposals aimed at improving the information for acquirers are sufficient, and address the lack of clarity around the fees merchants are charged.⁷²
- 1.26** Mastercard told us it does not see the fees acquirers charge to merchants, which are commercially confidential between those parties and may vary significantly between merchants. This is particularly the case for SME merchants, which are more likely to be on blended rates set by their acquirers. Mastercard suggested that it could implement a remedy to give merchants a generic overview of the categories of fees and services that are likely to be relevant for different types of merchants.⁷³
- 1.27** Visa welcomed the proposal to set up a website, but asked for more clarity on what we expected it to publish.⁷⁴

Our assessment

- 1.28** The feedback received showed that merchants consider that our proposed portal will help them make better-informed business decisions. However, we also heard several concerns, including that this remedy proposal risks resulting in unintended consequences, such as increase of complexity, confusion and does not reflect existing commercial and contractual relationships.
- 1.29** We also acknowledge that the vast majority of merchants are billed for their card acceptance using blended rates, which may not align with the schemes' information. We recognised in our remedies consultation that large merchants are likely to have the resources to understand the fees they are charged. Larger merchants are also more likely to be charged using pass-through pricing (IC++), where acquirers bill the merchant exactly what the schemes charge acquirers.

67 Stakeholder responses to CP25/1 [~~3~~].

68 Stakeholder response to CP25/1 [~~3~~].

69 Stakeholder response to CP25/1 [~~3~~].

70 Stakeholder response to CP25/1 [~~3~~].

71 Stakeholder response to CP25/1 [~~3~~].

72 Stakeholder response to CP25/1 [~~3~~].

73 Mastercard's response to CP25/1, page 16, section 3.2.7.

74 Visa's response to CP25/1, page 13, paragraph 4.10.

1.30 Given the direct contractual relationship between acquirers and merchants, we agree that acquirers are best placed to pass on the relevant fee information to their merchants. We expect this to improve following the implementation of ITC1 and ITC2, given our expectation that these remedies will improve the information acquirers pass on to their merchants, thereby improving transparency and reducing complexity for merchants.

1.31 For these reasons, we have decided to pause ITC4 and focus on refining ITC1 and ITC2. We may revisit this remedy once we have carried out an evaluation of the impact of ITC1 and ITC2 following their implementation.

Reducing the number of fees

1.32 In our final report, we observed that the number of fees Mastercard and Visa charge may be a significant factor in acquirers' difficulty understanding fees.⁷⁵ In our remedies consultation, we asked for views on whether reducing the number of fees is appropriate, and how we can do it while minimising unintended consequences.

1.33 Two acquirers, two merchants and four trade associations supported reducing the number of fees.⁷⁶ One acquirer noted that the number of fees is disproportionate, complicating fees rather than making them more granular.⁷⁷ A trade association representing merchants and a merchant⁷⁸ argued that transparency measures will not resolve the fundamental issue of overly granular fee structures.

1.34 However, three of these respondents, while supporting the remedy, expressed reservations, including that:

- It would be desirable only if we implement it carefully to prevent bundling that could harm competition and transparency.⁷⁹
- It may lead schemes to operate differently in the UK and globally.⁸⁰
- We should focus on establishing the appropriate structures and monitoring frameworks to implement the ITC remedies effectively.⁸¹

1.35 An acquirer welcomed the PSR's decision not to enforce a reduction in services. This acquirer argued that this decision promotes a competitive and efficient market, supporting merchant choice and enabling more dynamic and transparent pricing structures.⁸² A trade association representing financial services firms argued that if we require the schemes to reduce the number of fees, we would effectively be micro-managing firms with international operations, potentially harming the UK's position as the go-to market to launch new services.⁸³

75 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 7.83.

76 Stakeholder responses to CP25/1 [~~3~~].

77 Stakeholder response to CP25/1 [~~3~~].

78 Stakeholder responses to CP25/1 [~~3~~].

79 Stakeholder responses to CP25/1 [~~3~~].

80 Stakeholder response to CP25/1 [~~3~~].

81 Stakeholder response to CP25/1 [~~3~~].

82 Stakeholder response to CP25/1 [~~3~~].

83 Stakeholder response to CP25/1 [~~3~~].

- 1.36** Mastercard and Visa strongly opposed reducing the number of fees.⁸⁴
- 1.37** Mastercard was concerned that the remedy would impose a major restriction on innovation and new services, because it could not introduce an associated fee. This would make the UK market much less attractive to Mastercard, and it would probably lead to services available in other markets not being available in the UK.⁸⁵
- 1.38** Visa argued that there are significant risks that a reduction in the number of fees could lead to worse outcomes for acquirers and end users, through the risk of less fee transparency and bundling of services. Visa stated this would be contrary to our aims with the ITC remedy.⁸⁶

Our assessment

- 1.39** Several respondents expressed concerns that the number of fees may be disproportionate. However, we also note that a range of stakeholders expressed concerns and reservations with a remedy aimed at reducing the number of fees. These considerations were part of the reason that we did not recommend a reduction in the number of fees during our remedies consultation, and sought further input instead.
- 1.40** We share the concern that a fee volume reduction remedy may have several unintended consequences, including creating incentives to bundle several services under one fee, which could harm competition, innovation and transparency. There is also a possibility that schemes might need to operate differently in the UK compared to other countries, which could introduce additional regulatory divergence from international standards and create friction within the UK payments ecosystem.
- 1.41** On balance, we have decided not to pursue this remedy at this stage and focus on implementing ITC1 and ITC2 effectively. We consider that it is preferable, at this stage, to improve the information acquirers receive to understand, predict and apply fees, instead of focusing on a remedy with uncertain benefits and several risks of unintended consequences.
- 1.42** We may revisit this proposal once we have assessed the impact of ITC1 and ITC2 following their implementation.

84 Visa and Mastercard's responses to CP25/1. Visa, paragraph 4.11; Mastercard, page 17, section 3.2.8.

85 Mastercard's response to CP25/1, page 17, section 3.2.8.

86 Visa's response to CP25/1, paragraph 4.11(a).

Annex 2

Cost benefit analysis

Summary

- 2.1** This Annex is the cost benefit analysis (CBA) of our proposed remedies. We build on the initial assessment in our Remedy Consultation paper, updating our analysis in light of evidence collected during and after the consultation period. The update also reflects changes to our proposed remedies.
- 2.2** Our current view is that we expect that the benefits of ITC and Pricing Governance remedies are likely to materially outweigh their implementation costs. We consider this to be true both at the level of the individual remedies and, by implication, for the proposed remedies combined. We did not identify any material unintended consequences and the impact on growth is likely to be positive or, at worst, neutral.

Introduction

- 2.3** In CP25/1, we provided an initial CBA which focused on identifying the main costs and benefits of our potential remedies, and we committed to providing a more detailed CBA alongside our proposed directions. This Annex assesses the potential scale of costs and benefits of our revised proposed remedies. While we provide cost estimates, our updated assessment of benefits remains largely qualitative.
- 2.4** For an assessment of the options that we considered but ultimately chose not to pursue see Chapter 3 of CP25/1 and Annex 1 of this document.
- 2.5** This annex is structured as follows:
- Problem, rationale for intervention and expected policy outcomes
 - Our approach to assessing costs and benefits
 - Our assessment of costs and benefits
 - FCA CBA Panel engagement on CBA
- 2.6** We set out the assumptions underlying our cost estimates in Appendix 1.

Problem, rationale for intervention and expected policy outcomes

The market

- 2.7** Cards play a significant role in the UK payments market as the most popular method to make retail payments. The UK cards market is highly concentrated. In our market review

we found Mastercard and Visa together accounted for over 95% of all UK debit and credit card payments by value in 2021.⁸⁷

2.8 In our final report we identified concerns that affected the acquiring-side of the market, i.e. card acquirers and merchants.⁸⁸ The acquiring side of the cards market is significant in size and value, and any harms there can have wider consequences. The following illustrates the size of the UK card market affected by the concerns identified:

- In 2023, total transaction value was £[£] and transaction volume was [£].⁸⁹
- In 2023, total gross fees from acquirers were around £[£]. There were approximately [£] acquirers for Visa and [£] acquirers for Mastercard, of which the vast majority are clients for both schemes, and annual gross fees per acquirer was approximately £[£] for Visa and £[£] for Mastercard.⁹⁰
- Acquirers provide payment services to merchants, who pay a merchant service charge. Cards are the most used payment method in the UK, where the retail sector comprised nearly 305,000 businesses as of January 2025, accounting for 4.4% of the UK's total economic output (£114.7 billion).⁹¹

Problem and rationale

2.9 The aim of our proposed remedies is to address concerns identified in our market review into card scheme and processing fees^{92,93}, namely the following:

- **Imperfect information** provided by the schemes to acquirers (and ultimately merchants) on their fees and services, which can lead to higher than necessary costs (in particular the staff time spent trying to understand fees) on the acquiring side of the market. It can also lead to inefficient pricing by acquirers and inefficient choices by acquirers and merchants.
- **A lack of effective competitive constraints** faced by Mastercard and Visa on the acquiring side, which can lead to poor pricing outcomes for acquirers and merchants. This lack of competition stems from the 'must-take' status that the schemes' cards enjoy among merchants and that exists due to the strong network externalities in the market. These network externalities, in and of themselves, create barriers to entry for potential rival payment schemes.⁹⁴

87 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 3.1.

88 Scheme and processing fees flow from merchants to card schemes via acquirers, who provide services to accept and process card payments on behalf of a merchant.

89 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 6, paragraph 6.16.

90 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 6, paragraph 6.20b.

91 House of Commons Library Research Briefing: Retail sector in the UK, 21 November 2025.

92 Details on the analysis and evidence underlying these concerns can be found in the final report.

93 Details on how each remedy aims to address or mitigate the outcomes of these concerns are set out in the next section (expected policy outcomes).

94 MR22/1.10, *Market review of card scheme and processing fees: Final report* (March 2025), paragraph 1.10.

- A **regulatory information gap**, which limits our ability to design and evaluate regulatory interventions that would address – or mitigate the effects of – the market failures identified. In particular, the PSR has been unable to obtain, as part of our analysis in the final report, a sufficiently clear picture of the schemes’ pricing practices to inform regulation.⁹⁵

2.10 As explained in our Final Report, we are concerned with how the market operates and the overall market outcomes for service end users, i.e. merchants and consumers, because the market failures identified can result in harm that is passed on to them, for example through higher prices and lower quality services, or less innovation.⁹⁶ In our market review and engagement with the schemes, we found that current schemes’ initiatives, for example on increased transparency as well as pricing governance, are still insufficient to meet our concerns, as explained in chapters 2 and 3.⁹⁷ We therefore believe there exists a strong rationale for regulatory intervention.

Expected policy outcomes

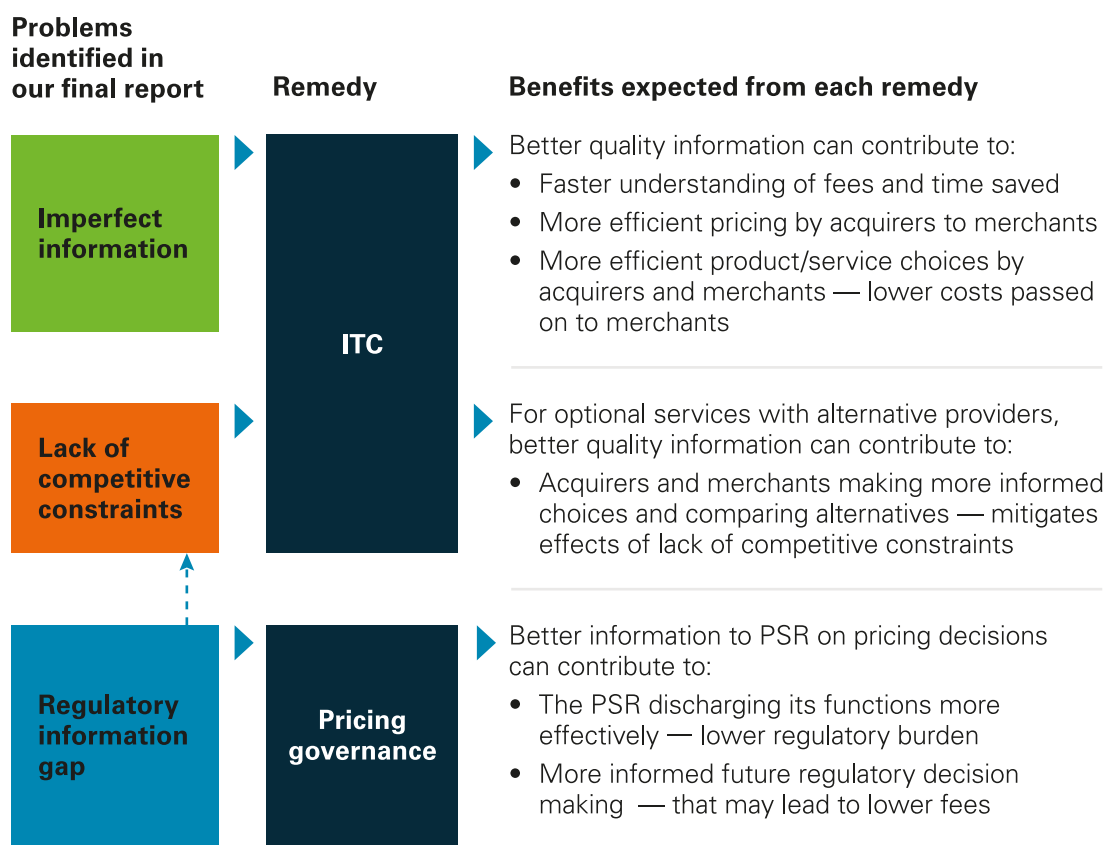
2.11 Figure 1 summarises how the proposed remedies address or, indirectly, mitigate problems identified in the final report, and the benefits we expect the remedies to bring. We set out further below for each remedy the detailed causal chain, with the behavioural assumptions that need to be true for the benefits to occur in practice.

95 MR22/1.10, *Market review of card scheme and processing fees, Final Report* (March 2025), paragraph 1.11.

96 MR22/1.10, *Market review of card scheme and processing fees, Final Report* (March 2025), paragraph 8.15.

97 We have also set out in Chapter 3 that we do not consider these improvements to be sufficient to address the findings and detriment identified in the final report, however, these improvements have informed our updated remedy design.

Figure 1: Links between problems identified in the final report, proposed remedies, and expected benefits



--> Dotted arrow indicates that addressing a regulatory information gap on pricing decisions may indirectly mitigate the impact of lack of competitive constraints.

Our approach to assessing costs and benefits

2.12 Our CBA covers the following impacts of our proposed remedies: benefits, implementation costs and other impacts (costs to the PSR, impact on economic growth and other unintended consequences).

2.13 We focus our analysis on whether the benefits are likely to outweigh estimated costs and consider that the information would be sufficient to inform our views on the proportionality of the proposed remedies.

2.14 We continue to invite views from stakeholders on implementation costs to schemes as well as on cost savings to acquirers.

2.15 Our assessment of other potential impacts (e.g. economic growth) is broadly qualitative.

Appraisal period

2.16 We assess the impact of our remedy proposals from the point of implementation. Given the dynamic nature of the market, there are uncertainties around the period over which we expect the benefits of our proposed remedies will continue to materialise and, for this reason, we don't calculate net benefits over a specified period. In our view, however, it is appropriate to assume that the benefits and costs will arise for at least five years (and potentially longer) relative to the counterfactual, as we do not expect to see

improvements that will reduce the benefits attributable to these remedies. See our views on the impact of Open Banking under the counterfactual.

