

Annex 12 to final report

# Market review of card scheme and processing fees

Quality of information  
provided by the schemes

March 2025

# Contents

Information from the schemes	3
Issuers’ experiences	10
Acquirers’ experiences	12

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

# Annex 12

## Quality of information provided by the schemes

- 12.1** In the course of the market review, we examined the information that issuers and acquirers receive from Mastercard and Visa about their services.
- 12.2** Using both our formal powers and informal questionnaires, we collected evidence from issuers and acquirers about their experiences with Mastercard and Visa. We also requested internal documents and information from Mastercard and Visa to help us understand their approach and the feedback they receive from their customers. We have considered this evidence in the round, as explained below and in Chapter 7 of the final report.
- 12.3** This annex presents the main points under three sections:
- The first section sets out evidence from the schemes about the different ways in which issuers and acquirers can obtain information about fees, focusing on acquirers' experiences in practice.
  - The second section sets out evidence from issuers on their experience as customers of the schemes.
  - The third section sets out evidence from acquirers on their experience as customers of the schemes. Specifically, we consider the quality of the information acquirers receive on behavioural fees and on mandatory and optional fees and acquirers' experience with asking scheme staff to clarify the information they received and with using the schemes' portals.

### Information from the schemes

- 12.4** Mastercard and Visa provided us with detailed information about the ways issuers and acquirers can obtain information about fees; the primary options are to use the schemes' online portals or contact the designated account handler. In addition, this section presents the information we received from the schemes on their customer satisfaction summaries and on the recent improvements to how their clients are able to access information.

#### Portals

- 12.5** Both schemes provide a business-to-business online platform which facilitates communication with their customers. Issuers and acquirers can access and download information from these online portals such as technical documents, billing information, pricing manuals and updates or 'bulletins'. These include information on services, fees and rule changes.

## Mastercard Connect

- 12.6** Mastercard said that its portal, Mastercard Connect, gives all acquirers access to features such as<sup>1</sup>:
- a resource centre offering self-service access to a consolidated billing system in near real time
  - a separate 'technical' resource centre, used to communicate price changes to customers
  - a chat function, which allows customers to interact in real time with customer support
  - a help desk area from which queries are routed to the team best placed to resolve them
- 12.7** Mastercard said that Mastercard Connect averages [redacted] logins every day<sup>2</sup>, and that guidance is available for ease of use.
- 12.8** Mastercard also said that in 2022, the majority of queries raised through Mastercard Connect related to [redacted].<sup>3</sup>

## Visa Access (formerly Visa Online)

- 12.9** Visa Access, known until September 2024 as Visa Online (VOL) is Visa's single online platform designed to provide information to its clients.<sup>4</sup> Visa told us that it is a searchable database of material on all client-related matters, such as articles, core rules and full fee schedules. It also provides tools and services that its customers can access at all times.<sup>5</sup> These include:
- tools such as an analytics platform, a risk manager, and Visa Resolve, which helps resolve disputes and compliance cases
  - an integrated Support Hub which allows customers to create cases and track responses, along with an online chat function
  - further help functions such as tutorials, webinars, FAQs, and an acronym glossary

## Account managers and executives

- 12.10** As well as accessing online portals, issuers and acquirers can contact specific staff at Mastercard and Visa for help. While there are several customer-facing roles, we focus on the role of account managers and executives.
- 12.11** Mastercard said that its 'account managers play a crucial role in overseeing relationships' and that they are in regular contact with acquirers, typically at least once every day.<sup>6</sup> It told us that the 'vast majority' of staff employed by Mastercard UK are in account management roles, ensuring customers have access to the information they need.<sup>7</sup>

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1 Mastercard response to the PSR's letter dated 22 June 2023 [redacted]. See also Mastercard response to MR22/1.9 (21 May 2024), page 84.

2 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

3 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

4 Visa response to the information request dated 10 October 2024 [redacted].

5 Visa response to the PSR's letter dated 22 June 2023 [redacted].

6 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

7 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

- 12.12** Mastercard explained that account managers receive a [redacted]. This allows account managers to [redacted].<sup>8</sup>
- 12.13** Visa told us that client relationships are ‘one of the most important dimensions of its business’. Visa account executives are dedicated client relationship managers and the main point of contact for its clients.<sup>9</sup>
- 12.14** Visa explained that its account executives support customers with a wide range of issues. These include helping them to understand Visa’s rules and regulations and any changes to services and fees. Visa said its account executives reach out to clients to discuss announced changes and answer any questions about them.<sup>10</sup>

## Customer satisfaction surveys

- 12.15** Both schemes provided us with information about surveys they use to collect feedback and data on customer satisfaction. Both schemes also provided us with additional internal documents that relate to the provision of information to their customers. This information is summarised below. It has been updated to reflect information provided by the schemes in their respective responses to our interim report, and to subsequent formal information requests asking for more information about their customer satisfaction surveys.

### Mastercard

- 12.16** Mastercard told us that it uses its annual ‘Voice of the Customer’ (VOC) survey to understand its customers’ needs and gather feedback.
- 12.17** Until 2022, respondents to the VOC survey were put in four categories: issuers, acquirers, merchants and others (including public sector/government and digital partners). Since 2023, respondents are categorised as: financial institutions (which comprises traditional issuers and acquirers), digital partners, merchant and commerce, and government. Although there are no specific fixed criteria by which respondents are selected, these will typically include customers with which Mastercard has the most regular interaction.<sup>11</sup> Multiple contacts from the same customer organisation can be asked to respond to the survey. Respondents have the right to opt in to or opt out of disclosing their identity.<sup>12</sup> In most cases, UK respondents decided to disclose their identity.<sup>13</sup>

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8 Mastercard response to the PSR’s letter dated 22 June 2023 [redacted].

9 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

10 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

11 Mastercard stated that such respondents are ‘best placed to be able to provide meaningful responses to the questions related to that interaction. They are also likely to be more motivated to respond (positively or negatively) than those with which Mastercard has more limited contact.’ Mastercard response to the information request dated 10 October 2024. [redacted].

12 Mastercard response to the information request dated 10 October 2024 [redacted].

13 Mastercard response to the information request dated 10 October 2024 [redacted].

**12.18** Mastercard told us that, '[i]n contrast to the Interim Report's qualitative evidence, the VOC provides evidence from all of the responding acquirers on their satisfaction with broad categories of Mastercard's customer relations, as well as with specific behaviours'.<sup>14</sup> Mastercard submitted that acquirer feedback to its VOC survey demonstrates high levels of satisfaction with accessing information through Mastercard's account managers.<sup>15</sup> In particular:

- [redacted].
- [redacted].<sup>16</sup>

**12.19** Mastercard also noted that 'issuers report very similar levels of satisfaction with their account management teams, giving an average rating of [redacted] between 2020 and 2022, as well as ratings of [redacted] and [redacted] regarding overall knowledge and keeping customers updated respectively'.<sup>17</sup>

**12.20** Mastercard's documents illustrating the results of the VOC surveys in the UK and Ireland for the years 2020 to 2024 report issues very similar to some of those that acquirers described to us, which are discussed in paragraphs 12.42 to 12.119. In particular, as shown in the examples below, survey responses highlight issues with:

- the timeliness of communication of fee changes
- the lack of sufficiently detailed information
- the time it takes to resolve queries

**12.21** The presentation on the 2020 VOC survey highlights 'communication clarity' among five main areas for improvement<sup>18</sup>, while 'communication' is indicated as the top area for improvement in the presentation on the 2021 survey results.<sup>19</sup> Several responses by UK acquirers refer to these issues:

- In 2020, one UK acquirer ([redacted]) is reported stating that Mastercard [redacted]. There must be far more detail upfront. [redacted].<sup>20</sup> Another UK acquirer ([redacted]) commented on 'the frequency of bulletin releases and pricing changes', saying that [redacted].<sup>21</sup>
- In 2021, one of the two acquirers above ([redacted]) is reported stating that: [redacted] it would be helpful to know of any big changes they've got ahead of that being announced'. Another acquirer ([redacted]) responded: 'It's timing on pricing changes. [redacted]'.<sup>22</sup>
- Responses from customers highlight challenges with pricing transparency also in 2022. For example, one issuer ([redacted]) submitted that [redacted]. Another issuer ([redacted]) similarly submitted that Mastercard [redacted].<sup>23</sup>

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14 Mastercard response to MR22/1.9 (21 May 2024), page 79.

