

Specific Direction 15 requiring
providers of card-acquiring
services to provide prompts
to merchants

Specific Direction 15 (card-acquiring –
trigger messages)

October 2022

Specific Direction 15

(card-acquiring – trigger messages)

1 Recitals

Whereas:

- 1.1** The PSR launched its card-acquiring market review in 2018 due to concerns that card-acquiring services may not offer value for money for merchants. It published the final report on 3 November 2021. It concluded that the supply of card-acquiring services does not work well for small and medium-sized merchants and large merchants with annual card turnover up to £50 million.
- 1.2** In the final report, the PSR identified three features that individually and in combination, restrict merchants' willingness and ability to search and switch between card-acquiring providers.
- 1.3** The PSR wants to remedy these features to improve outcomes for merchants. It aims to do this by:
- a. encouraging them to search and switch, or negotiate with their existing provider
 - b. reducing the obstacles to switching
 - c. subsequently creating incentives for suppliers of card-acquiring services to develop and offer better deals for merchants through competitive pressure as merchants become more engaged and shop around more actively with better information
- 1.4** This specific direction is intended to remedy the feature of concern of the indefinite duration of acquirer and payment facilitator contracts for card-acquiring services.
- 1.5** This direction is addressed to 14 specified payment service providers (PSPs).

2 Powers exercised and purpose

- 2.1** Visa Europe and Mastercard are payment systems designated by the Treasury under section 43 of the Financial Services (Banking Reform) Act 2013 (the Act) for the purposes of Part 5 of the Act.
- 2.2** The PSR makes this direction in accordance with sections 54(1) and (3) (Regulatory and competition functions – directions) of the Act. In accordance with section 54(3)(c), this direction applies to persons of a specified description, all of which are participants in the Visa Europe and Mastercard regulated payment systems.
- 2.3** The PSR has had regard as appropriate to sections 49 to 53 (General duties of the Regulator) and section 62(2)(a) (Duty to consider exercise of powers under the Competition Act 1998) of the Act.
- 2.4** The purpose of this direction is to require directed PSPs to provide a trigger message to merchants before the end of the initial minimum term (and any renewal after that), or every month in contracts with no term or which continue after the initial minimum term for an indefinite period, to encourage merchants to consider searching and switching providers.

Direction

NOW the PSR gives the following specific direction to:

Adyen UK Limited

Barclays Bank PLC

Chase Paymentech Europe Limited

Elavon Financial Services DAC

EVO Payments International GmbH, Branch UK

First Data Europe Limited

First Merchant Processing (Ireland) DAC

GPUK LLP

Lloyds Bank plc

PayPal (Europe) Sarl et Cie SCA

Square UK

Stripe Payments UK Ltd

SumUp Payments Limited

Worldpay (UK) Limited

3 General provisions

Scope of this direction

- 3.1** This direction applies to the 14 directed PSPs named above.
- 3.2** This direction applies in relation to participation in the Visa Europe and Mastercard regulated payment systems.
- 3.3** This direction applies in relation to merchants with an annual card turnover of up to £50 million.

Requirements for providing information – trigger message

- 3.4** A directed PSP must send an individual message (trigger message) to a merchant with a contract for card-acquiring services.

- 3.5** Where there is an initial minimum term to the merchant's contract, including where the initial minimum term is renewed, the trigger message must include all of the following:
- a. The fact that the end of the term is approaching and the date the minimum term ends on.
 - b. An explanation that the merchant can shop around to see if they can get a better deal.
 - c. An explanation that consumption information is available in the merchant's summary box.
 - d. Information about the directed PSP's online quotation tool, which merchants can use to find indicative information.
 - e. A link to the directed PSP's online quotation tool.
 - f. An explanation that similar online quotation tools are available from other providers.
 - g. An explanation that merchants may want to consider other service features as well as price when they assess their options.
 - h. An explanation that merchants may want to consider POS terminal lease or rental contract arrangements, including minimum contract end term dates, when they assess their options.
- 3.6** Where there is no initial minimum term, or where any initial minimum term is complete and the contract carries on indefinitely, the message must include the items outlined in paragraphs 3.5(b) to (h).
- 3.7** Where there is an initial minimum term to the contract referred to in paragraph 3.4, the 'relevant date' for providing a trigger message is:
- a. 31 calendar days prior to the last day of the minimum term period or any renewal after that, and
 - b. once the minimum term is complete, monthly thereafter
- 3.8** Where there is no initial minimum term to the contract referred to in paragraph 3.4, the 'relevant date' for providing a trigger message is:
- a. the date which is one month after the date on which the contract was agreed, and
 - b. monthly thereafter
- 3.9** Where a directed PSP sends a merchant monthly billing information, it must include a trigger message in the monthly invoice it sends to that merchant closest to the 'relevant date'.
- 3.10** A directed PSP must include a trigger message provided in accordance with paragraph 3.10 on the front page of the merchant's monthly billing statement.