- 2.17** Where relevant we estimate costs and benefits over a 5-year period for illustration. This deviates from the Green Book's standard assumption of a 10-year appraisal period to be conservative, given the dynamic nature of the market.

Approach on benefits

- 2.18** We do not provide monetary estimates for the value of the benefits we expect from our proposed remedies. Similar to our view in CP25/1, we consider that quantifying the benefits of our proposed remedies would likely be subject to significant uncertainties and seeking a precise quantification is unlikely to be possible or reasonably practicable.⁹⁸
- 2.19** For the purpose of our analysis of benefits, we focus on assessing the benefits to acquirers and merchants, though we note that part of the benefits may be passed on to end consumers in the form of lower prices. The extent to which benefits are passed on to end consumers does not affect our findings on the scale of benefits, as our aim is to improve market outcomes for service end-users.

Approach on costs

- 2.20** In CP25/1, we identified the potential costs which may arise from the implementation of our remedies. Here we provide quantification of these costs based on different sources of evidence, our engagement with the schemes as well as our own judgement. To ensure our analysis is robust, we present a range of cost estimates for each remedy.
- 2.21** The aim of the analysis of the implementation costs is to understand the nature and drivers of these costs and estimate their likely order of magnitude. We include a range as it is difficult to produce a precise estimate of costs due to uncertainties, for example, as a result of data limitations, and as costs can vary depending on various factors, including the schemes' pre-implementation actions.
- 2.22** Appendix 1 sets out the assumptions we have used to produce the quantified range of cost estimates. These assumptions are informed by the schemes' feedback to our consultation, further engagement with the schemes, evidence from CBAs we reviewed, assumptions in the FCA statement of policy on cost benefit analyses,⁹⁹ as well as the PSR's judgement. The lower range is based on a variety of sources. The upper bound estimates reflect feedback from the schemes and, since we have not seen supporting evidence, they may be an overestimate. Our estimates are in 2024 prices.¹⁰⁰

98 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), Annex 1, paragraph 1.24.

99 [Statement of Policy on Cost Benefit Analyses](#), Appendix 1.

100 See Appendix 1, paragraph 1.7 for more detail.

Counterfactual

- 2.23** We assess the costs and benefits of our proposed remedies compared to a ‘do-nothing’ counterfactual where the PSR takes no action. Under this scenario:
- the schemes will continue to have the ability to increase prices,
 - scheme and processing fees remain complex such that the information that acquirers (and ultimately merchants) receive can be insufficient to understand the fees they are charged, and
 - the PSR does not get the appropriate information it needs on the schemes’ pricing decisions to effectively discharge its functions.
- 2.24** In response to our proposals in CP25/1, Mastercard submitted that the counterfactual should take into account any changes which might occur independently of the policy interventions, or key factors within the market that are expected to change over the relevant period.¹⁰¹ Mastercard cited interventions, such as those in relation to open banking and the 2023 JROC report which states that Open Banking will become a viable competitor to cards within the following 18-36 months. Further, Mastercard submitted that the counterfactual should also take account of its own improvements to the information and transparency it provides to its customers.
- 2.25** We agree that a ‘do-nothing’ counterfactual should include other regulatory and sectoral developments that are happening independently of the proposals considered here. The conclusions reached in our final report already account for the potential competitive impact that the introduction of Open Banking is likely to have on the schemes. While Open Banking may eventually be a viable competitor to the schemes, this does not indicate the strength of competition that Open Banking will present, it simply acknowledges that Open Banking will be a competitor. Further, the PSR concluded in its final report that it is likely that it will take time for Open Banking to have a competitive constraint on the schemes.¹⁰²
- 2.26** In our view, the improvements made by the schemes to the information they provide to acquirers do not provide a justification to deviate from the ‘do-nothing’ counterfactual.
- 2.27** To the extent one or both schemes may potentially already be doing – or planning to do – part of what is required under our updated remedy design, we do not consider this to affect our proportionality findings. While this may reduce the potential benefits it will also reduce the incremental compliance costs of the proposed remedies.

101 Mastercard’s response to CP25/1, pages 43 and 44.

102 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 4.85.

Summary of our assessment of costs and benefits

2.28 The impacts of the proposed remedies are summarised in Table 1 below.

Table 1: Summary table of benefits and costs (across both schemes)

Group affected	Item	Benefits	Costs (£000)	
			One-off	Annual Ongoing
Schemes (costs)	Familiarisation, gap analysis & compliance set up		£145	£0
Schemes (costs)	External project management support		£0-£1,600	£0
Schemes (costs)	ITC	Unquantified	£2,800 - £7,400	£660 - £1,100
Acquirers and merchants (benefits)				
Schemes (costs)	Pricing Governance	Unquantified	£210 - £1,400	£150 - £930
Acquirers and merchants (benefits)				
	Total	Unquantified	£3,200 - £10,500	£810 - £2,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1m, are rounded to the nearest £5k, and if above £1m are rounded to the nearest £100k.

2.29 Taking account of all impacts, we expect the benefits of the proposed ITC remedy to outweigh implementation costs.

2.30 This is because each year we expect the ITC remedy:

- to save unnecessary costs to acquirers by reducing their time spent in understanding fees. Our final report findings highlight that acquirers incur substantial costs in understanding fees¹⁰³
- to enable more efficient pricing and better choices in downstream markets (by acquirers and/or merchants). We note the significant size of the market for optional and behavioural fees and the potential for customers to reduce their costs through a better understanding of these. (For example, in the final report, we estimated total acquirer gross revenues earned from optional services to be c.£[~~2~~] million, which could be reduced.¹⁰⁴)

103 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Chapter 7 and Annex 12.

104 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 6. Based on the data underlying Figure 21 and Figure 24.

- 2.31** Similarly, taking account of all impacts, we consider that the benefits of the proposed Pricing Governance remedy are also likely to outweigh the implementation costs:
- In this market review, the PSR endeavoured to investigate whether the supply of scheme and processing services was working well for service users, and in particular to investigate the drivers of significant fee increases observed in the last few years. In light of our findings in the final report, and to address the regulatory information gap identified therein, at a minimum, we consider this information to be essential for the PSR to discharge its functions effectively.
 - This information may also provide the PSR with greater certainty on the need, or otherwise, for any future actions.
- 2.32** Given the overall size of the acquirer fees revenues and the price rises observed¹⁰⁵ we consider that the benefit of the PSR being able to discharge its functions in relation to these services outweighs the costs of this intervention. For example, this could be through a reduced number of ad hoc information requests to the schemes in the absence of such intervention.
- 2.33** The implementation costs will be incurred by the two schemes. Where possible, we have designed the remedies to allow for some flexibility in implementation, which would enable some cost efficiencies for the schemes. Given the lack of competitive constraints that the schemes face, it is also possible that some of these costs may be passed on to acquirers.
- 2.34** In reaching these views, we have taken into account the need for the ITC and the Pricing Governance remedies to be capable of achieving their intended purpose, and to be capable of effective implementation, monitoring and enforcement. We did not identify any material unintended consequences and the impact on growth is likely to be positive or, at worst, neutral.
- 2.35** Our detailed assessment below covers in turn:
- Proposed ITC remedy – expected outcomes, benefits and implementation costs
 - Proposed Pricing Governance remedy – expected outcomes, benefits and implementation costs
 - Other costs to the schemes (e.g. familiarisation and gap analysis)
 - Costs to PSR
 - Impact on growth and unintended consequences.

ITC

Proposed Remedy

- 2.36** Each scheme would be required to provide acquirers with clear and accurate information that enables them to understand scheme and processing fees charged to acquirers, whether existing, new or modified fees, and to act on relevant pricing information,

¹⁰⁵ See MR22/1.10, Market review of card scheme and processing fees: Final Report (March 2025), paragraph 6.47.

including by avoiding unwanted optional services or adapting their behaviour to address the costs of behavioural fees, as set out in Chapter 2.

2.37 Where appropriate, we have designed certain aspects of our ITC proposals to give the schemes the flexibility to choose how to implement them in a cost-efficient way that achieves the aim of our remedy, provided that certain requirements are fulfilled. The proposed ITC Direction includes a materiality threshold provision for mandatory and optional fees under the ITC2 component.

Expected outcomes

2.38 This remedy directly, and primarily, addresses our finding of imperfect information provided by the schemes to acquirers (and ultimately merchants) on fees and services. This, in turn, can lead to higher than necessary costs (in particular in the form of staff time spent trying to understand fees) on the acquiring side of the market. It also affects acquirers' and merchants' ability to act on this information, which can lead to inefficient pricing and inefficient choices.¹⁰⁶

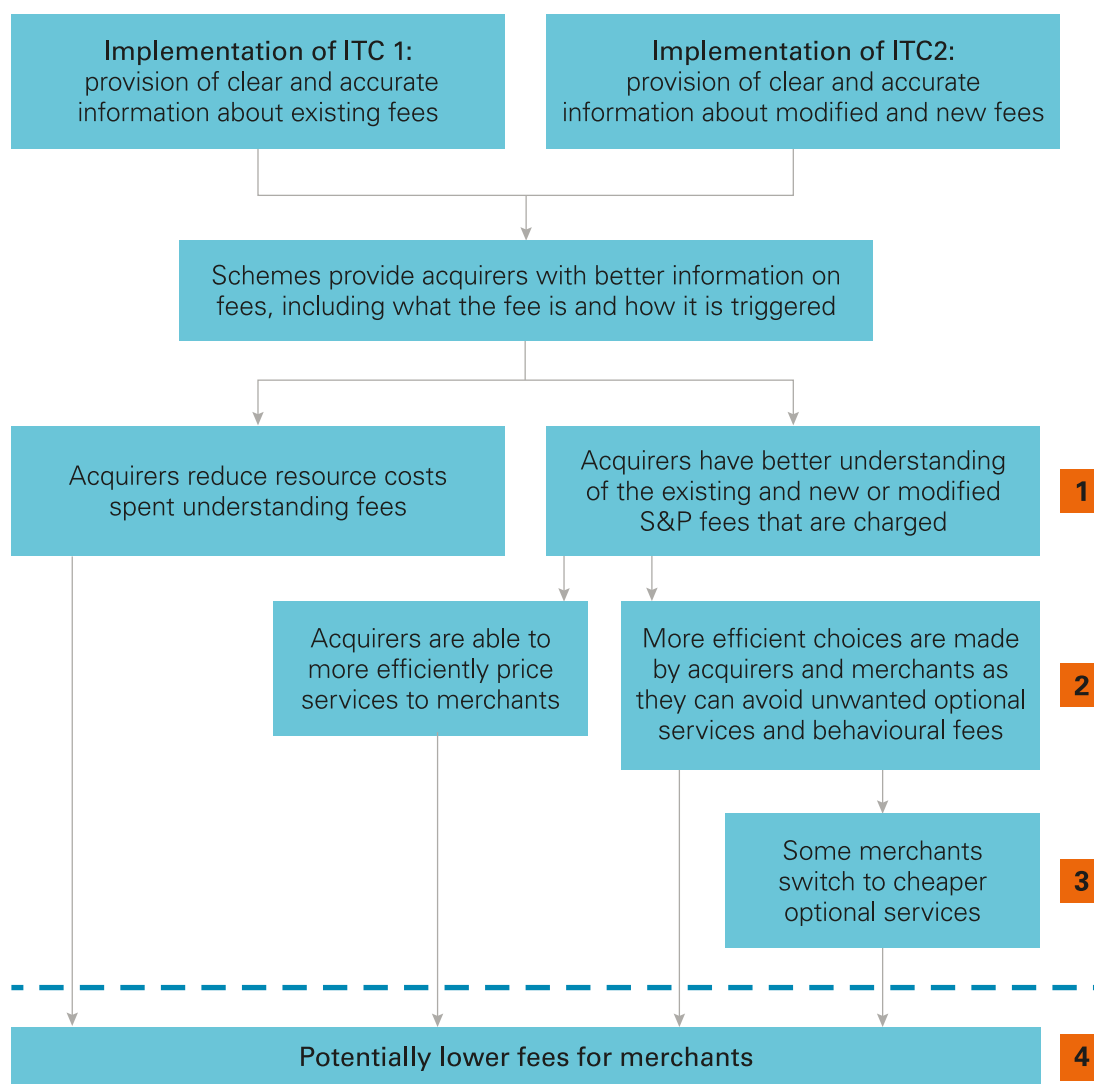
2.39 The ITC remedy may also indirectly mitigate some of the effects of the lack of competitive constraints faced by the schemes for optional services (where alternative suppliers may be available).

2.40 A key assumption underlying our causal chain (see Figure 2 below) is that acquirers will get better information from the schemes and in an easily accessible and workable manner. The proposed remedies are designed to result in better information to acquirers¹⁰⁷ and in turn merchants.

106 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraphs 1.13 and 1.14.

107 As set out in Chapter 3, these proposals are intended to give acquirers access to information that is needed to better understand the fees imposed by the schemes, including existing fees and any changes to them (ITC1), as well as new fees (ITC2).

Figure 2: ITC causal chain



Assumptions

- 1** Acquirers get improved fee information from the schemes in an accessible manner.
- 2** Acquirers likely pass on the improved information to merchants.
- 3** Where cheaper optional services are available, merchants can decide whether it's beneficial to use them.
- 4** Acquirers pass on some (or all in the case of IC++ contracts) cost savings to merchants.

Benefits

2.41 In response to our remedies consultation, while most non-scheme respondents indicated support for our remedies (see Annex 3), we received very little evidence from stakeholders on the potential benefits. However, our assessment of the expected policy outcomes indicates that the proposed ITC remedy is likely to bring important benefits through better market outcomes for merchants (and consumers), as follows.