15 Mastercard response to MR22/1.9 (21 May 2024), page 80.

16 [redacted]. Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

17 Mastercard response to MR22/1.9 (21 May 2024), page 80.

18 Mastercard response to the information request dated 10 October 2024. [redacted].

19 Mastercard response to the information request dated 10 October 2024. [redacted].

20 Mastercard response to the information request dated 10 October 2024. [redacted].

21 Mastercard response to the information request dated 10 October 2024. [redacted].

22 Mastercard response to the information request dated 10 October 2024. [redacted].

23 Mastercard response to the information request dated 10 October 2024. [redacted].

**12.22** For each year between 2020 and 2024, Mastercard’s documents include very positive feedback from customers – primarily issuers – on their account teams at Mastercard. Nevertheless, issues with Mastercard’s response to customer queries are a recurrent theme in survey responses.<sup>24</sup> ‘Issue resolution’ is listed among the five main areas for improvement in the 2020 presentation<sup>25</sup>, while [redacted] is included among the main areas for improvements in the 2024 presentation<sup>26</sup>:

- One acquirer ([redacted]) responding to the 2020 survey is reported stating: [redacted].<sup>27</sup>
- In 2021, one acquirer ([redacted]) submitted: [redacted].<sup>28</sup>
- One respondent to the 2024 survey ([redacted]) submitted: [redacted]. An issuer ([redacted]) commented that: [redacted].<sup>29</sup>

**12.23** In addition to the VOC survey results, we also received other Mastercard internal documents which provide evidence of concerns arising from the provision of information to Mastercard’s customers. For example:

- One internal document sets [redacted].<sup>30</sup>
- Another internal document indicates that Mastercard [redacted]. The slide states that [redacted]. The slide also states that [redacted].<sup>31</sup>

## Visa

**12.24** Visa runs yearly Global Client Engagement Surveys (GCES), covering issuers, acquirers and merchants, as well as other customers such as fintechs and other financial institutions. Visa told us that its sales team identifies the clients who should receive a survey and that all key client contacts are included. The initial list is reviewed and finalised by relevant Visa senior executives. The survey results can be attributed to individual clients but are anonymised as to the individual respondent.<sup>32</sup> Visa told us that its client surveys ‘are designed to collect objective client feedback in a systematic manner and to inform Visa’s efforts to improving service quality, and there is no reason for clients to overstate their levels of satisfaction’.<sup>33</sup>

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24 As noted in Chapter 7, paragraph 7.18, positive relationships with account teams do not necessarily mean that customers’ issues are efficiently resolved.

25 Mastercard response to the information request dated 10 October 2024. [redacted].

26 Mastercard response to the information request dated 10 October 2024. [redacted].

27 Mastercard response to the information request dated 10 October 2024. [redacted].

28 Mastercard response to the information request dated 10 October 2024. [redacted].

29 Mastercard response to the information request dated 10 October 2024. [redacted].

30 [redacted].

31 [redacted].

32 Visa response to the information request dated 10 October 2024 [redacted].

33 Visa response to MR22/1.9 (21 May 2024), Technical Annex 5, paragraph 5.19.

**12.25** From the responses to these surveys, Visa computes Net Promoter Scores. Visa told us that the Net Promoter Score is a widely used business metric<sup>34</sup> to assess customer satisfaction.<sup>35</sup> It told us that for the 2023 survey, in relation to its UK and Ireland division:

- It received an overall score of [redacted] (which is considered 'Great'), and the score calculated among acquirers with a focus on UK activity<sup>36</sup> was 'high at [redacted]'.
- Overall, [redacted]% of respondents submitted a score of 9 or 10 (out of 10).
- Overall, only [redacted]% of respondents scored Visa less than 7.
- Overall, the Net Promoter Score was an increase of [redacted]% on the previous year.<sup>37</sup>

**12.26** We also note that a 2024 presentation to global senior Visa executives on the final GCES results for the UK and Ireland highlights issues very similar to some of those that acquirers described to us, which are discussed in paragraphs 12.42 to 12.119. Commenting on [redacted].<sup>38</sup> When considering in particular the feedback from financial institutions, [redacted]:

- [redacted].
- [redacted].<sup>39</sup>

**12.27** We also reviewed a range of Visa internal documents that included information on customer views, including its Net Promoter Score. These indicated that:

- In the recent past, Visa has received [redacted] net promoter scores from acquirers/merchants, as compared to other relevant stakeholders. For example:
  - An internal document dated 22 February 2022 states that [redacted].<sup>40</sup>
  - An internal document dated 11 July 2022 sets out merchant and acquirer net promoter scores [redacted].<sup>41,42</sup>
- Visa's UK NPS has previously been [redacted].<sup>43</sup> [redacted]<sup>44</sup>, [redacted].<sup>45</sup> We note that Visa also submitted that [redacted].<sup>46</sup>
- [redacted]. For example:
  - [redacted]. The email indicates [redacted].<sup>47</sup>
  - A separate internal email chain dated March 2021 [redacted].<sup>48</sup>

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34 [redacted].

35 For more information on Net Promoter Scores, see [Net Promoter Score \(NPS\) & System | Bain & Company](#).

36 Visa said that [redacted] acquirers fit this description.

37 Visa response to the PSR's letter dated 22 June 2023 [redacted].

38 Visa response to the S81 request dated 10 October 2024 [redacted].

39 Visa response to the S81 request dated 10 October 2024 [redacted].

40 [redacted].

41 [redacted].

42 [redacted].

43 A footnote in the document specifies that [redacted].

44 [redacted].

45 [redacted].

46 Visa response to the PSR's letter dated 22 June 2023 [redacted].

47 [redacted].

48 [redacted].

## Improvements to service

- 12.28** Both schemes told us they continually seek to improve the experience of their customers.
- 12.29** Mastercard wrote to us in August 2023 in reply to a letter we sent it in June 2023. In that letter it told us it is committed to 'being responsive to customer needs and preferences'.<sup>49</sup> It said that [redacted].<sup>50</sup>
- 12.30** In response to the interim report, Mastercard submitted that it had taken various initiatives to improve access to information, such as: the creation of the technology account manager; the extension of notice periods before scheme changes; upgrades to the tools available on Mastercard Connect; and the de-tiering of the UK volume fee.<sup>51</sup>
- 12.31** Visa wrote to us in August 2023 in reply to a letter we sent it in June 2023. In that letter it told us that its approach to client engagement is 'fundamentally people focused' and it provides dedicated support.<sup>52</sup> It is proud of its recent customer satisfaction scores and considers that it has developed high levels of trust across its client base.<sup>53</sup> Visa also told us that it is committed to improving year-on-year and has made improvements and investments following client feedback.<sup>54</sup> Some examples of this include<sup>55</sup>:
- [redacted]
  - introducing a self-service function to its support hub, as well as a 'testing portal' for customers to carry out their own testing on their own systems before implementing changes from Visa
  - increasing the number of dedicated account executives and client services staff available to provide help to customers
- 12.32** Responding to the interim report, Visa told us that it [redacted], and has therefore already implemented changes to address instances such as those referenced in the [interim report] regarding insufficient notice to acquirers'.<sup>56</sup>
- 12.33** Visa told us that, since July 2023, it has implemented four key improvements in how its clients, including acquirers, are able to access information on Visa's fees on Visa Access:
- It has improved the user interface for the Fee Schedule, introducing a search bar, a filter for Client Type (for example, acquirer or issuer) and Fee Type (for example, scheme or processing), a toggle for region and language, and a new more granular fee categorisation.<sup>57</sup>

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49 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

50 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

51 Mastercard response to MR22/1.9 (21 May 2024), pages 5 and 83. Mastercard explained that technology account managers (TAMs) are 'are intended to act as a bridge between account managers and Mastercard's technology teams, in order to provide enhanced technical expertise'. Mastercard response to MR22/1.9 (21 May 2024), pages 80 to 81.