3.11 Where a merchant accesses an account through a merchant portal, a directed PSP must display a trigger message continuously from the 'relevant date' either:

- a. where there is an initial minimum term which is not yet complete, until the date on which that term expires, or
- b. where the initial minimum term has already passed, or where there was no initial minimum term, for one month

A directed PSP must display a trigger message provided in accordance with paragraph 3.12(a) or (b) prominently on the first landing page of the electronic dashboard.

General

3.12 A directed PSP must take into account any relevant guidance the PSR publishes.

3.13 A directed PSP must ensure that any information it provides to merchants under this direction is complete and accurate.

4 Key definitions

4.1 **Act** means the Financial Services (Banking Reform) Act 2013.

4.2 **Billing information** means the total amount of transactions, fees and charges enabling a merchant to reconcile and confirm card acceptance costs.

4.3 **Card-acquiring services** means services to accept and process card transactions on behalf of a merchant, resulting in a transfer of funds to the merchant.

4.4 **Contract for card-acquiring services** means an agreement between an acquirer and an organisation for the provision of card and affiliated services for the exchange of monetary value.

4.5 **Directed PSPs** means the PSPs to which this specific direction is given.

4.6 **Electronic dashboard** means an online service provided to a merchant to allow them to access information about their card-acquiring services at any time, including details of transactions acquired by the provider.

4.7 **Initial minimum term** means the shortest length of the first term of a contract, and is typically referred to as 'minimum term', 'minimum period' or 'initial term' in POS terminal contracts.

- 4.8 Merchant** means an organisation which accepts card payments.
- 4.9 Online quotation tool** means the tool for generating indicative pricing mandated in Specific Direction X1 (card-acquiring – provision of information (summary box)).
- 4.10 Participant** has the meaning given by section 42(2) of the Act.
- 4.11 Payment System** has the meaning given by section 41 of the Act.
- 4.12 Payment Systems Regulator or PSR** means the body corporate established under Part 5 of the Act.
- 4.13 POS terminal** means an electronic device that a merchant uses to accept a card in a card-present transaction without the need to connect to a smartphone or tablet.
- 4.14 POS terminal lease or rental** means a contract entered into by a merchant to lease or rent a device that enables the acceptance of card transactions for processing by an acquirer related to a card scheme.
- 4.15 PSP** means a payment service provider within the meaning of section 42 of the Act.
- 4.16 Regulated payment system** means a payment system designated by HM Treasury under section 43 of the Act.

5 Monitoring

- 5.1** The PSR may from time to time in writing require a directed PSP to provide it with a report on its compliance with:
- a. this direction
 - b. any requirements the PSR makes known in writing to the directed PSP or issues in guidance
- 5.2** The PSP must provide the report required under paragraph 5.1 by the date given by the PSR.
- 5.3** The PSR may from time to time in writing require a directed PSP to provide or produce information about:
- a. how the PSP is complying, or proposes to comply, with this direction
 - b. which the PSR otherwise requires in connection with monitoring compliance with or the effectiveness of this direction

- 5.4** The PSP must provide the information by the date given by the PSR.

6 Application

- 6.1** This direction applies to the directed PSPs named above.

7 Commencement and duration

- 7.1** This specific direction comes into force on 6 July 2023.
- 7.2** This specific direction shall continue in force until such time as it is varied or revoked by the PSR.
- 7.3** The PSR will review this direction three years and five years after the date on which it comes into force.
- 7.4** The PSR may also review this direction at any other time than as provided for in paragraph 7.3.
- 7.5** The PSR may vary or revoke this direction at any time.

8 Citation

- 8.1** This specific direction may be cited as Specific Direction 15 (card-acquiring – provision of information (trigger messages)).

9 Interpretation

- 9.1** The headings and titles used in this specific direction are for convenience and have no legal effect.
- 9.2** The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.

- 9.3** References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.
- 9.4** In this specific direction, the word ‘including’ shall mean including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word, and the word ‘include’ and its derivatives shall be construed accordingly.

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