2.42 First, better and more accessible information through our ITC proposals may help **save unnecessary costs to acquirers** due to faster understanding of fees. This is based on our assumption that they will reduce acquirers' time spent understanding fees, for example, to reconcile charges to transactions, prepare for new and modified fees, and ease the difficulty experienced accessing information on the schemes' portals. In our market review we noted that acquirers accounting for around 45% of the acquiring market experience difficulties accessing information through the schemes' portals, with severe financial and non-financial impact reported by at least some of the affected acquirers.¹⁰⁸

2.43 Second, we expect that better information may enable acquirers and merchants to make more informed decisions, which can lead to better market outcomes for service users due to:

- **More efficient pricing by acquirers:** Our proposals on ITC1 and ITC2 enable acquirers to more accurately bill merchants for the services they consume. Acquirers accounting for over 65% of the acquiring market told us that the information the schemes provide leaves them struggling to understand both mandatory and optional scheme and processing fees.¹⁰⁹ These issues lead to increased acquirer costs and further errors, such as misbilling merchants. Although the severity of impact varies across acquirers, some reported substantial impact.¹¹⁰ If their bills to merchants are based on more accurate information, this will lead to more efficient pricing by acquirers. For example, in the absence of a good forecast for all scheme and processing fees invoiced by the schemes, the acquirers may set the prices for merchants on blended contracts too high or too low.¹¹¹ Similarly, if acquirers cannot identify which merchants triggered the behavioural fees that they are charged for by the schemes, they cannot allocate them to the right merchants.
- **More efficient choices by acquirers and merchants:** Our proposals on ITC1 and ITC2 enable acquirers and merchants to more easily avoid unwanted optional services and avoidable behavioural fees. Acquirers accounting for over 90% of the acquiring market consider that the quality of information acquirers receive from the schemes is often insufficient for them to understand behavioural fees (which in turn impacts the quality of the information that merchants receive).¹¹² As set out in Chapter 2, the improved information provided by the schemes under our proposals should enable acquirers to choose more effectively which optional services they (and by extension their merchant customers) purchase and avoid incurring behavioural fees.¹¹³

2.44 While **this remedy directly addresses imperfect information**, it also potentially **mitigates the effects of a lack of competitive constraints** on the acquiring side, although to a limited extent. For optional services where alternatives to Visa and Mastercard do exist, the remedy ensures that acquirers and merchants have a better

108 MR22/1.10, Market review of card scheme and processing fees: Final Report (March 2025), paragraph 7.108.

109 MR22/1.10, Market review of card scheme and processing fees: Final Report (March 2025), paragraph 7.79.

110 MR22/1.10, Market review of card scheme and processing fees: Final Report (March 2025), paragraphs 7.80 and 7.81.

111 MR22/1.10, Market review of card scheme and processing fees: Final Report (March 2025), paragraph 7.56.

112 MR22/1.10, Market review of card scheme and processing fees: Final Report (March 2025), paragraph 7.59.

113 For example, for ITC1 in Box 1 (Chapter 2), we have outlined what we believe is the minimum technical information necessary for acquirers to be able to achieve this, including an appropriate PSR defined fee categorisation (i.e. whether the fee is mandatory/optional/behavioural), clear justification for the fee, and detailed technical specifications.

understanding of how the schemes' products compare with these potential alternatives. For example, in our final report, we found evidence that Mastercard faces competition from several providers for its Brighterion artificial intelligence solution.¹¹⁴ With more accurate billing information, acquirers can decide whether to purchase optional services from alternative providers (where available) or decide not to purchase some optional services at all.¹¹⁵ There are benefits from the mitigation of the lack of competitive constraints, for example through acquirers making more suitable choices and thus saving costs, or through more innovative products and services being introduced into the market.

2.45 We expect costs saved by acquirers will benefit merchants through lower fees:

- We expect a significant proportion of cost savings to be fully passed on to merchants automatically. This is because large merchants on Interchange ++ (IC++) pricing contracts (which are used for merchants accounting for 77% of the value of all transactions¹¹⁶) will benefit directly, given the contract design. On these contracts, for any given transaction, the acquirer automatically passes on the interchange fee and scheme and processing fees applicable to the transaction 'at cost' (plus a margin for the acquirer).¹¹⁷
- For merchants on standard (blended) contracts (accounting for 23% of transactions but also 95% of merchants¹¹⁸) we expect at least some of these benefits will be passed through over time.¹¹⁹ In the final report of our market review of UK-EEA cross-border interchange fees, we found that around three-quarters of merchants on blended contracts experienced pass-through for previous interchange fee changes.¹²⁰ This may give some indication of the level of pass-through we can expect in the case of acquirers where costs are lowered in respect of scheme and processing fees.

2.46 We are aware that there is mixed evidence on the effectiveness of informational remedies. For example, Ofcom's ex-post evaluation of its end-of-contract notifications for mobile services found mixed evidence as to their effectiveness on rates of switching and re-contracting.¹²¹ However, we note information remedies of that nature are often targeted at uninformed and potentially disengaged consumers with the objective of promoting switching and competition. We recognise that some acquirers are sophisticated institutions, but consider all acquirers should be able to understand fees (and explain them to their merchants) whether they are new entrants or established firms with large resources. Our ITC remedy is also not aimed at encouraging switching as there is little

114 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 4, paragraph 4.22.

115 As set out earlier, there are varying degrees of constraints across optional services.

116 MR18/1.8, *Market review into card-acquiring services: Final Report* (November 2021), Chapter 5.

117 IC++ (interchange ++ pricing) is a pricing method offered by acquirers to merchants for card-acquiring services. Merchants on IC++ pricing are typically the largest merchants, generally with an annual turnover above £50 million (see [MR18/1.8, Market review into card-acquiring services: final report](#) (November 2021), page 7, paragraph 1.15).

118 MR18/1.8, *Market review into card-acquiring services: Final Report* (November 2021), Chapter 3.

119 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 4.150.

120 MR22/2.7, *Market review of UK-EEA consumer cross-border interchange fees: Final Report* (December 2024), Chapter 6.

121 Ofcom, *An ex-post evaluation of mobile annual best tariff notifications and end-of-contract notifications*, 10 May 2024, <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-2-6-weeks/130197-helping-consumers-get-better-deals-on-their-broadband/ex-post-evaluation/ex-post-evaluation-ecm-2024.pdf?v=356196>

prospect of acquirers and merchants being able to switch away from the schemes. Given this, we consider that the assumptions we have made in our causal chain are more likely to materialise and our information remedy is therefore more likely to be effective than disclosure remedies have been in other contexts.

2.47 Against this backdrop, we consider our proposed remedy is capable of meeting its intended aim and of effective implementation, monitoring and enforcement.

Scale of benefits

2.48 As an example to illustrate the potential scale of benefits from the ITC remedies: one respondent told us that it employs a dedicated team to review invoices related to cards to try and understand the fees charged.¹²² Where it finds discrepancies, this team challenges the fees to keep costs as low as possible. It stated that this team has an operational cost of roughly £[redacted] per year, but in the last year alone, it has found several million pounds [redacted] in fees that were incorrectly charged by the schemes.

2.49 Our upper bound estimate for the implementation costs of our ITC remedy is circa £7.4 million across both schemes. In addition, if we attribute half of the familiarisation, gap analysis, and compliance costs (£75,000) and £1,000,000 of external project management support to the overall cost,¹²³ the total implementation costs of the ITC remedy are around £8.4 million. Therefore, if only two acquirers were to make savings of a similar magnitude to the respondent, the benefits of the remedy would outweigh the costs. Alternatively, we know that there are over 100 ([redacted]) acquirers active in the UK. For the remedy to be net positive, we would have to see an average reduction in incorrectly charged fees of around £[redacted] per acquirer. We consider this is likely to materialise if the remedy works as set out in our causal chain.

2.50 In our final report, acquirers described various issues, such as the schemes' bulletins being complex, insufficient, and sometimes containing errors.¹²⁴ These issues can lead to increased acquirer costs and further errors, such as misbilling merchants.¹²⁵ Some acquirers also told us that they struggle to implement necessary changes to fees in the time required, because the schemes do not provide adequate information at the beginning of the implementation period, or because they change their approach midway through it.¹²⁶ Some of these acquirers indicated that this raises the costs they incur as a result of these changes. We were also given examples of acquirers over-paying for optional services they did not need, or misalignment between acquirers' and schemes' understanding of fees leading to merchants being over-billed by hundreds of thousands of pounds.¹²⁷

2.51 This potentially demonstrates that, if the ITC remedy is successful, it could substantially reduce costs to acquirers (and by implication merchants) across the sector through the

122 Stakeholder response to CP25/1 [redacted].

123 On a conservative basis, we assume a higher attribution of the cost of external project management for ITC compared to pricing governance.

124 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 12, paragraph 12.74.

125 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 12, paragraph 12.75.

126 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 12, paragraph 12.57 and Table 4.

127 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), Annex 12, paragraphs 12.77 to 12.81.

need for less acquirer staff time to review scheme invoices, as well as more accurate and reduced fees.

2.52 While it is not reasonably practicable to estimate the benefits for ITC remedies, we generally expect them to increase with the implementation costs, because where the marginal costs of implementing certain aspects of the remedy are higher, the potential marginal benefits of the intervention are also likely to be higher. For example, it may be the case that the schemes face higher marginal costs to provide fee information for more complex fees relative to simpler fees. However, the marginal benefits generated by providing clearer and more transparent information to acquirers for more complex fees may well be higher than is the case for simpler fees. Similarly, if the marginal benefit is lower because the schemes are already doing part of what is required under the remedy, the marginal cost to implement this will also be lower as they would need to do less to comply with our requirements.

Implementation Costs

Evidence on the costs of implementing the remedy

2.53 Visa argued in its consultation response that it already provides information to acquirers to enable them to understand its fees and that it continually seeks to improve transparency with acquirers.¹²⁸ For example, Visa recently introduced a new acquirer billing guide as an additional resource to the Visa Fee Schedule and acquirer invoicing. If we were to assume that Visa's current practices fully meet the requirements of our proposed remedy, this would mean that they will not need to do much to comply. While this reduces the estimated benefits of the remedy it also reduces the estimated compliance costs. In terms of costs, Visa argued that for ITC proposals 1 and 2, providing the information set out in boxes 1, 2, and 3 to acquirers across all Visa fees and fees changes, billing lines and at a transaction or merchant level for changed fees would involve very significant investment, including new data flows and systems.¹²⁹ This indicates that current practices do not fully meet the requirements of our remedy.

2.54 Based on the feedback from the schemes, we understand that IT changes are likely to be necessary to implement this remedy by updating the schemes' websites and portals to reflect the information we expect them to provide to acquirers. We assume that the schemes already have most of the information we require them to provide to acquirers, however they will need to put it into a format that is clear and easily accessible.

2.55 Based on the evidence we have seen from other impact assessments where similar remedies were considered, IT changes and staff time are likely to be the key drivers of the cost of this remedy.¹³⁰ Implementation costs of these types of remedies can vary significantly depending on the scope of the remedy and the schemes' existing processes and practices.

2.56 For example, the Competition and Markets Authority (CMA) set minimum fee disclosure requirements on fiduciary managers of pension schemes after finding that there was a lack

128 Visa's response to CP25/1, paragraphs 4.2 and 4.3.

129 Visa's response to CP25/1, paragraph 4.7(a).

130 While these impact assessments provide useful evidence in regard to the key drivers of costs, they do not provide a reliable basis on which to judge the accuracy of our estimates. This is because there are other factors which differentiate our remedies from those considered in these other impact assessments.

of clear information for customers to assess value for money (which is an issue our ITC remedy is also seeking to address). It found that the incremental costs of that remedy were likely to be limited as it imposes minimal additional requirements.¹³¹ The remedy was intended to operate alongside the MiFID II (Markets in Financial Instruments Directive) regulatory requirements on firms to aggregate all costs and charges to enable customers to understand all fee costs. Therefore, firms would continue to provide aggregated information in addition to the CMA's requirement to provide disaggregated information.¹³² The CMA's cost estimates from most parties indicated that there would be little or no material increase in costs from the remedy since most of the firms already complied with the requirements of MiFID II, or planned to do so in the near future. The CMA considered that, even if the remedy involved costs at the upper end of its estimates, the measures would impose limited incremental potential costs on providers.

2.57 To address a similar concern with imperfect information, in 2019 Ofcom imposed regulations for broadband, mobile, home phone, and pay TV suppliers to provide end-of-contract notifications and best tariff information to customers when their contracts were coming to an end. While Ofcom did not produce a quantitative impact assessment, it identified the main cost drivers of its remedy. In terms of one-off implementation costs, it identified changes to IT systems as being a key driver. This includes costs associated with introducing the functionality needed to prepare and provide users with the required information, integrating these functions with existing systems, staff training and potential system development costs to link different IT systems (e.g. billing and sales databases) to collect relevant information. In terms of ongoing costs, it identified the cost of generating and distributing notifications to customers and the costs associated with maintaining and updating IT systems as the main cost drivers.¹³³

Cost estimates

2.58 We have estimated one-off and ongoing costs incurred by the schemes to comply with the ITC remedy. They reflect that the remedy requires the schemes to provide information they mostly already have to acquirers, so it is in one place and clear and accessible to them.

2.59 Table 2 shows a breakdown of our estimates for the one-off implementation costs to be incurred by the schemes in the first year. We have assumed that the schemes will need to enact an IT project, given Visa's feedback on the need for new data flows and systems. We have also assumed there will be a change project to account for costs associated with changes to internal processes and governance arrangements to comply with the proposed remedy. We have also separately estimated costs for engagement with acquirers in the first year. Further details on the assumptions made are set out in Appendix 1, Table 8.

131 CMA Investment Consultants Market Investigation Final Report, 12 December 2018, paragraphs 12.199 to 12.251.

132 The CMA also provided guidance on what information should be provided to customers in their annual fee statements.

133 Ofcom's Statement on end-of-contract notifications and annual best tariff information, May 2019, paragraph 10.45.

Table 2: One-off ITC remedy costs (across both schemes)

Cost	Lower bound cost	Upper bound cost
IT project	£1,900,000	£5,900,000
Change project	£800,000	£1,300,000
Acquirer Engagement	£130,000	£130,000
Total	£2,800,000	£7,400,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1m, are rounded to the nearest £5k, and if above £1m are rounded to the nearest £100k.

2.60 In some cases, our cost estimates have identical upper and lower bounds. This is because [redacted].

2.61 We note that the actual one-off costs to the schemes will vary depending on factors such as how the schemes' current IT systems are set up and whether they already provide some or all of this information to acquirers. These factors could ultimately influence the time and staff required to make the IT changes.

2.62 Table 3 shows a breakdown of our estimates for the annual ongoing costs to implement the ITC remedy, which we expect to be significantly lower than the one-off implementation costs. We assume that the schemes will incur some costs to maintain the new IT systems they have developed. It also includes actions required to provide the required information and keeping the ITC compliance policy under review and making any changes.

Table 3: Ongoing annual ITC remedy costs (across both schemes)

Cost	Lower bound cost	Upper bound cost
IT maintenance	£190,000	£590,000
Providing the required information and ongoing review	£470,000	£470,000
Total	£660,000	£1,100,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1m, are rounded to the nearest £5k, and if above £1m are rounded to the nearest £100k.