52 Visa response to the PSR's letter dated 22 June 2023 [redacted].

53 Visa response to the PSR's letter dated 22 June 2023 [redacted].

54 Visa response to the PSR's letter dated 22 June 2023 [redacted].

55 Visa response to the PSR's letter dated 22 June 2023 [redacted]. See also Visa response to MR22/1.9 (21 May 2024), Technical Annex 5, paragraph 5.22.

56 Visa response to MR22/1.9 (21 May 2024), Technical Annex 5, paragraph 5.22.

57 Visa response to the information request dated 10 October 2024 [redacted].

- It has introduced a more granular fee hierarchy, which Visa told us better aligns with how its clients consume services from Visa and operate their own businesses.<sup>58</sup>
- It has embedded unique billing line identifiers into fee descriptions within Visa Access, allowing clients to identify and see the specific information associated with a fee using the unique billing line identifier contained in, for example, an invoice received from Visa.<sup>59</sup>
- It has introduced a dedicated search function for the Fee Schedule so that clients can search for specific fee information using either the name of a fee or a unique billing line identifier.<sup>60</sup>

### Submissions from others

**12.34** Most of the improvements set out above were made after our evidence gathering from acquirers in July 2023, and would not have been known when acquirers responded to our July 2023 information request. This applies in particular to Mastercard’s improvements set out in paragraph 12.30 and Visa’s improvements set out in paragraph 12.33. However, responses to the interim report that specifically addressed the analysis set out in the interim report version of this chapter – from five acquirers, two merchants, and two merchant associations – were consistent with our findings in the interim report.<sup>61</sup> Most (seven) of these responses did not mention the recent improvements introduced by the schemes. The two respondents that did mention improvements still thought that more should be done:

- One acquirer submitted it was ‘encouraged by some recent improvements introduced by Visa and Mastercard to provide further transparency, which seems to be in line with some of the proposals made by the PSR’. However, it also considered that ‘there may still be room for improvements to the way the schemes apply and change their rules and fees’ and said it ‘support[ed] the transparency objectives behind the proposed remedies’.<sup>62</sup>
- Another acquirer told us that it had seen ‘Visa and Mastercard start to take voluntary steps to improve their engagement with acquirers’ and that ‘[a]ll these developments are very welcome’. At the same time, it stated that we had ‘correctly diagnosed the problem that needs addressing on the acquiring side: the need for increased transparency, consultation and simplicity for acquirers’.<sup>63</sup>

## Issuers’ experiences

**12.35** Issuers generally indicated that they are sufficiently able to access, assess and act on the information they receive from Mastercard and Visa. While there were some instances where they experienced difficulty, this did not negatively impact their experience as customers of the schemes.

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58 Visa response to the information request dated 10 October 2024 [2].

59 Visa response to the information request dated 10 October 2024 [2].

60 Visa response to the information request dated 10 October 2024 [2].

61 [2].

62 Stakeholder response to MR22/1.9 (21 May 2024) [2].

63 Stakeholder response to MR22/1.9 (21 May 2024) [2].

- 12.36** Issuers indicated that the schemes generally provide only a broad overview of the rationale for fee changes, but they do offer more information on request.<sup>64</sup> We were told of some instances where the card schemes may provide further assistance such as sharing data, analysis or impact assessments.<sup>65</sup>
- 12.37** Issuers told us that behavioural fees had influenced their behaviour.<sup>66</sup> Some believed that the introduction of behavioural fees benefited the payment ecosystem.<sup>67</sup>
- 12.38** The majority of issuers could assess the impact of fee changes if they attempted to do so.<sup>68</sup>
- 12.39** However, for some issuers offsetting payments may be relevant to their response to a fee change. Issuers' incentives to assess the impact of fee changes will be reduced due to the rebates they receive from the schemes. For example, three issuers told us they may not assess the impact of a fee change or challenge it where they know rebates will mitigate it.<sup>69</sup>
- 12.40** Notwithstanding the generally positive experiences of issuers, a couple of issuers raised limited concerns in their submissions regarding the information they are provided relating to scheme and processing fees.<sup>70</sup> For example, one issuer said that fees are overly complex and the support received from the schemes is limited.<sup>71</sup>
- 12.41** In response to the interim report, two issuers and two industry associations commented on our findings on issuers' ability to access, assess and act on the information they receive from Mastercard and Visa:
- One issuer submitted that it generally has a positive experience regarding information received and that it can access, assess, and act on information. However, it told us that improvements can be made on the rationalisation of fees, standardisation of fee communication and making searching for fee information easier. In addition, based on the challenges it faced as an issuer, the issuer noted that it could sympathise with the challenges that acquirers face in relation to understanding the complex nature of fees imposed by card schemes.<sup>72</sup>
  - Another issuer similarly submitted it supported the proposals to increase transparency of fees to both acquirers and merchants and suggested similar steps are taken for issuers as well.<sup>73</sup>
  - One industry association told us that it held discussions with issuers and that, while some issuers think increased transparency on mandates and services for issuers and acquirers would be beneficial, they are somewhat critical of the need for continued interventions in the cards market, which in their views works well.<sup>74</sup>

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64 [redacted].

65 [redacted].

66 [redacted].

67 [redacted].

68 [redacted].

69 [redacted]. Rebates are discussed further in Chapter 5 and Annex 5.

70 [redacted].

71 [redacted].

72 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

73 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

74 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

- Another industry association submitted that issuers have mixed experiences regarding the information they receive from card schemes, also depending on the scheme. It told us that some issuers report that the fees can be overly complex and the support received from the schemes is limited, especially regarding penalty fees and fines.<sup>75</sup>

## Acquirers' experiences

**12.42** In contrast to issuers, as set out below acquirers indicated that they often experience difficulties accessing, assessing and acting on information they receive from Mastercard and Visa.

**12.43** We gathered a range of qualitative and quantitative evidence. We have assessed this in the round (as explained in Chapter 7).<sup>76</sup> In relation to the issues described by acquirers, we have considered both the type and scale of impact on the acquirers, their merchants, and the market more broadly.

**12.44** We have analysed the submissions we received relating to acquirers' experiences of<sup>77</sup>:

- the quality of the information they receive on behavioural fees, and other scheme and processing fees (both mandatory and optional)
- asking scheme staff to clarify the information they received
- using the schemes' portals<sup>78</sup>
- being charged behavioural fees that they or their merchants did not trigger

### Quality of information received: behavioural fees

**12.45** Acquirers indicated that in some instances the information they receive from Mastercard and Visa does not help them understand behavioural fees sufficiently to enable an appropriate response to them.<sup>79</sup> In particular, they described difficulties accessing and assessing the relevant information. This can lead to difficulties acting on this information for both acquirers and merchants.

**12.46** Acquirers described various issues related to understanding behavioural fees, including:

- difficulty understanding the drivers and triggers of behavioural fees
- having to purchase optional data or reporting to understand the drivers and triggers of behavioural fees
- difficulty preparing for new or altered behavioural fees

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<sup>75</sup> Stakeholder response to MR22/1.9 (21 May 2024) [3].

<sup>76</sup> See Chapter 7, paragraphs 7.4 to 7.12. We also considered acquirers' own estimates of the financial cost of the issue. As explained in Chapter 7, paragraph 7.34, we have used this information as corroborative, given its apparent limitations. Where acquirers submitted cost estimates in foreign currencies, we have converted these to pounds sterling using the Bank of England's annual average spot exchange rate for the appropriate currency. See [Bank of England | Database](#).

<sup>77</sup> We have ordered this section according to the strength of evidence/issue we consider to be most material.

<sup>78</sup> In this subsection we consider submissions relating to the format and functionality of the portals, rather than the quality of information provided.

<sup>79</sup> [3].

**Difficulty understanding the triggers and drivers of behavioural fees**

- 12.47** Several acquirers told us that they struggle to understand the triggers and drivers of behavioural fees.
- 12.48** For example, some described having to undertake lengthy and costly correspondences with the schemes or internal reviews, before they could understand what they were being charged for.<sup>80,81</sup> Table 1 details some examples.

