What happens when you spend using a debit or credit card?*





You use your card to pay for goods or services in a shop, using a card scheme such as Visa or Mastercard.

The shop sends a request to its bank, asking it to approve the transaction.

The shop's bank then sends a request to your bank.



The shop's bank charges the shop for its service - this is known as the 'merchant service charge'. Sometimes a shop will charge customers extra for using a card, to help cover the cost.

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Once the shop's bank receives the approval, it tells the shop you can go ahead with your purchase.

THE INTERCHANGE FEE

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Your bank checks for funds in your account then approves the transaction. It also receives a fee known as the 'interchange fee' from the shop's bank.

Did you know?

Currently shops are allowed to charge their customers extra if they pay by card. However, under the Consumer Rights (Payment Surcharges) Regulations 2012, UK retailers can't charge any more than it costs them to accept the payment. If you think you've been overcharged, contact your local trading standards authority.

What does the merchant service charge include?

The merchant service charge is made up of several key components, which usually include the interchange fee (now capped), scheme fees (paid to a card scheme) and a charge to cover the shop's bank's costs.

Fact

The Interchange Fee Regulation caps interchange fees on UK consumer credit and debit card transactions. Where the caps apply, they currently limit interchange fees to 0.2% of the value of a transaction for consumer debit cards (including prepaid cards) and 0.3% for consumer credit cards. Before the caps were introduced, the average interchange fee for a credit card transaction was around 0.7%

*This infographic shows what happens when you spend using a consumer debit or credit card (except for American Express cards). The Interchange Fee Regulation caps described in this infographic also apply to certain fees relating to some American Express card transactions.