2.63 In some cases, our cost estimates have identical upper and lower bounds. This is because [redacted].

Pricing governance

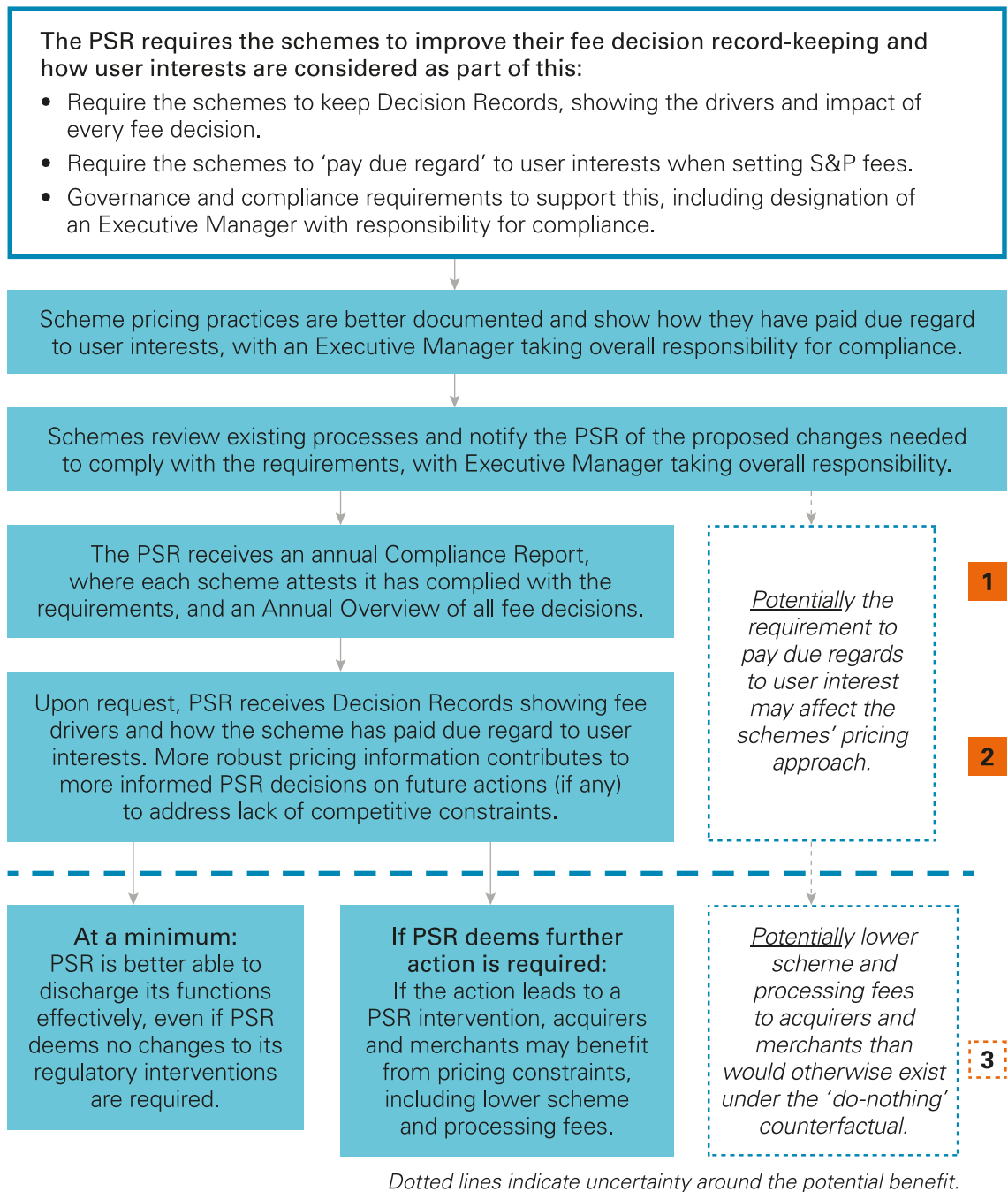
Proposed remedy

- 2.64** As discussed in Chapter 3, we are requiring Mastercard and Visa to
- pay due regard to service users' interests, maintain a written record of all Acquirer Fee Decisions setting out the rationale for those decisions, and
 - provide us with an annual overview of its Acquirer Fee Decisions and compliance attestation.
- 2.65** The proposed Pricing Governance Direction is designed to apply to decisions for scheme and processing fees affecting acquirers in the UK. It includes a materiality threshold to exempt from the scope of the substantive requirements mandatory and optional fees that are expected to generate less than £100k of net revenue per year.

Expected outcomes

- 2.66** This remedy aims to address our concerns around a regulatory information gap related to the schemes' pricing decisions, which better enables the PSR to discharge its functions. It may potentially mitigate the effects of lack of competitive constraints in the future (if an intervention is needed). It may also potentially mitigate the effects of a lack of competitive constraints on the schemes through the 'must pay due regard' component, though there is uncertainty around this.
- 2.67** Figure 3 below sets out the causal chain for this remedy, setting out how the intervention can lead to the desired outcomes, and what assumptions are necessary for this to happen.
- 2.68** We consider that this remedy is likely to achieve the desired outcome as it directly addresses an information gap that we identified in our market review and will generate the required information to inform regulatory decisions.

Figure 3: Pricing governance causal chain



Assumptions

- 1** The Decision Records include sufficient and accurate detail such that the PSR can clearly understand the reasoning behind fee changes and how the schemes have considered user interests.
- 2** Understanding the drivers of price changes is key for the PSR to discharge its functions effectively, including designing and/or monitoring the effectiveness of regulatory interventions to mitigate the lack of competitive constraints.
- 3** Schemes have incentives (despite no obligation) to act in line with user interest due to the “pay due regard” requirement

Benefits

- 2.69** In response to our remedies consultation, while most non-scheme respondents indicated support for our proposed Pricing Governance remedy, we received very little evidence from stakeholders on the potential benefits. However, our assessment of the expected outcomes suggests that it is likely to bring important benefits.
- 2.70** In our view the proposed remedy, as outlined in this document and the draft Pricing Governance Direction, is capable of achieving its intended purpose (as summarised in the causal chain above (see Figure 5), and of effective implementation, monitoring and enforcement. This has been discussed in the design considerations specific to the Pricing Governance remedy in Chapter 4, after carefully reflecting on feedback to the Remedies Consultation. We note in particular that:
- a. Requiring Decision Records ensures the PSR can access more accurate information from the schemes on the impact and drivers of price changes, when requested. This relies on the assumption that the Decision Records will include sufficient detail and accurately record the impact and drivers of pricing decisions. We consider that understanding drivers of price changes is key to enabling the PSR to make more informed regulatory decisions.
 - b. We have set out a series of minimum requirements in relation to how schemes ‘must pay due regard’ to service-users interest. We consider that this will provide a high level of confidence to schemes and the wider industry on what is required to comply with the Pricing Governance remedy, and thus facilitate effective compliance, monitoring and – if required – enforcement.
- 2.71** We note that acquirers (and by extension merchants and end consumers) may benefit from the potential mitigation of the lack of competitive constraints through the ‘must pay due regard’ component of the Pricing Governance remedy. While the schemes remain free to set their fees as they see appropriate, they need to consider how a proposed fee change will affect service-user interests before reaching a decision. This, combined with the PSR’s increased ability to monitor pricing practices arising from this remedy, has the potential to affect the schemes’ behaviour. This might potentially lead to scheme and processing fees that are lower than would otherwise prevail under the counterfactual (which would ultimately be passed on to merchants). We note however the uncertainty around the materiality of any such direct effect on price, and therefore do not put weight on this in reaching a decision on the scale of benefit and proportionality of our remedies.¹³⁴

Scale

- 2.72** The scale of the benefits will depend on the analysis of the information received by the PSR under this remedy. At a minimum, there is a direct benefit as the PSR will be better able to discharge its function: as a regulator we should have information to sufficiently understand the drivers of the schemes’ pricing decisions. For example, this information may be useful for a range of statutory functions, including market reviews. There may also be additional benefits if this contributes to further actions by the PSR that result in more proportionate and effective regulation in the future. If so, then the benefit is providing

134 See paragraphs 4.7 to 4.9 above.

information that contributes to giving the PSR – alongside other evidence – greater certainty on the need, or otherwise, for any future actions.

Implementation costs

Evidence on the costs of implementing the remedy

- 2.73** In our review of previous policies where similar remedies have been introduced, we found that the main drivers of costs were staff costs associated with ensuring compliance with the remedy.
- 2.74** For example, an FCA intervention in the pensions product market sought to address potential harm arising from poor value for money that consumers receive from IGCs (Independent Governance Committees) and GAAs (Governance Advisory Arrangement).¹³⁵ The remedies introduced new requirements on IGCs / GAAs to conduct value for money assessments.¹³⁶ The FCA assumed that firms would need additional meetings, or additional time in meetings, to assess the firms' policies and ensure they are providing value for money. In addition, it assumed that there would be other firm costs associated with supporting the IGC. In total, the FCA estimated that ongoing compliance costs for firms with an IGC were around £90,000-£150,000 per year, per firm.¹³⁷
- 2.75** The FCA also introduced a product governance remedy in its general insurance pricing practices market study (CP20/19).¹³⁸ This required firms to assess all existing products within 1 year of the rules coming into effect and take appropriate action to ensure that products provide fair value going forward. When the FCA did an ex-post evaluation of the compliance costs associated with the remedies, it found that one-off costs were around £574,000 for large firms, with ongoing costs of around £431,000.¹³⁹ The firms which responded to the FCA's original compliance cost survey reported that the majority of one-off costs related to adapting existing IT set-ups or implementing new ones.¹⁴⁰
- 2.76** Given the above, in our view, the main costs associated with this remedy would be staff costs. We do not anticipate there will be any IT costs since the information required to comply with this remedy should already be available to the schemes.

Cost estimates

- 2.77** We have made a number of assumptions to estimate the costs to be incurred by the schemes to comply with the Pricing Governance remedy. They are set out in Appendix 1, Table 9. The remedy does not require a significant change in operation or business model,

135 FCA Consultation Paper CP20/9, Driving value for money in pensions (June 2020): <https://www.fca.org.uk/publication/consultation/cp20-9.pdf>

136 FCA Consultation Paper CP20/9, Driving value for money in pensions (June 2020), Annex 2, paragraph 17: <https://www.fca.org.uk/publication/consultation/cp20-9.pdf>

137 FCA Consultation Paper CP20/9, Driving value for money in pensions (June 2020), Annex 2, Table 2: <https://www.fca.org.uk/publication/consultation/cp20-9.pdf>

138 FCA Consultation Paper CP20/19, General insurance pricing practices market study – consultation on handbook changes (September 2020, updated December 2020): <https://www.fca.org.uk/publication/consultation/cp20-19.pdf>

139 FCA Evaluation paper 25/2: an evaluation of our general insurance pricing practices remedies, July 2025.

140 FCA Consultation Paper CP20/19, General insurance pricing practices market study – consultation on handbook changes (September 2020, updated December 2020), Annex 2, paragraphs 50 to 62: <https://www.fca.org.uk/publication/consultation/cp20-19.pdf>

but does require resource costs to produce better records and compile these as part of Decision Records and produce a report detailing compliance with the remedy.

2.78 Table 4 summarises our estimates of one-off implementation costs that we expect to be incurred by the schemes in the first year.

Table 4: One-off costs of Pricing Governance remedy (across both schemes)

Cost	Lower bound cost	Upper bound cost
Change project, including governance	£25,000	£445,000
Training	£70,000	£225,000
Providing the required information	£110,000	£740,000
Total	£210,000	£1,400,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1m, are rounded to the nearest £5k, and if above £1m are rounded to the nearest £100k.

2.79 As shown in Table 4, we estimate three types of one-off costs. First, we have assumed there will be a relatively small change project to account for costs associated with changes to internal processes and governance that would be required to comply with the remedy. Second, we have also estimated costs to comply with the requirement to train employees involved in the preparation, review, or delivery of acquirer fee proposals, acquirer fee decisions, and Decision Records. More detail on our assumptions are set out at Appendix 1.

2.80 Table 5 summarises our estimates of the ongoing implementation costs. These are based on the assumptions set out in Appendix 1. We assume ongoing costs of providing the information and governance costs are similar to those in the first year. We also assume ongoing training costs will be around 20% of the initial training costs to account for staff turnover and training refreshers.

Table 5: Ongoing annual costs of Pricing Governance remedy (across both schemes)

Cost	Lower bound cost	Upper bound cost
Ongoing governance costs	£25,000	£145,000
Training costs	£15,000	£45,000
Providing the required information	£110,000	£740,000
Total	£150,000	£930,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1m, are rounded to the nearest £5k, and if above £1m are rounded to the nearest £100k.

Other impacts of the proposed remedies

Familiarisation, gap analysis, compliance set up, and external project management support

2.81 Familiarisation and gap analysis refers to firms reading and familiarising themselves with the detailed requirements of the new rules, guidance, or good practice, and checking their current practices against these expectations. We also estimate costs for compliance set-up and potential external project management support. We have estimated these costs across all remedies as opposed to each individual remedy. As set out in Appendix 1, we present a single estimate that broadly reflects our engagement with the schemes. We do not provide a range – except for external project management – [28].

Table 6: Other one-off costs across remedies (across both schemes)

Cost	Lower bound cost	Upper bound cost
Familiarisation	£10,000	£10,000
Gap analysis	£50,000	£50,000
Compliance Set-up Costs	£80,000	£80,000
External project management support	£0	£1,600,000
Total	£145,000	£1,700,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1m, are rounded to the nearest £5k, and if above £1m are rounded to the nearest £100k.

Costs to the PSR

2.82 The PSR will face some internal costs associated with these remedies. In the case of both remedies, the PSR will bear the cost of monitoring the schemes to ensure compliance with the remedies. In these cases, we expect there will be an opportunity cost to the PSR as our work is re-prioritised in order to accommodate this additional work.

2.83 These costs are partly offset if we consider a counterfactual scenario where these remedies are not implemented. In particular, if we did not implement the Pricing Governance remedy, the PSR would still have inadequate information on pricing decisions and would likely need to send further *ad hoc* information requests to the schemes to understand their pricing decisions.

Impact on economic growth

Our view on the schemes' consultation responses on economic growth

2.84 In their responses to our remedies consultation, the schemes submitted arguments as to why the remedies are likely to be harmful for growth and investment. This section summarises these arguments.

- 2.85** Both schemes had specific concerns about individual remedies in our consultation and the impact they may have on investment and economic growth, however the changes we have made to our proposed remedies mean these specific concerns have been addressed.
- 2.86** Both schemes also had concerns about the remedies package as a whole. Mastercard (and a trade association) submitted that the PSR should consider the unintended consequences of its proposed remedies, including impacts on innovation.¹⁴¹ In addition, Visa submitted that we did 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, negatively impacting the wider UK economy.¹⁴²
- 2.87** In response to the concern around our interventions inhibiting incentives to invest and innovate, the only market intervention we are proposing in this document are our ITC remedies. The Pricing Governance remedy is designed to help bridge a regulatory information gap and does not interfere in the schemes' front-line business operations. ITC remedies are commonly implemented by regulatory authorities and the PSR has not seen any evidence that these present a large detrimental impact to investment and innovation. Further, we have revised our Pricing Governance remedy. In terms of regulatory burden, we do not expect the implementation costs to have adverse effects on innovation. Finally, as stated in the final report, we would expect greater competitive pressure on the acquiring side to lead to greater, not lower, innovation to the benefit of merchants, even if it were to lead to lower acquiring-side fees.¹⁴³

Overall assessment on the impact of our remedies on growth and competitiveness

- 2.88** In our letter to the Prime Minister on the PSR's approach to supporting growth, we committed to five areas of work that will help to support economic growth in the UK economy – one of which was to take action on card fees.¹⁴⁴ In the letter, we noted merchants' concerns around the high cost of accepting cards and the resulting impact on businesses' ability to invest and grow, which could subsequently constrain economic growth.
- 2.89** We have considered the impact that these measures will have within the broader international regulatory environment. As far as the PSR is aware, no other jurisdiction has implemented remedies similar to those we are proposing on Mastercard and Visa specifically. We are not the only regulator investigating the card schemes. As such, we have engaged with other regulators, e.g. our European and Australian counterparts. With regard to the remedies set out in this document:
- ITC remedies are commonly implemented by regulatory authorities and the PSR has not seen any evidence that these present a large detrimental impact to investment and innovation.

141 Mastercard's response to CP25/1, page 45; Stakeholder response to CP25/1 [3-].

142 Visa's response to CP25/1, paragraph 2.5d.

143 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 6.183.