**Table 1: Acquirers’ ability to understand triggers for behavioural fees**

Scheme	Acquirer experience
<b>Mastercard</b>	<p>One acquirer told us it had incurred over £85,000 of behavioural fees but could not understand how it had triggered them. It requested details of sample transactions that incurred the fees, but Mastercard indicated this would only be provided if the acquirer purchased a report at an additional cost. The acquirer explained that it ultimately chose not to do this, as the report did not explain what changes it would need to make to avoid the fees in future. The acquirer instead undertook a month of internal review and experimentation with potential solutions before understanding how to avoid the fees. The acquirer told us that the resource cost of this review meant that it could not pursue other projects.<sup>82</sup></p> <p>Another acquirer said that [redacted].<sup>83</sup></p>
<b>Visa</b>	<p>One acquirer noted a couple of recent behavioural fees for which it felt it had received inadequate technical detailed explanations. The acquirer described the time needed to follow up with Visa regarding such issues as an ‘embedded overhead’ in its business, which could lead to delays in communications to its merchants. Despite this, the acquirer also said in some cases that Visa provides supplementary information to support passing fees onto its merchants.<sup>84</sup></p>

- 12.49** Several acquirers also explained that there can be cases where they are unable to pass on, or experience difficulty passing on, behavioural fees to the merchants that trigger the fee.<sup>85,86</sup> When they cannot pass on fees, acquirers told us that they absorb them<sup>87</sup>, or must include them in their blended pricing rather than passing on the fee specifically.<sup>88</sup> Table 2 details examples.

80 In relation to Mastercard: [redacted].

81 In relation to Visa: [redacted].

82 [redacted].

83 [redacted].

84 [redacted].

85 [redacted].

86 This issue affects only those behavioural fees that relate to merchant behaviour. Mastercard told us that in some instances, behavioural fees relate to acquirer behaviour rather than merchant behaviour. In those cases, acquirers have no need to identify which merchant triggered the fee (Mastercard response to MR22/1.9 (21 May 2024), page 81).

87 [redacted].

88 [redacted].

**Table 2: Acquirers' ability to pass on behavioural fees**

Scheme	Acquirer experience
<b>Mastercard</b>	<p>One acquirer said that for 'some specific fees Mastercard has even admitted that an acquirer simply cannot determine' if they are applied to a transaction, because Mastercard does not supply the necessary data. The acquirer indicated that it is therefore unable to identify transactions that incur fees.<sup>89</sup></p> <p>Another acquirer said that although its account manager shares a monthly report on its performance, this does not allow it to identify a merchant triggering a behavioural fee. The acquirer requested that this information be included in the report, but Mastercard said that this would not be feasible as the report includes European-level data and was already large. The acquirer said that the fee cost it a total of over £360,000 up to February 2023. The acquirer said that given the level of information provided, it 'makes it difficult for [the acquirer] to work with [its] customers to resolve the cause and pass on the fine to the relevant merchants'. However, the acquirer also said that it has worked with its merchants to improve compliance.<sup>90</sup></p>
<b>Visa</b>	<p>One acquirer said that it 'often' has to ask for detailed data to understand behavioural fees. This can lead to additional costs and delay decisions regarding its response to behavioural fees. The acquirer said that it had passed no fees or fines to its merchants in the last calendar year. We note that the acquirer also described an instance of Visa providing detailed data 'on a goodwill basis', as the acquirer could not access the detailed report on the Visa platform because it had not completed the required 'build-out/investment'.<sup>91</sup> The acquirer said that regarding the need for additional data this was a one-off approach in order to allow the delivery of a change whilst system updates took place.</p> <p>Another acquirer described having difficulty identifying the trigger point of a behavioural fee. The acquirer said it was therefore unable to accurately model the fee for more than a year and decided during this time to underbill its merchants, at an estimated cost of 'millions globally'.<sup>92</sup></p>

89 [redacted].

90 [redacted].

91 [redacted].

92 [redacted].

### Having to purchase optional services to understand behavioural fees

- 12.50** Several of the acquirers we contacted indicated in their responses that they have to purchase optional services (such as data or reporting) from Mastercard<sup>93</sup> or Visa<sup>94</sup> to understand behavioural fees. Unless they do this, they cannot correctly attribute them to the merchants responsible for triggering them.
- 12.51** Similarly, some acquirers described being encouraged to purchase optional services to better understand behavioural fees, when they contacted the schemes with related queries.<sup>95</sup>
- 12.52** Some acquirers provided information on the costs of the optional reporting they described. One acquirer originally reported an annual cost of [redacted] (£750,000 to £1 million) for reporting from Mastercard on behavioural fees but has secured a waiver for said fee since.<sup>96</sup> Costs ranged between roughly £1,000 per month for a Visa report used to pass behavioural fees on to merchants<sup>97</sup>, to over [redacted] per month globally.<sup>98</sup>
- 12.53** In response to the interim report, one acquirer submitted that in the case of merchants that contribute very small numbers to non-compliance and behavioural fees, involving them may be more costly than the behavioural fees themselves, even if identifying the merchants is in theory possible.<sup>99</sup>
- 12.54** Responding to the interim report, one acquirer told us that smaller acquirers may be disproportionately affected by the need to purchase optional services not affecting the business segment they serve.<sup>100</sup>

### Difficulty preparing for new behavioural fees

- 12.55** Several acquirers explained that they can face difficulties preparing for new or modified behavioural fees within the implementation periods Mastercard and Visa set.
- 12.56** Some of these acquirers told us that the schemes do not provide a sufficient notice period, and acquirers therefore cannot make the required changes in time.<sup>101</sup> One acquirer told us that, as a result, it often only discovers new behavioural fees once billed for the same by the schemes, without any meaningful prior opportunity to amend its behaviour to avoid such fees.<sup>102</sup> A couple of these acquirers told us that they have received temporary waivers from the schemes under these circumstances, allowing them time to make the required changes.<sup>103</sup> We set out some examples in Table 3 below.

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93 [redacted].

94 [redacted].

95 [redacted].

96 [redacted].

97 [redacted].

98 [redacted].

99 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

100 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

101 [redacted].

102 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

103 [redacted].

**Table 3: Acquirers' difficulties in preparing for new and altered behavioural fees**

Scheme	Acquirer experience
<b>Both</b>	One acquirer said that it had experienced fees being applied 'retrospectively or based on previous performance', which it estimated had cost its business £50,000 to £100,000 per month. However, the acquirer also noted that in some instances it had received waivers from both schemes for a limited time period to allow it to make the technical changes required. <sup>104</sup>
<b>Mastercard</b>	One acquirer said that the average notice period is roughly six months, which is not enough to 'assess, design the specification and implement' the changes within its charging process. The acquirer told us that it had only a week's notice of a 'new threshold and fee billing event' for one fee, which was insufficient to analyse its financial impact. As a result, the acquirer is unable to recover the fees from merchants due to the complexity of making changes to billing mechanisms, especially considering the volumes of the fee changes. <sup>105</sup>
<b>Visa</b>	One acquirer said that changes to the specifications of the Processing Integrity Program Fees in Europe caused issues in preparing for this fee. It said Visa changed the rate and implementation data in bulletins after the fee was announced, which meant the acquirer could not effectively prepare for the fee. <sup>106</sup>

**12.57** Other acquirers told us that they struggled to implement the necessary changes in the time required because Mastercard and Visa do not provide adequate information at the beginning of the implementation period, or because they change their approach to the updates midway through it.<sup>107</sup> Some acquirers indicate that this raises the cost they incur as a result of these changes.

**Table 4: Acquirers' experiences of querying new or altered behavioural fees**

Scheme	Acquirer experience
<b>Both</b>	An acquirer said that when it queries changes to behavioural fees it is 'clear' that its scheme contact 'is no more aware of the changes' than the acquirer itself, and 'does not have any specific knowledge to facilitate a timely and effective implementation'. The acquirer told us that the resulting uncertainty must be factored into its margin, and ultimately raises prices to merchants. It also told us that where new behavioural fees are introduced unexpectedly, it may have to reprice its merchants that are charged using its blended pricing, which creates uncertainty for merchants. <sup>108</sup>

104 [redacted].

105 [redacted].

106 [redacted].

107 [redacted].

108 [redacted].

Scheme	Acquirer experience
<b>Mastercard</b>	One acquirer said it could not complete the required changes to several behavioural fees within the notice period because its questions to Mastercard were not answered 'in a timely fashion'. The acquirer told us that when behavioural fees are unclear it cannot pass them on the merchants, with the impact estimated to be 'in the range of hundreds of thousands of Euros'. <sup>109</sup>
<b>Visa</b>	One acquirer said that Visa typically gives six months' notice when introducing a new behavioural fee, which it considered insufficient to adequately prepare. The acquirer also gave the example of one fee which was introduced with six months' notice, subsequently deferred, and then further amended. It told us that the multiple changes made to the fee negatively impacted its ability to respond to the new fee. The acquirer also told us that it had sent Visa 22 emails over an 11-month period requesting <i>ad hoc</i> reporting to identify merchants incurring the fee, so that it could pass it on correctly. The issue was still unresolved at the time the acquirer submitted its response. <sup>110</sup> The acquirer said that [redacted]. <sup>111</sup>

### Mastercard's response to acquirers' submissions

- 12.58** Mastercard told us that it uses behavioural fees to 'ensure that acquirers (and issuers) invest in and adopt measures that keep pace with the evolving risks in the payment ecosystem', and that the 'predictability and functioning of the Mastercard payment network is highly dependent on users displaying good standards of behaviour'.<sup>112</sup>
- 12.59** Mastercard also told us that it works closely with acquirers to ensure they can understand and comply with behavioural fees. Mastercard said that behavioural fees are avoidable and are not charged when an acquirer displays 'good practice behaviour'. Mastercard also said that it takes a 'pragmatic approach in instances where acquirers highlight difficulty in adhering to the practices that would allow them to avoid paying behavioural fees'.<sup>113</sup>
- 12.60** Mastercard explained that it typically gives acquirers [redacted] to implement fee changes, and that it can extend this period in some cases. It stated that this notice period allows acquirers to understand the impact of fee changes and make any necessary operational changes.<sup>114</sup>

<sup>109</sup> [redacted].

<sup>110</sup> 25 July 2023.

<sup>111</sup> [redacted].

<sup>112</sup> Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

<sup>113</sup> Mastercard response to the PSR's letter dated 22 June 2023 [redacted]. See also Mastercard response to MR22/1.9 (21 May 2024), page 81.

<sup>114</sup> Mastercard response to the PSR's letter dated 22 June 2023 [redacted]. See also Mastercard response to MR22/1.9 (21 May 2024), page 82.

- 12.61** Mastercard said that it considers a ‘number of factors’ when assessing the impact and viability of imposing new behavioural fees. Mastercard stated that part of its considerations include assessing its customers’ ability to make the associated changes within their organisation. It also said that acquirers’ varying ability to implement new behavioural fees (due, for example, to older systems or underlying merchant behaviour) forms part of its consideration as to whether to impose a new fee. It also said that it does not implement new behavioural fees ‘without a number of acquirers demonstrating the best-in-class behaviour prior to introduction’, so that ‘existing acquirer performance is the benchmark used for setting a behavioural fee’.<sup>115</sup>
- 12.62** In response to acquirer submissions that described having to purchase optional data, reporting or consulting to understand fees, Mastercard said that the vast majority of its consulting services, including the purchase of data services, ‘are not aimed at understanding fees’. It stated that instead, the ‘primary means’ of understanding fees are using its portal and engaging with Mastercard staff.<sup>116</sup> In response to the interim report, Mastercard told us that it ‘will always provide support to acquirers unable to identify the relevant merchant(s) which has triggered a particular behavioural fee. In addition to the account management teams, Mastercard provides free of charge reports and a set of tools available on [Mastercard] Connect to help acquirers understanding of behavioural fees’.<sup>117</sup> It told us that ‘[i]n addition to these services, Mastercard also provides training for customers that want an even deeper understanding of fees through Mastercard Academy.’<sup>118</sup>

#### Visa’s response to acquirers’ submissions

- 12.63** Visa told us that in general acquirers are [redacted].<sup>119,120</sup>
- 12.64** Visa said that behavioural fees are ‘designed to encourage behaviours that improve the security, system integrity and efficiency of the overall ecosystem’. Visa also said that these fees are avoidable and are intended to let clients choose whether to incur the fee, or invest to avoid triggering it.<sup>121</sup> Visa explained that behavioural fees can tend to zero if issuers and acquirers choose to make those investments.<sup>122</sup>
- 12.65** Visa told us that its behavioural fees ‘are designed in a way that facilitates acquirers to identify the problematic behaviour and are incentivised to improve this behaviour. For those clients that require additional assistance, Visa offers a range of support via [its] Client Services team, which provides ongoing support for client issue resolution.’<sup>123</sup>

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115 Mastercard response to the PSR’s letter dated 22 June 2023 [redacted].

116 Mastercard response to the PSR’s letter dated 22 June 2023 [redacted].

117 Mastercard response to MR22/1.9 (21 May 2024), page 81, third paragraph.

118 Mastercard response to MR22/1.9 (21 May 2024), pages 81 to 82; Mastercard pointed to ‘various improvements including a new and simplified invoice structure and the introduction of TAMs’. TAMs are noted above, see paragraph 12.30.

119 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

120 We consider that Visa’s comments in this regard apply throughout this chapter, rather than to the topic of behavioural fees specifically.

121 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

122 Visa response to the PSR’s information request dated 12 January 2022 [redacted].

123 Visa response to MR22/1.9 (21 May 2024), Technical Annex 5, paragraph 5.8.

- 12.66** Visa said that it reviews new and modified behavioural fees periodically to assess, for example, whether they are ‘encouraging the behaviour change intended and if they reflect changing ecosystem conditions’.<sup>124</sup> Visa also said that its expectation is that for any given behavioural fee, the associated revenues will decline over time, as clients change their behaviours.<sup>125</sup>
- 12.67** Visa told us that it uses the [redacted].<sup>126</sup> It said that following feedback from clients, it now aims [redacted].<sup>127</sup> Visa uses Visa Business News articles (VBNs) to give its clients advance notice of changes to Visa’s systems, scheme rules or fees.<sup>128</sup>
- 12.68** Visa uses its ‘Business Enhancement Release’ (BER) process to inform its clients on how to technically code for changes in their systems. BERs are a biannual process. Visa explained that the process covers [redacted].<sup>129</sup>
- 12.69** Visa explained that [redacted] before changes go live, to give clients time to understand the change, ask questions, [redacted]. Visa said that it releases [redacted] ahead of implementation. Table 5 below summarises the respective timings.<sup>130</sup>

**Table 5: Visa’s BER process structure**

Version number	Publication date	Content
<b>Version 1</b>	[redacted]	[redacted]
<b>Version 2</b>	[redacted]	[redacted]
<b>Version 3</b>	[redacted]	[redacted]

- 12.70** Visa told us that it provides its clients with ‘end-to-end’ support for the changes set out in BER documents. This includes [redacted].<sup>131</sup>
- 12.71** Visa said it had responded to feedback [redacted].<sup>132</sup>
- 12.72** Visa said that the absolute number of queries it receives from acquirers during the implementation periods for fee changes is low. Visa also explained that any queries that are raised are ‘generally resolved quickly’.<sup>133</sup> It also said that it collects client feedback specifically on its BER process and its April 2023 release received a Net Promoter Score of [redacted]% and customer satisfaction score of [redacted]%.<sup>134</sup>

124 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

125 Visa response to the PSR’s information request dated 12 January 2022 [redacted].

126 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

127 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

128 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

129 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

130 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

131 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

132 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

133 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

134 Visa response to the PSR’s letter dated 22 June 2023 [redacted].

**12.73** We asked Visa to respond to input we received from acquirers regarding concerns around having to purchase optional data, reporting or consulting to understand fees. It said that it ‘does not charge clients for additional data to understand fees or fee changes’ and does not ‘provide consultancy services to understand fees or fee changes’. Instead, Visa ‘communicate[s] with clients about upcoming fees, including sharing technical documents to inform of any required system changes’ with dedicated client teams being ‘on hand to respond to any queries’. Visa said that these services are provided in the ordinary course of business.<sup>135</sup> It added that its consultancy services are ‘wholly optional’ and compete with other data and analysis services provided in the market.<sup>136</sup>

## Quality of information received: mandatory and optional fees

### Evidence from acquirers

**12.74** Acquirers told us that the information the schemes provide leaves them struggling to understand both mandatory and optional scheme and processing fees. Acquirers described various issues, such as the schemes’ bulletins being complex, insufficient, and sometimes containing errors.