144 <https://www.psr.org.uk/media/wmfjwy3z/psr-letter-to-pm-20250116.pdf>

- The Pricing Governance remedy involves keeping good records of decisions, which is a basic requirement placed on financial services firms by other regulators, such as the Bank of England and the FCA.¹⁴⁵

2.90 We have carefully considered the potential impact of our remedies package on UK business investment and economic growth:

- We believe our interventions, in particular ITC, will go some way to help reduce the costs that acquirers and merchants face when accepting card payments. This can support their future growth and development.
- We did not identify any significant unintended consequences of our proposed remedies that can have adverse effects on growth. Across both schemes combined, the estimated implementation cost for the proposed package of remedies is unlikely to have a material impact on innovation as it accounts for a very small proportion of the schemes' fee revenue from acquirers for scheme and processing services (approximately less than [~~2~~] % for one-off costs and approximately less than [~~2~~] % for ongoing costs).¹⁴⁶

2.91 On this basis, we believe the impact of our interventions on growth is likely to be positive or, at worst, neutral.

Other considerations of unintended consequences

2.92 As part of our remedy development, and consideration of effectiveness and proportionality, we have carefully considered the risk of unintended consequences from our proposed ITC and Pricing Governance remedies.¹⁴⁷

- *ITC*: As explained in Annex 1 above, the risk of unintended consequences was a relevant consideration in our decision to not progress with ITC3, ITC4 and a fee volume reduction remedy at this stage. The draft ITC direction includes safeguards to mitigate the risk of unintended consequences, for example the requirement to give six months' notice for fee changes allows exceptions to this where such changes are in service users' interests.
- *Pricing governance*: The draft Pricing Governance Direction has been developed to avoid or mitigate the risk of unintended consequences; for example, we have moved away from our original proposal to develop a pricing methodology remedy in light of stakeholder feedback on our interim report.¹⁴⁸ In light of feedback to the Remedies Consultation, we have also removed a requirement for 'reasonableness' as a pricing principle, given the risk that this could place obligations on the schemes that are disproportionate or go beyond what is needed to address our findings in the market review.

145 See: <https://www.bankofengland.co.uk/prudential-regulation/new-bank-start-up-unit/regulatory-expectations> and <https://handbook.fca.org.uk/handbook/sysc9/sysc9s1?timeline=true>

146 This assumes one-off costs of £10.5 million and ongoing costs of £2.0 million which are the upper bounds of our implementation cost estimates for both schemes combined. The denominator for this calculation is £[~~2~~] which is the total gross fees paid by acquirers for scheme and processing services from both schemes in 2023 (as set out earlier). The findings still hold if we calculate this per scheme.

147 See Chapter 4 above.

148 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraphs 3.43 to 3.44.

FCA and PSR CBA Panel engagement on CBA

- 2.93** In the course of the development of this CBA we engaged with the CBA Panel and we are thankful for the comments and advice it provided to us which we have carefully considered. We will not be replicating the Panel's advice here in detail, but will summarise the key recommendations and how we have taken them into consideration.
- 2.94** The Panel recommended that the CBA acknowledge more explicitly the uncertainty arising from future market developments, including the possible entry of new competitors and evolving technologies. For that reason, we do not assess the benefits over a long time horizon and do not provide an Estimated Annual Net Direct Cost to Business (EANDCB)¹⁴⁹. In paragraph 2.16, we acknowledge the dynamic nature of the market and note that in our view the benefits are likely to materialise over the next five years. We have also acknowledged in our counterfactual that Open Banking has the potential to be a competitor in the future.
- 2.95** The Panel also recommended that the CBA include comparative international evidence and whether the UK's proposals align with or diverge from international practice. We have considered this in the section on the impacts of our remedies on growth.
- 2.96** Finally, the Panel considered that our discussion of the wider economic effects of our interventions were too cautious and that we should robustly reject claims that the measures might harm innovation since greater transparency and competition are more likely to stimulate innovation than reduce it. We have subsequently made a more positive case for our interventions being pro-growth and reiterated our argument from the final report that we expect any competitive pressure on the acquiring side to lead to greater, not lower, innovation to the benefit of merchants.

Questions for consultation

Question 4: Please provide any views (along with supporting evidence) on the benefits associated with our proposed remedies.

Question 5: Please provide views (along with supporting evidence) on the extent to which the benefits associated with the proposed ITC remedy vary depending on the number of fees excluded from it, and, in particular, on whether such benefits become small or negligible for fees below the value of the proposed materiality threshold. Please explain whether the answer varies by category of fee or by component of the proposed ITC remedy.

Question 6: Please provide any views (along with supporting evidence) on the costs your business incurs to understand scheme and processing fees.

Question 7: Please provide views (along with supporting evidence) on the extent to which the cost elements associated with the proposed ITC remedy vary depending on the number of fees excluded from it. Please explain whether the answer varies by category of fee or by component of the proposed ITC remedy.

¹⁴⁹ The EANDCB is the equivalent annual net direct cost to business. It focuses on the direct impacts to businesses (e.g. compliance costs) associated with an intervention while excluding indirect costs, such as cost pass-through to consumers. It is measured in present value terms over a specific period of time.

Question 8: Please provide any views (along with supporting evidence) on the assumptions used in our cost estimates.

Question 9: Please provide any views (along with supporting evidence) on the impact that the proposed remedies may have on economic growth.

Question 10: Please provide any views (along with supporting evidence) on the potential unintended consequences of our proposed remedies and what actions we could take to avoid these.

Annex 3

Responses to our consultation and design considerations

This chapter sets out a summary of the submissions we received in response to CP25/1 in relation to our ITC and Pricing Governance remedy, and a discussion of how this has informed the design of the proposed directions. In preparing this document, we have engaged with stakeholders. This engagement took various forms, including information requests, voluntary questionnaires, roundtable discussions and bilateral meetings. The stakeholders who provided feedback or with whom we otherwise engaged are listed below:

- the card scheme operators, Mastercard and Visa
 - eight card acquirers, who collectively account for over 86% of UK card transactions by value
 - four large merchants
 - three trade associations representing merchants who together cover thousands of independent and major UK retailers from a broad range of sectors
 - one trade association representing financial services firms
 - one trade association representing small businesses and the self employed
 - one trade association representing airlines
 - one trade association representing payments firms
 - one trade association representing start-ups
 - one payment facilitator
 - one Open Banking platform
 - one individual
-

ITC Remedy

Views on the ITC remedies' aim and purpose

Responses to our consultation

- 3.1** Eight acquirers and another respondent¹⁵⁰ generally supported our proposed ITC remedies. One acquirer noted that their feedback has been recognised, and they are supportive of

150 Stakeholder responses to CP25/1 [3-]; PSR calls with stakeholders on 25 June 2025, 17 June 2025, [3-] and 27 June 2025 [3-].

our intention to reduce complexity with scheme fees and further improve the quality of service provided by the schemes to acquirers.¹⁵¹ Another acquirer argued that, if implemented effectively, the ITC remedies have the potential to improve the efficiency of acquirers in reviewing and responding to fee changes, reduce complexity, and ensure value is delivered to merchants and consumers.¹⁵²

3.2 A trade association representing financial services firms noted that many acquirers generally welcome remedies that will enable them to serve their merchants better, recover fees accurately, plan appropriately and enhance their understanding of fees and billing.¹⁵³ It further noted that many on the acquiring side agree that scheme and processing fees have become very complicated, too hard to understand, and difficult to predict or reconcile.¹⁵⁴ However, an acquirer said we need to be mindful of unintended consequences, as excessive transparency could lead to confusion due to more complexity and unjustified costs for acquirers and merchants.¹⁵⁵

3.3 One merchant and three merchant associations supported our proposals.¹⁵⁶ A trade association representing merchants noted that they will help merchants understand scheme fees in more detail so they can make informed decisions, but were more sceptical about whether these measures will lead to savings for them, given the limited number of alternative providers and the lack of competition.¹⁵⁷ One merchant did not believe these measures (the ITC remedies) were sufficient, nor that they will lead to a reduction in the excessive fees charged or address the lack of competition.¹⁵⁸

3.4 Mastercard recognised the need to be transparent about the fees they charge.¹⁵⁹ Visa recognised the need to enable acquirers to enhance their transparency to merchants.¹⁶⁰ However, they also raised several concerns:

- Both schemes argued that they already provide acquirers with information that enables them to understand their fees, through dedicated portals, tools and support staff.¹⁶¹ They also noted that they recently made improvements that we should take into account, not only in designing the remedies but also when considering if they are necessary at all.¹⁶²
- They said that acquirers are sophisticated institutions¹⁶³, with Mastercard adding that they have the capability and capacity to understand fees and the billing process¹⁶⁴ and Visa noting acquirers' direct relationships with UK merchants.¹⁶⁵

151 Stakeholder response to CP25/1 [~~3~~].

152 Stakeholder response to CP25/1 [~~3~~].

153 Stakeholder response to CP25/1 [~~3~~].

154 Stakeholder response to CP25/1 [~~3~~].

155 Stakeholder response to CP25/1 [~~3~~].

156 Stakeholder responses to CP25/1 [~~3~~].

157 Stakeholder response to CP25/1 [~~3~~].

158 Stakeholder response to CP25/1 [~~3~~].

159 Mastercard's response to CP25/1, page 11, section 3.1.

160 Visa's response to CP25/1, paragraph 4.1.

161 Visa and Mastercard's responses to CP25/1. Visa, paragraph 4.2; Mastercard, page 11, section 3.1.

162 Visa and Mastercard's responses to CP25/1. Visa, paragraphs 4.3 to 4.6; Mastercard, page 11, section 3.1.

163 Visa and Mastercard's responses to CP25/1. Visa, paragraph 4.1; Mastercard, pages 11 and 12, section 3.1.

164 Mastercard's response to CP25/1, pages 11 and 12, section 3.1.

165 Visa's response to CP25/1, paragraph 4.1.

Design considerations

3.5 Regarding the concerns raised by the schemes at paragraph 3.4, our final report concluded that the quality of the information that the schemes provide to acquirers can be insufficient to understand their fees.¹⁶⁶ We recognise that each scheme already provides some of the information that is required under the proposed direction, and that both schemes have made improvements in recent years. However, as set out in our final report,¹⁶⁷ despite these improvements we have concluded that the level of information provided is not sufficient for acquirers to understand fees well enough. While we note that some further improvements have been made since the final report, in our view these are not sufficient to address the findings and detriment identified in it.¹⁶⁸

- However, recognising the above, we have sought to design a remedy which takes account of the fact that schemes already provide some of the information that is required under the proposed ITC direction. As part of the implementation of the proposed ITC direction, the schemes are required to assess the extent to which they already comply with parts of the ITC1 and ITC2 remedies based on the information they currently provide to acquirers, with a view to building on existing processes and integrating the additional information necessary to be fully compliant with the proposed ITC direction.¹⁶⁹
- We recognise that some acquirers are sophisticated institutions, but consider that all acquirers should be able to understand fees (and explain them to their merchants) whether they are new entrants or established firms with large resources. However, we agree that the binding obligations we place on the schemes should reflect what an acquirer should reasonably be expected to do to understand fees as part of the services they provide to merchants and have reflected this in the proposed ITC direction.

ITC1 and ITC2 (existing, new and modified fees): Minimum data to be provided for acquirers to understand the nature of a fee and how a fee is triggered

Responses to our consultation

3.6 Eleven stakeholders (including acquirers, merchants and trade associations) agreed the schemes should provide this information.¹⁷⁰ One acquirer argued that a key issue for acquirers is the significant resource burden involved in understanding which fees should be passed on, to whom they should be passed on, in what amount, and for what reason—

166 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraph 1.14.

167 MR22/1.10, *Market review of card scheme and processing fees: Final Report* (March 2025), paragraphs 7.25 to 7.28.

168 We spoke to acquirers about recent improvements Visa and Mastercard may have made since the final report with regards to the information they currently provide on fees. One acquirer said that the clarificatory changes Visa has made should be extended, e.g. to include bulletins, while Mastercard does not appear to have made any noticeable changes. PSR call with stakeholder on 25 June 2025 [redacted] One acquirer said that the changes have not addressed the concerns highlighted in our final report. PSR call with stakeholder on 27 June 2025 [redacted]

169 As set out in the CBA (Annex 2), to the extent one or both schemes already comply with parts of the proposed remedies this may reduce the potential benefits, but it also reduces the incremental compliance costs of the proposed remedies.

170 Stakeholder responses to CP25/1 [redacted]; PSR calls with stakeholders on 25 June 2025, 17 June 2025, [redacted] and 27 June 2025 [redacted].

and then explaining this clearly in simple language to merchants.¹⁷¹ Another acquirer noted that one of the main issues is that data is neither uniform nor consistent for all fees.¹⁷²

3.7 On the specific elements listed in Box 1, stakeholders (excluding the schemes) made the following comments:

- **Detailed definition of the fee:** The definition should include the specific data elements and logic they use to assess each fee.¹⁷³
- **Appropriate PSR-defined fee categorisation:** The schemes do not consistently categorise their fees as mandatory, optional or behavioural.¹⁷⁴ A trade association noted that proper categorisation is appropriate, as the schemes have considerable flexibility in characterising fees as 'optional' when they are effectively mandatory for most businesses.¹⁷⁵
- **Clear justification for the fee:** The schemes do not provide this consistently.¹⁷⁶ A trade association suggested that the justification should include an explanation of the purpose of each fee, what value it delivers, and the specific cost or service quality where relevant – particularly for fees that support fraud prevention, network security or innovation.¹⁷⁷
- **Rates and units of billing:** One acquirer commented that, while the schemes do provide these already, the variation in rates charged (which can include combinations of flat percentages and percentage points) can make billing difficult to predict.¹⁷⁸
- **History of the fee level:** One acquirer commented that while this would be welcomed, the provision of the whole history of the fee level may not be crucial.¹⁷⁹
- **Detailed technical specifications:** One acquirer argued that this is the most important and weakest area in the list.¹⁸⁰ Two acquirers suggested that the technical specifications should clearly show what triggers a fee and how it is calculated.¹⁸¹

3.8 Mastercard said it already provides many of the elements in Box 1 for most fees.¹⁸² Mastercard said our proposals that diverge from its existing practices may not benefit customers. It would also have to manually review all fees, which would result in implementation and monitoring costs.¹⁸³

171 Stakeholder response to CP25/1 [redacted].

172 PSR call with stakeholder on 27 June 2025 [redacted].

173 Stakeholder response to CP25/1 [redacted].

174 PSR call with stakeholder on 27 June 2025 [redacted].

175 Stakeholder response to CP25/1 [redacted].

176 PSR call with stakeholder on 27 June 2025 [redacted].

177 Stakeholder response to CP25/1 [redacted].

178 PSR call with stakeholder on 25 June 2025 [redacted].

179 PSR call with stakeholder on 17 June 2025 [redacted].

180 PSR call with stakeholder on [redacted] [redacted].

181 Stakeholder response to CP25/1 [redacted]; PSR call with stakeholder on 17 June 2025 [redacted].

182 Mastercard's response to CP25/1, pages 12 and 13, section 3.2.1.

183 Mastercard's response to CP25/1, page 12, section 3.2.1.

- 3.9** Mastercard made these observations on the specific elements of Box 1:
- PSR-defined fee categories that duplicate Mastercard’s existing categories are likely to confuse its customers.¹⁸⁴
 - Acquirers cannot use prior fee information to understand or forecast fees, or to allocate fees to merchants. Mastercard considers that, at most, one year of pricing history may be useful for acquirers assessing the impact of changes.¹⁸⁵
 - Adding more detailed technical specifications would introduce the potential for human error, and divert resources from developing automated tools.¹⁸⁶

3.10 Visa said that it already provides many of the elements in Box 1. In instances where clarification is needed, acquirers have a range of tools available to them and can contact Visa for further information and assistance.¹⁸⁷ Visa said its new (May 2025) acquirer billing guide and enhancements to invoicing show that it has improved transparency in response to acquirer feedback.¹⁸⁸

Design considerations

3.11 In view of the submissions received in response to our consultation, we consider that most of the requirements in Box 1 should be included in the proposed ITC direction, subject to the following refinements:

- We have added in the proposed ITC direction a requirement to provide a unique billing identifier for each fee, which schemes must provide consistently in all their interactions with acquirers. This would improve the effectiveness of the remedy as it avoids confusion between fees and, as a result, reduces complexity for acquirers.
- We have removed the entire history of the fee level from the minimum information required for all fees. Instead, we consider that, when there is a fee change, the schemes need to provide the previous level, calculation logic and/or triggers of the fee depending on the modifications. This will enable acquirers to better understand the change that is being made, by comparing it to the previous situation. We consider that this change achieves the aim of the remedy, while managing the cost burden on the schemes.
- To avoid unnecessary overlap, we have merged the definition and justification requirements and have a new requirement for schemes to provide a description and explanation of the fee, with specific requirements applying based on the fee’s categorisation.