**12.75** These issues lead to increased acquirer costs and further errors, such as misbilling merchants. Acquirers often have to engage further with the schemes to understand the communications they receive.<sup>137</sup>

**12.76** We can summarise the consequences acquirers described as follows:

- Increased costs due to pursuing those investigations<sup>138</sup>
- Inability to pass fees onto their merchants<sup>139</sup>
- Difficulty in conducting impact assessments<sup>140</sup>
- Potentially misbilling their merchants<sup>141</sup>

**12.77** For example, one acquirer said that the complexity and number of fees charged by Mastercard makes it difficult to understand which fees relate to mandatory services, and which to optional ones. The acquirer told us that its Mastercard account manager provides ‘little help clarifying’ and that an intensive internal review had concluded it had purchased over £520,000 worth of optional services that it had previously thought to be mandatory. The acquirer told us that if it had understood that these services were optional, it would not have purchased them.<sup>142</sup>

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<sup>135</sup> Visa response to the PSR’s letter dated 22 June 2023 [X].

<sup>136</sup> Visa response to the PSR’s letter dated 22 June 2023 [X].

<sup>137</sup> [X].

<sup>138</sup> [X].

<sup>139</sup> [X].

<sup>140</sup> [X]. See also stakeholder response to MR22/1.9 (21 May 2024) [X].

<sup>141</sup> [X].

<sup>142</sup> [X].

**12.78** Other acquirers told us that Mastercard's<sup>143</sup> and Visa's<sup>144</sup> pricing bulletins do not always provide all the information they need to understand scheme and processing fees. This necessitates further engagement, or causes errors:

- One acquirer said that over two years it had experienced eight instances of misalignment between its understanding of fee trigger details and Mastercard's fees, caused by missing technical details. In the UK, this led to billing issues [redacted] £3 million and underbilling them over £1.2 million.<sup>145</sup>
- Two acquirers also said that Mastercard and Visa do not always provide enough notice for them to prepare for new fees.<sup>146</sup> One of these acquirers said that this can cause difficulty when [redacted], with 'very little time' for an acquirer to implement its own alternative product.<sup>147</sup>
- One acquirer told us that there were cases of Visa giving less than one month's notice in bulletins and that it had identified 13 bulletins in 2024 where the billing event was not shown.<sup>148</sup> These issues mean the acquirer cannot set up or track new fees, since it does not know the billing event until after it has been billed the new fee and seen the charge on the invoice.

**12.79** In response to the interim report, a merchant told us that the complexity of scheme fee categorisation, changes, and rules has a material impact on acquirers as merchants will expect the acquirer to perform impact analysis and, in lots of cases, hold the acquirer liable for accurately assessing these.<sup>149</sup>

**12.80** Some acquirers also noted that errors such as misbilling by one or both schemes<sup>150, 151</sup> have led to retrospective billing or reimbursement. For example, one acquirer said that Mastercard had requested to 'claw back fees for several years' due to an error on its own side.<sup>152</sup> Another said that it 'regularly' has issues with both Mastercard and Visa where errors on the schemes' sides can lead the scheme to 'claw back' the money. This leaves the acquirer unable to appropriately charge their merchants for these fees.<sup>153</sup>

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143 [redacted].

144 [redacted].

145 [redacted].

146 [redacted].

147 [redacted].

148 [redacted].

149 Stakeholder response to MR22/1.9 (21 May 2024) [redacted].

150 In relation to Mastercard: [redacted].

151 In relation to Visa: [redacted].

152 [redacted].

153 [redacted]. A merchant responding to our interim report told us that it had experienced instances where the schemes had incorrectly billed acquirers, which had then been passed onto the merchant, as well as cases where acquirers missed technical details in the bulletins (Stakeholder response to MR22/1.9 (21 May 2024) [redacted]).

- 12.81** Some acquirers indicated in their responses that they have had to purchase optional data, reporting and consulting services from one or both schemes to understand their fees.<sup>154, 155</sup> For example, one of these acquirers purchased consulting services from one scheme [X] costing [X] to enable it to pass fees on to its merchants.<sup>156</sup>
- 12.82** Some acquirers described unintentionally paying for optional scheme and processing services from Mastercard after being automatically opted into purchasing them.<sup>157, 158</sup> For example, one acquirer told us that opting out of one service it had automatically been enrolled in was a 'difficult process that required several weeks of back and forth with the Mastercard account manager'.<sup>159</sup> One of these acquirers told us it has since been reimbursed for one of the two services it purchased unintentionally.<sup>160</sup>
- 12.83** As reported in paragraph 12.77, one acquirer told us that the complexity and number of fees charged by Mastercard makes it difficult to understand which fees relate to mandatory services, and which to optional ones. Of the seven acquirers that responded to the interim report, five commented on the number of fees.<sup>161</sup> Three told us that the number of fees has a detrimental impact on acquirers' ability to understand and act on fee changes or that the PSR should act to reduce the number of fees:
- One acquirer told us the high volume of fee changes causes difficulty in understanding new fees and changed fees. It said it received 2,500 scheme bulletins from either Mastercard or Visa in 2023 in the EMEA region, with each of them taking resource and time to understand.<sup>162</sup>
  - Two acquirers said the number of fees should be reduced<sup>163</sup> or that a reduced number of fees could be beneficial.<sup>164</sup> One of these said Mastercard has 700 fee categories and 40% of the value of fees paid comes from 675 of these fees.<sup>165</sup>
- 12.84** One acquirer told us that intervention could cause detriment to acquirer outcomes.<sup>166</sup> Similarly, another acquirer, while generally supportive of the proposed remedies, highlighted the risk that acquirers could be faced with an unsustainable increase of operational costs required for the implementation.<sup>167</sup>

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154 As set out in more detail in paragraphs 12.50-12.52 above, several acquirers told us that they have to purchase optional services in order to understand behavioural fees they are charged by the schemes. We consider in this section submissions relating to mandatory scheme and processing fees.

155 [X]; stakeholder response to MR22/1.9 (21 May 2024) [X].

156 [X].

157 We note that acquirers did not give comparable examples of being opted into purchasing optional services from Visa.

158 [X].

159 [X].

160 [X].

161 Two trade bodies also responded on this topic. An industry association said that its acquiring members 'found [the proposal to reduce the number of fees] as somewhat misguided'; it told us that 'this could lead to grouping of services and less transparency or less choice in accepting or declining a service' (stakeholder response to MR22/1.9 (21 May 2024) [X]). A merchant association told us that there should be a 'requirement for considerably reduced numbers of scheme and processing fee categories' (stakeholder response to MR22/1.9 (21 May 2024) [X]).

162 Stakeholder response to MR22/1.9 (21 May 2024) [X].

163 Stakeholder response to MR22/1.9 (21 May 2024) [X].

164 Stakeholder response to MR22/1.9 (21 May 2024) [X].

165 Stakeholder response to MR22/1.9 (21 May 2024) [X].

166 Stakeholder response to MR22/1.9 (21 May 2024) [X].

167 Stakeholder response to MR22/1.9 (21 May 2024) [X].

**12.85** Further views on this topic were provided during one-on-one calls we set up with acquirers to discuss remedy options<sup>168</sup>:

- Three acquirers said the high number of fees does add to the complexity of understanding fees, together with the non-transparency of individual fees and the frequency of fee changes.<sup>169</sup> The high number of changes was also mentioned by another acquirer.<sup>170</sup>
- Two acquirers said that we should focus on other remedies to reduce the complexity and increase the transparency of each fee.<sup>171</sup>

### **Mastercard's response to acquirers' submissions**

**12.86** Mastercard said that its fees are set to reflect the value its users receive. It also told us that its mandatory fees are 'consolidated and straightforward' and that it seeks to reduce pricing complexity where appropriate. [redacted].<sup>172</sup>

**12.87** Addressing the impact of fee changes on its customers, Mastercard told us that it carries out impact assessments to inform its pricing strategy and its price-setting process. [redacted]. These assessments inform internal discussions and are not shared with customers.

**12.88** Mastercard considers that acquirers are better placed than it is to assess the impact of a fee change on their business and merchants. Mastercard said its analysis is based on historical data, and that acquirers may change their behaviour to influence the impact of a new or modified fee. Mastercard said that the acquirer will therefore be in a 'better position' to understand the impact of fee changes on its business.<sup>173</sup> Mastercard said that it provides a 'fee charge calculation' to help acquirers with this, which includes information about fee 'drivers' and their rationales.

**12.89** Regarding optional services, Mastercard told us that acquirers will have an incentive to use a service only if it delivers value to them. Mastercard submitted analysis of the split of revenue of non-mandatory fees generated from the top UK acquirers by transaction value in 2021, which Mastercard said [redacted]. Mastercard added that acquirers are [redacted].<sup>174, 175</sup>

**12.90** Addressing acquirers being automatically enrolled into optional services, Mastercard described the 'growing importance of "opt-out" services', stating that [redacted].<sup>176</sup>

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168 The questions we asked were: 'If you have issues with the complexity of fees charged by the schemes, is the main issue the number of fees or the lack of sufficient information about the fees (e.g. you cannot understand why specific fees are being charged)? Or is it something else?'; and 'Would reducing the number of fees charged be beneficial or could it cause other problems?' The questions were asked only in five of the seven calls.

169 [redacted].

170 [redacted].

171 [redacted].

172 Mastercard response to the PSR's letter dated 22 June 2023 [redacted]. See also Mastercard response to MR22/1.9 (21 May 2024), page 83.

173 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

174 Mastercard response to the PSR's letter dated 22 June 2023 [redacted]. See also Mastercard response to MR22/1.9 (21 May 2024), page 83.

175 This point is discussed in greater detail in Annex 4, paragraphs 4.27-4.28.

176 Mastercard submission, May 2022 [redacted].

**12.91** In its response to the interim report, Mastercard did not engage directly with concerns that the number of fees may be a cause of complexity. However, Mastercard did respond indirectly in its response to one of the possible remedies set out in the interim report to address complexity and transparency.<sup>177</sup> Mastercard told us that its 'range of fees and services is the result of innovation in response to customer need and the evolving nature of the payments landscape' and that '[a]ny reduction in the number of separate services and fees by way of bundling may create concerns that doing so raises barriers to entry and expansion.'<sup>178</sup> Mastercard also told us that it seeks 'to reduce complexity wherever it is appropriate to do so.'<sup>179</sup>

#### **Visa's response to acquirers' submissions**

**12.92** Visa said it does 'not recognise [its] fees as complex given the efforts [it makes] to engage with [its] clients on changes, the resources clients have available to engage with Visa if they have questions on fees, and the fact that [its] full schedule of fees is available at all times on VOL, as is the full set of Visa Rules'.<sup>180</sup>

**12.93** Visa also said that its clients are in the 'best position to review and determine the overall implications of fee changes for their business'. [redacted].<sup>181</sup>

**12.94** Visa told us that [redacted]. However, as part of its response to our market review, Visa reviewed fee changes for UK clients over the period 2014-2021. Visa said this showed that the number of fee change approvals each year [redacted]. Visa said that this [redacted].<sup>182</sup> It also said that it has [redacted].

**12.95** In its response to the interim report, Visa did not engage directly with concerns that the number of fees may be a cause of complexity. However, in its response to one of our potential remedies to address complexity and transparency<sup>183</sup> Visa told us that it 'offers a wide range of services to meet the evolving and often bespoke needs of our clients and other ecosystem participants', many of which 'have bespoke requirements in line with their commercial objectives and business needs, and depending on the technologies that they choose to use and support'.<sup>184</sup> It submitted that 'if it is necessary to reduce the overall number of services to clients, this is likely to lead to a situation where clients are required to choose between fewer, ready-made packages of services (i.e. bundled services) that are fundamentally less tailored to their individual requirements/needs and contribute to the recovery of costs for services that they do not use'.<sup>185</sup> Moreover, 'a requirement to reduce the number of services could reduce schemes' incentives to innovate and develop new solutions in response to bespoke requests from clients or emerging (but relatively small) business needs, particularly if such services were less likely to generate immediate revenue'.<sup>186</sup>

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177 Specifically the potential remedy 'Requirements on the card schemes to reduce their number of services', [MR22/1.9 \(21 May 2024\)](#), paragraph 8.32.

178 Mastercard response to MR22/1.9 (21 May 2024), page 90 (third paragraph).

179 Mastercard response to the PSR's letter dated 22 June 2023 [redacted].

180 Visa response to the PSR's letter dated 22 June 2023 [redacted].

181 Visa response to the PSR's letter dated 22 June 2023 [redacted].

182 Visa response to the PSR's letter dated 22 June 2023 [redacted].

183 Specifically the potential remedy 'Requirements on the card schemes to reduce their number of services', [MR22/1.9 \(21 May 2024\)](#), paragraph 8.32.

184 Visa response to MR22/1.9 (21 May 2024), Technical Annex 6, paragraph 6.17.

185 Visa response to MR22/1.9 (21 May 2024), Technical Annex 6, paragraph 6.18.

186 Visa response to MR22/1.9 (21 May 2024), Technical Annex 6, paragraph 6.22.

## Provision by the schemes of clarifying information

- 12.96** Acquirers can direct questions to their account manager at Mastercard or their account executive at Visa. Both Mastercard and Visa also have other staff and teams responsible for offering customer support and supporting acquirers with queries.

### Evidence from acquirers

- 12.97** Acquirers told us that they face difficulties successfully obtaining clarifying information from the schemes, with responses sometimes late or inadequate.
- 12.98** Acquirers said that it can take weeks or months to receive a response when they send questions to their contacts at Mastercard<sup>187</sup> and Visa.<sup>188</sup> They said that these protracted engagements with the schemes lead to additional resource costs<sup>189</sup>, and their inability to access information can lead to errors in assessing the impact of fees and pricing their merchants.<sup>190</sup>
- 12.99** For example, one acquirer said that both Mastercard and Visa are ‘very slow’ to respond to questions about fee codes and that it can take four to five weeks to receive a sufficiently detailed answer. The acquirer said that completing this engagement may require internal resources amounting to ‘several thousands of US [dollars]’ for one individual query, and ‘tens of thousands of US [dollars]’ over the course of a year.<sup>191</sup>
- 12.100** Another acquirer also told us that both Mastercard and Visa take several weeks to respond to its questions. It said that its inability to access the information it required had led to it absorbing costs and mispricing its merchants.<sup>192</sup>
- 12.101** Acquirers also told us that the quality of the responses that they receive from one or both schemes<sup>193, 194</sup> can be inadequate. For example, the information can be insufficient, and subsequent responses may be contradictory or unclear. Acquirers indicated that these issues can lead to increased costs – for example because they are unable to pass on fees or because of the costs of addressing these issues.
- 12.102** For example, one acquirer said that the information it receives from different Mastercard departments is vague and inconsistent. It said the issues have become more frequent in the last few years because Mastercard is making its fees ‘increasingly complicated’. The acquirer also said that addressing these issues is ‘extremely time-consuming and in general often unsuccessful’. It told us that these issues can have a negative effect on its relationships with merchants, as it is difficult to pass on fees to them promptly or transparently. Sometimes the acquirer may be unable to pass on fees totalling ‘hundreds of thousands of Euros’. The acquirer said that the issues it faces create ‘operational overhead’ for acquirers, which is passed on to merchants.<sup>195</sup>

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187 [redacted].

188 [redacted].

189 [redacted].

190 [redacted].

191 [redacted].

192 [redacted].