3.12 We have sought to ensure that the requirements of the proposed ITC direction are sufficiently specific and clear to ensure consistency and uniformity in the provision of information across fees and between schemes. However, to manage the cost burden for the schemes and to leverage their existing resources, information flows and systems, we consider it appropriate not to be overly prescriptive on the way they provide this information, subject to all the required minimum information being provided in an easily

184 Mastercard’s response to CP25/1, page 13, section 3.2.1.

185 Mastercard’s response to CP25/1, pages 13 and 14, section 3.2.1.

186 Mastercard’s response to CP25/1, page 13, section 3.2.1.

187 Visa’s response to CP25/1, paragraph 4.2.

188 Visa’s response to CP25/1, paragraphs 4.3 and 4.4.

accessible, workable and usable format. We further require in the proposed ITC direction that schemes must not charge acquirers for the provision of this minimum information.

ITC1 (existing fees): Views on the minimum data to be provided on transactions and events triggering a fee

Responses to our consultation

3.13 Five acquirers agreed with our proposal to have transaction-level data listed for each billing code.¹⁸⁹ They highlighted issues with the way the schemes currently provide this information:

- The schemes bundle some of the information in invoices.¹⁹⁰
- The schemes do not provide all this information, so acquirers must depend on their internal systems or buy reports from the schemes.¹⁹¹
- The schemes do not provide the merchant identifier consistently.¹⁹²

3.14 A respondent further noted that they have created a dedicated team that specifically reviews the invoices related to cards line by line, challenging or trying to understand the fees charged in order to ensure they are able to keep their costs as low as possible. They argued that in the last year alone, they found several million pounds [redacted] in fees that were incorrectly charged.¹⁹³

3.15 A trade association representing financial services firms argued that acquirers support having access to transaction data to help them model the likely impact of fees, but some are concerned that disproportionate information overload will likely lead to increased requirements for resource on the acquirer side (and possibly merchants). It further argued that other acquirers have a stronger view and think that access to such data will benefit them and reduce the resource they currently deploy.¹⁹⁴

3.16 One acquirer said the schemes should provide this data at the merchant level, as acquirers need this granularity to accurately allocate fees and assess their impact. That is because the large size of data packages for transaction-level data can be an issue.¹⁹⁵ Another acquirer said there could be issues with a merchant-level aggregation, as a merchant identifier alone may not provide information on the sub-levels of the entity.¹⁹⁶

3.17 One acquirer said the schemes should make transaction-level data available each month, in line with existing billing cycles.¹⁹⁷ A trade association representing merchants supported the data covering at least the previous 12 months, so that acquirers and merchants can

189 PSR calls with stakeholders on [redacted], 30 June 2025, 19 June 2025, 27 June 2025 and 27 June 2025 [redacted].

190 PSR calls with stakeholders on 27 June 2025 and [redacted] [redacted].

191 PSR call with stakeholder on [redacted] [redacted].

192 PSR call with stakeholder on 27 June 2025 [redacted].

193 Stakeholder response to CP25/1 [redacted].

194 Stakeholder response to CP25/1 [redacted].

195 PSR call with stakeholder on 19 June 2025 [redacted].

196 PSR call with stakeholder on [redacted] [redacted].

197 Stakeholder response to CP25/1 [redacted].

make meaningful assessments and take informed action. It would also help build a picture of historical trends.¹⁹⁸

3.18 Another acquirer suggested adding the relevant billing period for each invoice by reference to time stamped transactions. This would enable them to cross-reference their internal transaction data and carry out accurate reconciliations.¹⁹⁹

3.19 We further understand from one acquirer that the usefulness of the Box 2 information will largely depend on how they can interact with and analyse the data. They suggested a highly modular approach, where each of the eleven items can be seen via the lens of one of the items. They argued that acquirers should be able to filter the information according to their needs, so they can analyse it to a high degree.²⁰⁰

3.20 Mastercard said it already provides this information free of charge in its Transaction Detail and Billing Analytics tools for all fees driven by transactions.²⁰¹

3.21 Visa argued that it would need very significant investment to provide the information set out in Box 2 across all its fees and that this would include setting up new data flows and systems. Visa stated that this could lead to an overwhelming amount of data that would be difficult for acquirers to process efficiently. In addition, Visa noted that it would rely on acquirers for certain types of Box 2 information (such as merchant names/IDs and transaction data).²⁰²

3.22 Visa also told us that acquirers can reconcile the fees effectively when they understand the fee logic, the volumes of transactions at aggregate level and have access to additional reports. If they have specific queries on which transactions or events triggered a fee, they can raise a query, and Visa will assist with providing further information through its client support teams.

3.23 Both schemes noted that they cannot provide transaction-level information where fees are not driven by transactions.²⁰³

Design considerations

3.24 In view of the submissions received in response to our consultation, and subject to an alternative route to compliance being developed and agreed with the PSR, we have made a number of changes to our approach to this element of the proposed ITC remedy, in particular:

- We have simplified the minimum information needed for this purpose by providing that schemes can meet the minimum requirements by at least providing either a single identifier/reference for each transaction that has triggered a fee or a unique combination of codes that would enable an acquirer to clearly reconcile a fee to the originating transactions. For this criterion to be met, the acquirer must be able to recognise this reference or combination of codes to ensure clear reconciliation of the amount billed. This will ensure that an acquirer understands all the transactions that

198 Stakeholder response to CP25/1 [↗].

199 Stakeholder response to CP25/1 [↗].

200 Stakeholder response to CP25/1 [↗].

201 Mastercard's response to CP25/1, page 14, section 3.2.2.

202 Visa's response to CP25/1, paragraph 4.7(a).

203 Visa and Mastercard's responses to CP25/1 (Visa, paragraph 4.7(c); Mastercard, page 14, section 3.2.2).

have triggered a fee in a billing period. To the extent the acquirer needs further information on each transaction, they can find this information by matching this reference to their internal records.

- We have included in the proposed ITC direction a requirement to provide an explanation of what has triggered the relevant fee for non-transaction driven fees. We consider that non-transaction fees may also cause complexity to acquirers and therefore, this justifies the provision of this additional information to acquirers to determine the events that have triggered those fees.

3.25 To manage the cost burden for the schemes and to leverage their existing resources, information flows and systems, we have allowed in the proposed ITC direction for some flexibility on the way they provide this information, subject to it being provided in an easily accessible, workable and usable format and through the use of appropriate systems, processes, software, records and other documentation. We further require in the proposed ITC direction that the schemes must not charge acquirers for the provision of this minimum information.

ITC2 (new and modified fees): Views on the information to be provided in relation to the expected financial impact of a fee

Responses to our consultation

- 3.26** Two acquirers said the expected financial impact is very relevant and, although some do this analysis themselves, it would enable them to verify their forecasting.²⁰⁴ One acquirer stated that this information would be of particular help for tokenisation, authentication and behavioural fees.²⁰⁵
- 3.27** A trade association strongly supported the information requirements in Box 3, arguing they address a critical gap in acquirers' ability to assess the real-world impact of fee changes. It further argued that 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.²⁰⁶
- 3.28** One acquirer supported alternatives to this proposal, mostly because analysing large transaction files (of millions of transactions) could be an issue.²⁰⁷
- 3.29** Two acquirers²⁰⁸ suggested that a more aggregated version of this information at merchant level may be more appropriate from an effectiveness and proportionality perspective. One of them noted that the schemes already provide this information on request.²⁰⁹
- 3.30** Three acquirers also raised several concerns with the requirement to provide at least one month of transaction-level data. They suggested that a longer period would provide a more

204 PSR calls with stakeholders on 17 June 2025 and 19 June 2025 [↗].

205 Stakeholder response to PSR information request sent on 6 October 2025 [↗].

206 Stakeholder response to CP25/1 [↗].

207 PSR call with stakeholder on 17 June 2025 [↗].

208 PSR calls with stakeholders on 25 June 2025 and 30 June 2025 [↗].

209 PSR call with stakeholder on 25 June 2025 [↗].

representative and reliable basis for assessing the financial impact and forecasting²¹⁰, with two of these acquirers highlighting the seasonal variations in transaction patterns.²¹¹

3.31 Mastercard suggested that we should consider workable alternatives to the transaction-level data that allow acquirers to achieve our aim.²¹² Mastercard told us it already provides estimates of financial impact of fee changes based on historical data to acquirers that request it. However, it argued that presenting this information as their 'expected' impact may mislead acquirers and generate queries and misunderstandings.

3.32 Visa said it would be inappropriate to provide historical data for the purpose of forecasting fee changes because this could be misleading. It argued that doing this:

- would not account for clients' 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 and behavioural fees (which are aimed at influencing future behaviour)²¹³

3.33 In addition, Visa argued that undertaking this analysis and providing the Box 3 information to all acquirers across all its new fees and fee changes would be very burdensome and disproportionate.²¹⁴

Design considerations

3.34 The proposed ITC direction sets out that, as part of ITC2, the schemes must give acquirers the minimum information they need to understand the financial impact of new or modified behavioural fees.

3.35 Since the remedies consultation, we have refined this requirement as follows:

- The information the schemes must provide should be presented as a factual assessment based on the acquirer's historic transactions. It does not need to include an estimated or expected financial impact of the new or modified fee. This is to mitigate the risk of misunderstandings on the nature and inherent limitations of a forecast relating to behavioural fees produced by the schemes.
- The information must be provided on request and be available three months prior to the implementation of a new or modified behavioural fee.
- Schemes should also provide acquirers with information they need to understand the actions they and their merchants can take to mitigate or avoid the new or changed behavioural fee. We consider that this additional support on behavioural fees will mitigate issues acquirers currently face with understanding behavioural fees. This in turn should help merchants to avoid these fees, resulting in lower costs and in efficiencies for the overall ecosystem.

210 Stakeholder responses to CP25/1 [↗]; PSR calls with stakeholders on 25 June 2025 and 27 June 2025 [↗].

211 Stakeholder response to CP25/1 [↗]; PSR call with stakeholder on 25 June 2025 [↗].

212 Mastercard's response to CP25/1, page 15, section 3.2.5.

213 Visa's response to CP25/1, paragraph 4.8.

214 Visa's response to CP25/1, paragraphs 4.7(a) and 4.7(b).

ITC 2 (new and modified fees): Views on the appropriate notice period for new and modified fees

Responses to our consultation

- 3.36** The proposal received strong support from acquirers, merchants and trade bodies representing merchants.²¹⁵ One acquirer noted that insufficient information on late and unclear changes means acquirers can't appropriately charge customers and said six months is the minimum time they need to align their systems.²¹⁶ Another acquirer argued that nine months is the minimum notification period for any changes or new scheme fees.²¹⁷ A trade association representing financial services firms noted that some issuers and acquirers said nine months would be preferable, to ensure they have time to complete the necessary work and notify merchants appropriately.²¹⁸ Two merchants explicitly supported the six-month notification requirement for fee changes.²¹⁹
- 3.37** Mastercard's view was that, while it already provides acquirers with sufficient (around 3 months') notice of fee changes, the additional information we proposed is not usually available at that point. Allowing additional time to meet our requirements would result in potentially significant delays to Mastercard introducing new products to the UK.²²⁰ In their letter to us on 6 October 2025, Mastercard stated that, to further aid the acquirers in assessing the impact of fee changes, Mastercard would be able to commit to increasing the timeframe ahead of implementation in which information in Box 1 can be made available to acquirers from three to six months for mandatory and behavioural as well as for changes to optional fees. [3].²²¹
- 3.38** Visa said our proposal would be disproportionate given the level of granularity and the wide range of services it offers.²²²

Design considerations

- 3.39** The proposed ITC direction sets out that the schemes should give acquirers the minimum information they need to understand new and modified fees at least six months before they implement them.
- 3.40** By way of exception, in the proposed ITC direction we have excluded from the application of this requirement fees charged in respect of new optional services offered on an opt-in basis. The reason is that these fees are only charged if a customer makes the active choice to opt-in to those services, on the basis of information that they see as sufficient for their decision making.

215 Stakeholder responses to CP25/1 [3].

216 Stakeholder response to CP25/1 [3].

217 PSR call with stakeholder on 19 June 2025 [3].

218 Stakeholder response to CP25/1 [3].

219 Stakeholder responses to CP25/1, [3].

220 Mastercard's response to CP25/1, page 14, section 3.2.3.

221 [3].

222 Visa's response to CP25/1, paragraph 4.7(b).

- 3.41** We note that this requirement would be rendered ineffective if, within the six-month notice period for the provision of the minimum general information on new or modified fees, schemes are able to introduce changes that fundamentally affect the information provided on the new or changed fee.
- 3.42** However, we also recognise that there are instances where the schemes need to make certain amendments to this information during the notice period. For example, the schemes may need to make these changes to avoid delays of necessary updates and amendments that are in the acquirers' and/or merchants' interests. Changes may also be necessary where the schemes have identified a material and well substantiated risk to the integrity, security, or stability of the payments ecosystem and need to make adjustments accordingly.
- 3.43** For this reason, we consider that the schemes should not be prevented from making changes after the notice has been given, provided that i) these changes are in acquirers' and/or merchants' interests and/or they are necessary to prevent harm to the payments ecosystem and ii) the schemes notify acquirers of any such changes promptly and notify the PSR as part of their annual compliance report, unless the PSR specifies in writing that it requires concurrent notification with acquirers. If the schemes are concerned about whether any changes that they intend to make fulfil these conditions, we encourage them to approach the PSR via its supervisory function to discuss whether that is the case.

Pricing Governance remedy

Views on the Pricing Governance remedy's aim and purpose

Responses to our remedies consultation

- 3.44** Visa said the basis for the Pricing Governance remedy is unsubstantiated, and that it could lead to a more rigid approach to pricing over time which would constrain Visa's ability to dynamically respond to changes in the competitive landscape.²²³ Visa said the remedy is unnecessary and highly disproportionate, because its existing governance processes enable us to examine its pricing decisions.²²⁴ Visa said we weighed the costs and benefits of the remedy incorrectly in CP25/1, submitting that:
- we have not quantified costs and benefits, or concluded whether the benefits outweigh the costs
 - there are only two benefits, which are speculative
 - we have not considered the costs of any potential future PSR intervention, which could vary depending on the method of intervention.²²⁵
- 3.45** Mastercard said it did not object in principle to our aim of gathering information, but considered the benefits to acquirers and merchants were unlikely to outweigh the costs. It said benefits will only appear if we take action in future, which will depend on us finding that:
- prices are above a competitive level
 - they are not commensurate with Mastercard's offering

223 Visa's response to CP25/1, paragraph 5.2.

224 Visa's response to CP25/1, paragraph 5.2 and subheading above paragraph 5.6.

225 Visa's response to CP25/1, paragraphs 5.11 and 5.12.

- Mastercard is not constrained by alternative payment methods²²⁶

3.46 We received responses to our Pricing Governance questions from nine other respondents, who supported the remedy.²²⁷ Separately, two merchants were disappointed that our overall remedies package did not go far enough in addressing fee levels.^{228 229}

3.47 Another stakeholder suggested we should change our approach and enhance competition instead.²³⁰

Pricing records and pricing principle(s)

Responses to our remedies consultation - records

3.48 In the remedies consultation, we set out that each scheme would have to produce and maintain records for all pricing decisions affecting UK users on the acquiring side.

3.49 Visa said that the documentation we specified would be highly disproportionate and resource intensive, and it would have to set up bespoke UK processes and documentation.²³¹ It also said that producing a Pricing Decision Record (PDR)²³² for every fee change would not be meaningful for the PSR, because many of them would not have a material impact on UK clients.²³³

3.50 Mastercard said recording and documenting the process by which fee proposals evolve (potentially over many months) in the way we proposed would be a burdensome process.²³⁴

3.51 Four stakeholders supported the introduction of PDRs,²³⁵ with three citing them as a vehicle to improve both transparency and accountability.²³⁶

3.52 Another stakeholder stated that the schemes should be required to outline the benefits to customers when introducing or changing fees, particularly when mandatory.²³⁷

3.53 Three stakeholders suggested that the format of the PDRs should follow a template or standardised format to enable easy comparability and improve transparency.²³⁸

226 Mastercard's response to CP25/1, page 19.

227 Stakeholder responses to CP25/1 [~~link~~].

228 Stakeholder responses to CP25/1 [~~link~~].

229 One merchant highlighted that these measures would result in an additional lengthy period of gathering evidence before any meaningful action can be taken; are hygiene factors and would not be sufficient to address the lack of competition and prevent excessive fees; that harms to the market would persist without stronger interventions being implemented; and said that the PSR's proposed remedies do not adequately address the fundamental issues in the card payments market and the PSR's own provisional findings from its interim report. Stakeholder response to CP25/1 [~~link~~].

230 Stakeholder response to CP25/1 [~~link~~].

231 Visa's response to CP25/1, paragraphs 5.6 and 5.7.

232 We have amended the name of PDRs to better reflect the scope of the remedy. In the proposed Direction, we refer to these records as Acquirer Fee Decision Records (AFDRs), but in this chapter we use Decision Records.

233 Visa's response to CP25/1, paragraph 5.10.

234 Mastercard's response to CP25/1, pages 20 and 21, section 4.1.

235 Stakeholder responses to CP25/1 [~~link~~].

236 Stakeholder responses to CP25/1 [~~link~~].

237 Stakeholder response to CP25/1 [~~link~~].

238 Stakeholder responses to CP25/1 [~~link~~].

3.54 One respondent questioned our reliance on this power instead of routine PDR submissions. Considering the impact of fee increases on merchants, it said the schemes should submit PDRs for each fee change – and ideally make them publicly available to build a comprehensive picture.²³⁹

Responses to our remedies consultation – principles

3.55 In our remedies consultation, we set out that each scheme would have to pay due regard to three distinct pricing principles as part of the fee decision-making process, and demonstrate how it has done so through the pricing records. Each principle stipulated that the schemes must pay it due regard and our expectation that this would require more than a superficial consideration of the principle.²⁴⁰

3.56 Eight non-scheme respondents agreed with our principles²⁴¹. A trade association representing financial services firms added that its members were more focused on what will improve their operations directly.²⁴² A trade association said we should significantly strengthen Principle 3, to ensure the schemes demonstrate genuine proportionality between fees and the value of the services.²⁴³

3.57 An acquirer suggested that Decision Records should be mandated as complete records of considerations made in the pricing decision which thoroughly document how due regard has been given to the PSR's pricing principles.²⁴⁴ It said that the Decision Records should contain clear evidence of reasonableness of the fee: explicitly linked to costs incurred, service improvements, or behavioural changes.²⁴⁵

3.58 A trade association said we should have specific requirements for measurable outcomes and clear timelines for delivery, and that the schemes should show concrete, verifiable benefits of their fee changes, rather than just asserting their value.²⁴⁶ It recommended that we expand our guiding questions for decision makers, by adding explicit consideration of:

- cumulative cost impact on different user segments
- alternatives and choice²⁴⁷

3.59 The same respondent²⁴⁸ and another trade association representing merchants²⁴⁹ said the schemes should have to demonstrate that they have actively considered small users or

239 Stakeholder response to CP25/1 [~~3~~].

240 CP25/1, *Market review of card scheme and processing fees: Remedies Consultation* (April 2025), paragraphs 6.20 to 6.22 (Principle 1), 6.23 to 6.26 (Principle 2), 6.27 to 6.30 (Principle 3) and 6.31 to 6.33 (application of the principles).

241 Stakeholder responses to CP25/1 [~~3~~].

242 Stakeholder response to CP25/1 [~~3~~].

243 Stakeholder response to CP25/1 [~~3~~].

244 Stakeholder response to CP25/1 [~~3~~].

245 Stakeholder response to CP25/1 [~~3~~].

246 Stakeholder response to CP25/1 [~~3~~].

247 Stakeholder response to CP25/1 [~~3~~].

248 Stakeholder response to CP25/1 [~~3~~].

249 Stakeholder response to CP25/1 [~~3~~].

those who lack ‘market power’²⁵⁰, or ‘commercial leverage’²⁵¹ rather than focusing on large customers who, they said, can negotiate more effectively.

3.60 Visa said that applying a set of appropriate pricing principles could be less disproportionate than the pricing methodology we proposed in the interim report, but noted the principles should not focus on an inappropriate set of considerations.²⁵² Visa said that the focus on costs in Principle 3²⁵³ is an inappropriately narrow view of the economics of its business and the sector, because Visa does not provide a commodity or utility service but rather, in Visa’s view, operates in a dynamic sector characterised by strong competition on price and non-price factors (e.g. innovation) where fees support and incentivise long-term investments to improve the services offered to end users. Visa said any regulatory intervention on this basis risks adverse consequences for UK merchants and consumers.²⁵⁴ Visa did not share an alternative proposal.

3.61 Mastercard said that aspects of our proposed principles aligned with how it thinks about pricing, and they can be useful in meeting the remedy’s objective.²⁵⁵ Mastercard asked us to clarify Principle 3 to confirm it would not interfere with its commercial freedom.²⁵⁶ Specifically, Mastercard was concerned that a requirement to consider costs in isolation, rather than costs or quality when assessing the reasonableness of a fee, would interfere with its commercial freedom and may lead to cost-based pricing.²⁵⁷

Views on the scope of the Pricing Governance Remedy

Responses to our consultation

3.62 Both Mastercard and Visa said we should narrow the scope of the remedy.²⁵⁸ Visa said, to the extent a pricing governance remedy is imposed, it must be proportionately and appropriately scoped.²⁵⁹

3.63 Mastercard said it should not apply to:

- services to issuers, as we did not find ineffective competitive constraints on that side of the market
- optional services to acquirers as we found that some of these are subject to competitive pressure²⁶⁰

3.64 Both Visa and Mastercard said that we should introduce a materiality threshold, at a minimum, to exclude pricing decisions that would have non-material impact on UK

250 Stakeholder response to CP25/1 [↗].

251 Stakeholder response to CP25/1 [↗].

252 Visa’s response to CP25/1, paragraphs 5.13 and 5.14.

253 Principle 3 required the schemes to consider the reasonableness of their fees in relation to the cost and/or quality of the related service.

254 Visa’s response to CP25/1, paragraph 5.14.

255 Mastercard’s response to CP25/1, page 21, section 4.2.

256 Mastercard’s response to CP25/1, page 21, section 4.2.

257 Mastercard’s response to CP25/1, page 22, section 4.2.

258 Visa and Mastercard’s responses to CP25/1. Visa, paragraph 5.12; Mastercard, page 20.

259 Visa’s response to CP25/1, subheading above paragraph 5.13.

260 Mastercard’s response to CP25/1, page 20.

customers²⁶¹, or which relate to services which have only a negligible demand in the UK²⁶². In the absence of such a threshold, both schemes said that the Pricing Governance remedy would impose a disproportionate regulatory burden on them. Mastercard said that we should apply the remedy only to pricing changes which are forecast to generate UK revenue above a minimum value threshold.²⁶³

3.65 Seven respondents, including three trade bodies representing merchants, two merchants, a trade association and an acquirer, said this remedy should apply to all fee changes, not just material changes.²⁶⁴ Respondents justified their reasoning on the basis that there is no universally accepted definition of a ‘material’ change²⁶⁵, small fee changes can have a significant cost impact on smaller retailers²⁶⁶, and a threshold would increase the risk of circumvention²⁶⁷.

3.66 A trade association and another representing financial services firms recognised that a materiality threshold may be necessary because it would be proportionate²⁶⁸, and because the policy environment is focused on growth and reducing burdens on business and it would not be productive to divert resources for all fees on PDRs^{269,270}. Two trade bodies representing merchants and a trade association said that any materiality threshold should be clearly defined, regularly reviewed and monitored to avoid narrow interpretations by the schemes,²⁷¹ and to ensure the PSR can still assess the cumulative impact of fees on service users.²⁷²

3.67 A trade association proposed a tiered approach, where smaller fee changes would require simpler PDRs and reporting. It recommended using multiple criteria, including absolute revenue impact (for example £1 million annually), percentage change in existing fees (for example any increase above 10%) and applying the remedy to all new fees.²⁷³ A trade association representing financial services firms suggested that we could take fee increases below a suitable inflation metric out of scope.²⁷⁴

261 Visa’s response to CP25/1, paragraph 5.15.

262 Mastercard’s response to CP25/1, page 22.

263 Mastercard’s response to CP25/1, page 20, section 4.1.

264 Stakeholder responses to CP25/1 [~~redacted~~].

265 Stakeholder responses to CP25/1 [~~redacted~~].

266 Stakeholder response to CP25/1 [~~redacted~~].

267 Stakeholder response to CP25/1 [~~redacted~~].

268 Stakeholder response to CP25/1 [~~redacted~~].

269 In the remedies consultation we referred to these records as Pricing Decision Records (PDRs). We have updated the terminology in the draft Direction so that these are now called Acquirer Fee Decision Records (AFDRs), but we use the term Decision Records as a catch-all in this document.

270 Stakeholder response to CP25/1 [~~redacted~~].

271 Stakeholder responses to CP25/1 [~~redacted~~].

272 Stakeholder responses to CP25/1 [~~redacted~~].

273 Stakeholder response to CP25/1 [~~redacted~~].

274 Stakeholder response to CP25/1 [~~redacted~~].

Views on governance and compliance processes

Responses to our remedies consultation

- 3.68** In our remedies consultation, we proposed several requirements relating to the governance processes of each scheme, including setting up appropriate structures of governance and appointing a senior responsible manager with overall responsibility.
- 3.69** Visa stated that its price-setting processes are global and take into account Europe-specific (including UK) considerations.²⁷⁵ Mastercard said that pricing decisions that apply to the UK are predominantly made at a European level.²⁷⁶ Mastercard said the remedy should recognise that Mastercard is a global organisation and does not typically set UK-specific fees. It told us it will work with us to develop a governance framework that meets our needs, but which is workable and proportionate in the context in which Mastercard operates as a global business.²⁷⁷
- 3.70** Visa said its governance processes are already aligned with end users' interests.²⁷⁸ It said that we did not conduct a gap analysis between our proposals and its existing processes, and that we could achieve our objectives in a more proportionate way through small amendments to Visa's existing practices.²⁷⁹
- 3.71** Visa said our power to request PDRs should be proportionate, with reasonable deadlines for schemes to respond.²⁸⁰
- 3.72** An acquirer supported our proposed requirements, including appointing senior responsible managers, as they will guarantee clear accountability for compliance.²⁸¹ A trade association representing merchants supported the proposed compliance reporting requirements, and agreed that the schemes should self-assess their existing governance processes to ensure compliance.²⁸²
- 3.73** One acquirer explicitly agreed that the compliance reports should include the schemes' self-assessment on necessary governance changes, and confirmation of compliance by their senior management.²⁸³ A merchant suggested that the reporting requirements should be quarterly, and the report should be submitted in a specific, predetermined and easily digestible template to aid transparency.²⁸⁴
- 3.74** One acquirer said acquirers should be able to review and contest a scheme's evidence and reasoning in a PDR before it changes a fee. This process should include defined timelines for schemes and acquirers, with the PSR acting as an independent arbitrator. The acquirer said this proactive scrutiny is vital to stop the principles becoming a mere compliance exercise, and to allow for genuine challenge.²⁸⁵ Another respondent said the remedy would

275 Visa's response to CP25/1, paragraph 5.7.

276 Mastercard's response to CP25/1, page 19.

277 Mastercard's response to CP25/1, page 19.

278 Visa's response to CP25/1, paragraph 5.3.

279 Visa's response to CP25/1, paragraph 5.9.

280 Visa's response to CP25/1, paragraph 5.17.

281 Stakeholder response to CP25/1 [↗].

282 Stakeholder response to CP25/1 [↗].

283 Stakeholder response to CP25/1 [↗].

284 Stakeholder response to CP25/1 [↗].

285 Stakeholder response to CP25/1 [↗].

achieve the outcomes we want, but asked for this information to be made available to scheme customers as well.²⁸⁶

Design considerations

- 3.75** We acknowledge the need to recognise the differing governance structures of each scheme, and the fact that, to some extent, the schemes' existing structures already align with aspects of our proposed remedy. For the avoidance of doubt, we are not proposing to prescribe in the direction specific governance processes for the schemes. Instead, we are requiring each scheme to review their existing policies and identify appropriate changes to ensure full compliance with the direction (including by providing training to relevant staff). To enable us to monitor compliance, the schemes are required to notify their proposed governance processes (as well as any future amendments to such governance processes) to the PSR.
- 3.76** We believe that this approach is proportionate in terms of allowing each scheme to identify appropriate compliance processes that work best with their existing structure. Giving us notice of compliance processes, including in relation to the proposed format of Decision Records (and changes thereto) will give us forward-looking insight into the approach each scheme takes and enable us to monitor compliance on a forward-looking basis.
- 3.77** We also remain of the view that employees²⁸⁷ of suitable seniority must be appointed to take overall responsibility for compliance, while each Decision Record should be signed by the relevant senior managers²⁸⁸ who took the Acquirer Fee Decision. This will enhance transparency by enabling the PSR to identify the relevant stakeholder or committee responsible for key pricing decisions, and enhance accountability through the requirements on relevant executives and senior managers, thereby improving the effectiveness of our supervision.
- 3.78** We still envisage requiring compliance reports to be filed annually, and to engage through normal supervision activity to ensure that Decision Records produced under this remedy are appropriately prepared. We do not consider it necessary to prescribe specific requirements for notifying Decision Records to the PSR, rather the proposed Pricing Governance Direction contains a power for the PSR to require one or more Decision Records when needed (whether this is for the purposes of using it as evidence in future work, for assessing compliance or to evaluate the effectiveness of the policy).
- 3.79** In addition to the above, we have included in the proposed Pricing Governance Direction a requirement to produce an Annual Overview (using the format set out in Annex 2 of the proposed Pricing Governance Direction) which will provide us with a summary of the pricing decisions made in the relevant year. That information will be helpful in getting insights on trends within the market, which in turn can inform any decision on future work (as well as helping us to identify any issues with the policy or with compliance).