193 In relation to Mastercard: [redacted].

194 In relation to Visa: [redacted].

195 [redacted]

**12.103** Another acquirer said that its contacts at both Mastercard and Visa provide ‘late and unsatisfactory’ responses. The acquirer also told us that these contacts demonstrate a ‘lack of expertise around their own billing systems’ and provide ‘confusing’ answers to the acquirer’s questions.<sup>196</sup>

**12.104** Some acquirers’ submissions described recent improvements the schemes had made. A few said that one or both schemes have assigned dedicated technical support staff to their account.<sup>197</sup>

#### **Mastercard’s response to acquirers’ submissions**

**12.105** Mastercard told us that its annual customer survey indicates that acquirers ‘often have a positive experience of accessing information through their account managers’. It pointed out acquirer account management teams received an average rating of [ ] between 2020 and 2022.<sup>198</sup>

**12.106** Mastercard also told us that it had recently created a new role – the technology account manager – to further assist its clients.<sup>199</sup>

#### **Visa’s response to acquirers’ submissions**

**12.107** Visa said that it responds quickly to the vast majority of acquirer client queries. Visa told us that based on the support it provides to clients and the ‘very positive feedback’ it receives from clients, it believes it gives them the resources and support they need ‘to confidently act on the information’ it provides.<sup>200</sup>

**12.108** For example, Visa said that its annual customer survey for the 2023 financial year found that [ ]% of acquirer clients rated it at least a 7 out of 10 when asked whether Visa ‘effectively resolves their service and support requests’.<sup>201</sup>

**12.109** Visa explained that it also undertakes client satisfaction surveys to gather feedback after its client services team resolves a query. Visa said that it received a ‘very high Net Promoter Score (NPS) for client services of [ ]’ in the 2022 financial year.<sup>202</sup>

**12.110** Visa also submitted more detailed analysis of [ ] responses to client satisfaction surveys from [ ] acquiring clients<sup>203</sup> making queries between November 2021 and December 2022. Visa scored<sup>204</sup>:

- [ ] out of 10 in respect of ‘ease of doing business’
- [ ] out of 10 in respect of ‘availability of the case owner’
- [ ] out of 10 in respect of ‘speed of the (query) acknowledgement’

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196 [ ].

197 [ ].

198 Mastercard response to the PSR’s letter dated 22 June 2023 [ ]. See also Mastercard response to MR22/1.9 (21 May 2024), page 83.

199 Mastercard response to the PSR’s letter dated 22 June 2023 [ ].

200 Visa response to the PSR’s letter dated 22 June 2023 [ ].

201 Visa response to the PSR’s letter dated 22 June 2023 [ ].

202 Visa response to the PSR’s letter dated 22 June 2023 [ ].

203 Visa added that it had established this list based on [ ] in payments volume in the UK in Visa’s FY2022, representing [ ]% of payment volume in FY2022.

204 Visa response to the PSR’s letter dated 22 June 2023 [ ].

- 12.111** The analysis also showed that [redacted]% of respondents said that their query was resolved either sooner than expected or as quickly as they would expect.
- 12.112** Visa combined the scores it received in 'a number of separate categories' concerning clients' experience of query resolution to generate an overall satisfaction score out of 100.<sup>205</sup> This analysis also considered [redacted] responses and yielded an overall score of [redacted].<sup>206</sup> Visa described this as an 'extremely impressive score'.<sup>207, 208</sup>
- 12.113** Visa also submitted analysis examining the length of time required for Visa to respond to acquirer queries. The results showed that [redacted]% of the queries included in the sample were resolved within [redacted] days. The proportion varied depending on the complexity of the queries: the vast majority of simple queries were resolved within [redacted] days, while over [redacted]% of the most complex queries were resolved within [redacted] days. Visa noted that the speed of resolution was recognised by clients, with [redacted]% of acquirer respondents rating Visa as [redacted] or above out of [redacted] when asked whether they agree that Visa effectively resolves their service. Further, when surveyed after a query was resolved, [redacted]% of respondents said their query was resolved in the same time or sooner than they would expect.<sup>209</sup>

## Using the schemes' portals

### Evidence from acquirers

- 12.114** Some acquirers indicated that they experience difficulty using the schemes' portals to access information<sup>210</sup>:
- Several acquirers told us that they struggle to access historical data using one or both schemes' portals.<sup>211,212</sup> Some acquirers said this is because historic notices are deleted.<sup>213</sup> Others said that this is because the search function in one or both schemes' portals is limited.<sup>214,215</sup>
  - A few acquirers described difficulties understanding fees as the pricing bulletin codes used by one or both schemes' portals do not match those used on invoices.<sup>216,217</sup>

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205 These include the measures detailed in paragraph 12.110 above, as well as: the extent to which the client felt the case owner understood both their query and their business; the availability of the case owner; the knowledge and attitude of the case owner; and the speed/accuracy of case resolution.

206 Visa response to the PSR's letter dated 22 June 2023 [redacted].

207 Visa response to the PSR's letter dated 22 June 2023 [redacted].

208 Visa also told us that this is a voluntary survey and may therefore be expected to include [redacted].

209 Visa response to the PSR's letter dated 22 June 2023 [redacted].

210 We focus in this section on submissions relating to the format and function of the schemes' portals, rather than the quality of information provided in the portals. Submissions relating to the quality of the information provided in the portals are considered in the sections on 'Quality of information received' above.

211 In relation to Mastercard: [redacted].

212 In relation to Visa: [redacted].

213 [redacted] (in relation to Mastercard). [redacted] (in relation to Visa). [redacted].

214 In relation to Mastercard: [redacted].

215 In relation to Visa: [redacted].

216 In relation to Mastercard: [redacted].

217 In relation to Visa: [redacted].

**12.115** Acquirers told us that these issues force them to engage further with the schemes, leading to additional costs.<sup>218</sup> Other acquirers reported incurring additional costs because difficulty accessing information impedes acquirers' ability to understand the impact of fee changes.<sup>219</sup> One acquirer said that the difficulty of accessing data through the portal leads to delays which increase the likelihood of fines, as it cannot make the necessary preparations in time.<sup>220</sup> In addition to increasing costs, one acquirer said these difficulties impede its ability to decide how to mitigate fee changes for its merchants.<sup>221</sup> Some said that the difficulty they face accessing the required information through the portal has an impact on their merchants – for example, because this increases the likelihood of its merchants being mispriced (including because fees cannot be passed on).<sup>222</sup>

### Schemes' submissions

**12.116** The schemes' statements about their portals are set out above in paragraphs 12.6 to 12.9.

## Behavioural fees charged to acquirers when not triggered by them or their merchants

### Evidence from acquirers

**12.117** Some acquirers told us they had been charged behavioural fees when neither they, nor their merchants, were responsible for triggering them.<sup>223</sup> These acquirers identified a variety of stakeholders responsible for triggering fees that they were then charged, specifically:

- **Fraudsters:** A couple of acquirers told us that fraudsters can make a large number of payment attempts on a given card by trying to guess its security number. This can trigger behavioural fees for acquirers. Both acquirers described measures they had taken to mitigate the impact of these fees, including [redacted], educating merchants, and using additional fraud prevention tools.<sup>224</sup>
- **Third-party payment service providers:**<sup>225,226</sup> A couple of acquirers pointed out that they have limited influence or control over these suppliers.<sup>227</sup> One acquirer said the schemes do not give it sufficient time to coordinate with its third-party processors to resolve issues when they arise.<sup>228</sup>
- **Banks involved in the transaction:** One acquirer told us that its bank sometimes fails to meet settlement deadlines, leading to behavioural fees.<sup>229</sup> Another acquirer said that it is charged behavioural fees when the issuing bank involved in the transaction sends incorrect information.<sup>230</sup>

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218 [redacted].

219 [redacted].

220 [redacted].

221 [redacted].

222 [redacted].

223 [redacted].

224 [redacted].

225 [redacted].

226 Although they did not make detailed submissions on these points, a couple of acquirers [redacted] noted that behavioural fees may be triggered by their merchants' third-party providers.

227 [redacted].

228 [redacted].

229 [redacted].

230 [redacted].

### Mastercard's response to acquirers' submissions

- 12.118** Mastercard said that its behavioural fees are avoidable and are not charged when an acquirer displays 'good practice behaviour' (see paragraph 12.59).<sup>231</sup>

### Visa's response to acquirers' submissions

- 12.119** When we asked Visa about behavioural fees being triggered by events outside acquirers' control, Visa said that it was unsure to which events the PSR was referring to and sought further details.<sup>232</sup> However, when commenting on acquirers' abilities to understand fees more generally, it explained that some acquirers may partner with third-party processors, and if so, the acquirer's processor will be required to make technical changes to its systems when Visa updates its authorisation, clearing and settlement fees.<sup>233</sup>

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231 Mastercard response to the PSR's letter dated 22 June 2023 [3].

232 Visa response to the PSR's letter dated 22 June 2023 [3].

233 Visa response to the PSR's letter dated 22 June 2023 [3].

PUB REF: MR22/1.10 Annex 12

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