286 Stakeholder response to CP25/1 [3-].

287 We recognise that this may mean appointing one Executive Manager for scheme pricing and another for processing pricing, owing to the Interchange Fee Regulation (IFR) separation between scheme and processing entities.

288 Mastercard or Visa staff in positions of executive or managerial responsibility who are authorised to make, or have decision-making authority in the making of, decisions regarding Acquirer Fee Decisions.

Appendix 1

Costs and assumptions used in the CBA

This Appendix sets out the assumptions used to estimate the implementation costs of our proposed remedies. These assumptions are informed by the schemes' feedback to our consultation, further engagement with the schemes, evidence from CBAs we reviewed, assumptions in the FCA statement of policy on cost benefit analyses,²⁸⁹ as well as the PSR's judgement. We set out the assumptions in the following order:

- Assumptions on the impact of our proposed remedies on the schemes' resources, which is, to a large extent, staff time.
 - Assumptions on total cost of employee, which we use to monetise the impact on staff time where relevant.
-

Assumptions on the impact on the schemes' resources

- 1.1** We have shared a preliminary set of assumptions with Visa and Mastercard, which both schemes argued understated implementation costs for the Pricing Governance and ITC remedies and missed some cost items.²⁹⁰ [↗]. [↗]. Both schemes set out caveats and limitations around their responses.²⁹¹
- 1.2** Following this feedback, we updated our assumptions and present in the CBA a revised set of assumptions. We note the challenges and uncertainties around estimating implementation costs, some of which are recognised in the schemes' responses. [↗]. [↗].²⁹² [↗].
- 1.3** To reflect uncertainties, we provide a range of estimates for most cost items, particularly those with a material impact on overall costs. We calculate a range of costs per scheme and then aggregate these figures to estimate the total implementation cost across both schemes. This method recognises potential differences between schemes (e.g. due to size, systems, processes, organisational structures). By providing a broad range, our estimates are designed to encompass the differences, with each scheme potentially falling

289 [Statement of Policy on Cost Benefit Analyses](#), Appendix 1.

290 Mastercard considered that they yielded figures that are materially underestimated, did not fully capture the work required to implement the requirements and at times missed entire categories of costs.

291 [↗] and [↗].

292 'Change projects' include changes in internal processes or governance arrangements to comply with the proposed remedy in the first year.

at a different point within this range. This approach ensures that the combined estimate remains representative of the likely overall costs for both Visa and Mastercard.

1.4 The lower bound estimates are based on a variety of sources of evidence and our own judgement. Our cost model is structured in a similar way to that set out by the FCA based on their statement of policy on cost benefit analysis.²⁹³ Where relevant, some of our assumptions are based on those used in the FCA statement of policy, adapting them to our proposed remedy package, sector and size of firms. We have also drawn on evidence from other regulators on similar remedies to inform our assumptions, as well as our engagement with the schemes. We have accepted proposals by the schemes where we believed that they were reasonable as a lower bound.²⁹⁴

1.5 The upper bound estimates reflect feedback from the schemes. [redacted],²⁹⁵ [redacted]. [redacted],²⁹⁶ [redacted].

1.6 Where Mastercard and Visa have provided specific comments related to our assumptions, they do not seem to be inconsistent with our upper bound estimates. [redacted]:²⁹⁷

- [redacted].²⁹⁸ [redacted].
- [redacted]. [redacted].

1.7 While the upper-bound estimates reflect feedback from the schemes, there are some cost elements where there is a greater degree of uncertainty over the estimates, and they may be an overestimate. This is primarily because we did not receive evidence to substantiate the cost assumptions the schemes provided to us during our engagement and we have some reservations on the submission that we would like to explore further. For example:

- In the case of ITC, we agree that the largest cost element to the remedy is the IT project. However, we do not currently have sufficient evidence to agree what is an appropriate size of IT project and it is not clear if the high cost [redacted] is justified.
- In the case of the Pricing Governance remedy, [redacted],²⁹⁹ [redacted]. [redacted]. [redacted].
- For some cost items, we assume in the upper-bound estimates that processes will need to be duplicated across scheme and processing fees, though we would expect some cost synergies.³⁰⁰
- The training costs for pricing governance are likely to be overstated as even if a large number of people need to be trained, we do not expect that all of them will need a full day of training. However, we assumed it would be a full day of training to be conservative.

293 FCA [Statement of Policy on Cost Benefit Analyses](#), July 2024, Appendix 1.

294 We have also accepted them in instances where differences compared to our preliminary assumptions would not have a material impact on overall estimates.

295 [redacted].

296 [redacted], [redacted].

297 [redacted], [redacted].

298 [redacted].

299 [redacted].

300 [redacted].

- 1.8** Tables 7 - 9 below set out our assumptions, which include: identifying the key cost items, identifying the nature of these costs (one-off or ongoing) and outlining the scheme's additional resources affected (compared to a "do-nothing" scenario).
- 1.9** Table 7 sets out our assumptions for the familiarisation and gap analysis cost estimates across all the proposed remedies. Table 8 and Table 9 set out the assumptions for the implementation costs associated with the ITC remedy and Pricing Governance remedy, respectively.

Table 7: Assumptions used in familiarisation and gap analysis implementation cost estimates (for all proposed remedies)*

Cost	One-off	Type of Staff
Familiarisation Reading and familiarising themselves with the requirements in the remedies documentation	20 staff review the remedies documentation. Based on the length of this document and draft direction, there are 150 pages to review, and each staff member takes 7.5 hours to review the text.	Compliance Staff
Gap analysis Checking their current practices against the requirements	13 staff conduct the gap analysis. Each staff member will spend an average of 5 days on the review.	Legal Staff (used as a proxy for mix of staff)
Compliance set-up costs Establish controls which ensure that Mastercard and Visa are complying with all requirements	100 person days	Legal Staff (used as a proxy for mix of staff)
External project management support Commission external project management support to assist throughout the process of complying with the remedies	£ 800,000 <u>only included for the upper-bound estimate</u>	

Source: PSR assumptions. Familiarisation costs reflect FCA Statement of policy on cost benefit analysis July 2024, Appendix 1, Tables 8.³⁰¹ The number of staff required reflects Table 8 and the number of hours required is based on PSR assumptions. Assumptions for other cost items reflect feedback from the schemes [↗].³⁰² Assumptions on type of staff are our assumptions.

*We assume no ongoing costs.

301 [↗].

302 [↗].

Table 8: Assumptions used in ITC implementation cost estimates

Cost	Lower bound assumptions		Upper bound assumptions		Type of Staff
	One-off	Ongoing	One-off	Ongoing	
Change project Costs associated with changes in internal processes or governance arrangements to comply with the proposed remedy, including associated governance costs in the first year. ³⁰³	Major project 180 project days and 1622 person days. 1 project manager and team of 8. We include 3 Executive Committee days to account for executive sign-off.	N/A	1 project manager, 10 project team members working on a 250-day project. Additional 3 executive days for sign-off.	N/A	Project Manager, Project Team Member Executive Committee
Engagement with Acquirers	Team of four staff and a manager for 50 project days.	N/A	Same as lower-bound assumptions.	N/A	Project Manager and Project Team Member
IT project For example, new data flows and systems such as updating portals.	A 'moderate project' lasting 120 days. Also includes an infrastructure cost to the project of £0.5m	10% of the initial one-off costs.	Same as lower-bound assumptions, plus £2m for additional infrastructure and/or staff costs.	10% of the initial one-off costs.	Mixed Profile of staff (see Table 11)
Providing the required information and ongoing review Staff time needed to provide the additional information required under this remedy. ³⁰⁴	NA	2.5 FTE to coordinate the process across the organisation. Also includes time for executive sign-off.	N/A	Same as lower-bound assumptions.	Project Manager (as a proxy for mix of staff) and Executive Committee

Source: PSR assumptions. Assumptions for change project and IT project are based on the FCA Statement of policy on cost benefit analysis July 2024, Annex 1, Tables 12-14 (with some adjustments). Other assumptions reflect feedback from the schemes [3-].³⁰⁵ Assumptions on type of staff are our assumptions.

303 For example, agreeing, formalising and communicating with relevant staff any required internal changes for the provision of fee information and how it is to be provided to acquirers. It also includes costs of providing the information and any associated governance costs in the first year.

304 This includes any activities required or related to: a) gathering information (e.g. through engagement with acquirers), providing the information in a way that complies with the remedy and any related senior staff review and approval; b) producing, reviewing and approving the compliance report to be submitted to the PSR; and c) keeping the ITC Compliance Policy under review and making any changes to it.

305 [3-].

Table 9: Assumptions used in pricing governance cost estimates

Cost	Lower bound assumptions		Upper bound assumptions		Type of Staff
	One-off	Ongoing	One-off	Ongoing	
Providing the required information Staff required to produce and retain the Decision Records.	6 Decision Records will be produced. 0.1 FTE is required per Decision Record.	Same as one-off cost in the first year.	4 FTE across the business.	Same as one-off cost in the first year.	Project Manager (as a proxy for mix of staff)
Change project Costs associated with changes in internal processes or governance arrangements to comply with the remedy, including associated governance costs in the first year. ³⁰⁶	1 project manager for 5 person days and 8 project team for a total of 40 person days. We also include 3 Executive Committee days to account for sign-off.	N/A	1 senior manager, 1 project manager and 3 project team members each working approximately 150 project days. We also include 3 Executive Committee days for sign-off.	N/A	Senior manager, project manager, project team members, and Executive Committee Member
Ongoing governance costs Ensure any Decision Records produced go through the required governance. Also, to produce, review and sign-off AO and PGCR (and submit it to PSR).	N/A	Same as change project in the first year, though this is likely to be an overestimate. ³⁰⁷		0.75 FTE on an ongoing basis. We also include 3 Executive Committee days for sign-off.	Project Manager (as a proxy for mix of staff) and Executive Committee Member
Staff training Initial staff training for employees involved in the preparation, review, or delivery of Decision Records.	60 staff receive 1 day (7 hours) of training. Classes hold 15 staff and are delivered by staff who will need 48 hours to develop the training. Staff members that receive training will require 0.25 days after training to familiarise themselves with the material. ³⁰⁸	Ongoing training costs of 20% of the initial cost.	Same as lower bound assumptions, except for assuming 200 staff require training instead of 60.	Ongoing training costs of 20% of the initial cost.	Legal (as a proxy for staff delivering the training). Project Manager (as a proxy for mix of staff to receive the training).

306 For example, to ensure any Acquirer Fee Decision Records (AFDRs) produced go through the required governance and to ensure the same for producing, reviewing and sign off of the Annual Overview (AO) and Pricing Governance Compliance Report (PGCR) and submit it to PSR.

307 We expect the time required for ongoing governance to be lower compared to the change project in the first year, given we do not expect material changes to governance or internal processes in subsequent years, and we also expect cost efficiencies.

308 The lower bound estimate for staff training is likely to be an over-estimate of the cost. This is because not all staff members will necessarily need seven hours of in-person training. Some staff members may not require seven hours of training or may only require online training.

Source: PSR assumptions. Lower-bound assumptions for change project and training are based on the FCA Statement of policy on cost benefit analysis July 2024, Annex 1, Tables 10, 11 and 14. Other lower bound estimates are based on our judgement (though the number of AFDRs is informed by evidence from the schemes in chapter 3 and ([3-]). Upper-bound assumptions reflect feedback from the schemes [3-,³⁰⁹ 3-]. Assumptions on type of staff are our assumptions.

Total cost of employee assumptions

- 1.10** Our model calculates the total cost of employee based on salary data from the ONS's Annual Survey of Hours and Earnings (ASHE) dataset.³¹⁰ This dataset uses salaries from 2024, thus we have used 2024 as the base year for prices in our analysis. The total cost of employee is the annual salary with an additional 17.9% on top to account for national insurance and pension contributions.³¹¹
- 1.11** The assumptions on total cost of employee used in our cost estimates are set out in Table 10 below. This table sets out the type of staff considered in our cost estimates, the job title for those staff salaries, the salary percentile used and the corresponding annual salary from the ASHE dataset, as well as our calculated total cost of employee. In our cost estimates, we have taken a conservative approach to selecting the relevant type of staff, e.g. where we have options to choose from several types of staff, we choose the option with the higher salary (where relevant). For example, to be conservative we use total cost of employee for legal staff and for project managers as a proxy for a mix of staff.

309 [3-]. [3-]. Based on these qualitative responses, we assume 20% ongoing training costs.

310 Specifically, we have used salary data from Table 14.1(a) of the October 2024 ONS ASHE dataset:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

We have typically used the 80th percentile of the salary range from the data in the ASHE dataset. This is because: (i) we are assuming Mastercard and Visa's employees are based in London where salaries are above the national average and (ii) because we want to be conservative in our estimates of costs.

311 This follows the Department for Business and Trade approach which recommends a non-wage labour cost uplift of 17.9%. Paragraph 9.11 of the FCA's Statement of policy on cost benefit analyses (July 2024) provides more information on this.

Table 10: Annual total cost of employee by type of staff at 80th salary percentile

Type of staff	ASHE dataset job title	Annual salary per 1 FTE	Total cost of employee
Compliance Staff	Regulatory Associate Professionals	£51,583	£60,816
Legal	Solicitors and lawyers	£75,910	£89,497
Business analysts, designers, programmers / coders, testing staff	Programmers and software development professionals	£75,215	£88,678
Project managers	Business and financial project management professionals	£78,708	£92,796
Senior managers	Functional managers and directors n.e.c.	£100,585	£118,589
Project team members	Project support officers	£41,764	£49,239
HR training professional	Human resources and industrial relations officers	£41,369	£48,774
Executive Committee	Chief executives and senior officials	£129,050	£152,149

Source: ONS' ASHE 2024 dataset. Total cost of employee is PSR's calculation.

1.12 To convert the annual cost of employee to cost of employee per day or per hour, we have assumed that:

- a. all staff work 220 days per year; and
- b. all staff work 7 hours per day.

1.13 We have assumed the following composition of the team delivering the IT project as part of the ITC remedies.

Table 11: Composition of team delivering IT project

Job type	Number of staff
Business analysis	4
Design	4
Programming / coding	12
Project management	10
Testing	4
Senior management	6

Source: Assumptions for IT projects are based on FCA Statement of policy on cost benefit analysis July 2024, Annex 1, Tables 12-14.

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