

Stakeholder roundtables on scheme and processing fees

Summary

April 2025

Introduction

In May 2024, we published our interim report on our market review of card scheme and processing fees. In July 2024, we held a series of roundtables with acquirers, issuers and merchants to recap the provisional findings set out in the interim report and to gather feedback on the potential remedies.

The discussion on remedies was split into four sections, each focusing on a remedy area identified in the interim report:

- information complexity and transparency
- mandatory consultation and timely notification
- pricing methodology and decision-making governance
- regulatory financial reporting (RFR)

This paper summarises what the roundtable participants said on the topics we discussed with them.

Representatives from the following organisations attended the roundtables:

- ABTA
- Adyen
- AIB Merchant Services
- Bank of America
- British Retail Consortium
- Capital One
- Checkout
- Clydesdale Bank/Virgin Money
- Currensea
- DECTA
- Elavon
- EVO Payments International GmbH
- Expedia Inc
- Fiserv (First Data)
- FMPay
- GoCardless
- Global Payments UK
- HMRC
- IKEA (Ingka Group)
- John Lewis Partnership
- J.P. Morgan
- Metro Bank
- Morrisons
- NatWest
- PayPoint
- Scottish Grocers' Federation
- Stripe
- Tesco Stores Limited
- Teya
- Transport for London
- TSB Bank
- Worldline
- Worldpay

Information transparency and complexity

1. These remedies are set out in paragraphs 8.31 to 8.34 of our interim report, with the exception of service level agreements, which was suggested by a stakeholder in response to an information request, and which, following some further discussion, we thought was useful to discuss with stakeholders during the roundtables.

Fee taxonomy

2. There was a strong level of support for a fee taxonomy remedy during all three roundtables.
3. Several stakeholders described the difficulties they currently have with obtaining and understanding information on fees. Two acquirers explained that:
 - it is difficult to identify fee classifications (for example, when fees are optional or mandatory)
 - billing codes are often not granular enough, and there are inconsistencies on the scheme portals when searching for them
4. Two merchants also told us about difficulties in this area, referring to unclear or uncertain information on what the fee actually means. These include what the fee relates to specifically and which transactions/services fall within the scope of certain fees, as well as which services or transactions attract a fee. Two issuers said that the current approach requires a lot of time and resource to identify fees from announcements and to understand their impact. In their view, this is disproportionate. For example, it can require the hiring of external staff to help with analysis.
5. Two acquirers highlighted that presentation of fee data is important and so it would be helpful to have consistent fee information and terminology: they both referred to the importance of there being 'one single source of truth'. One of them added that it would be helpful to have insight on the individual fees in a bundle in order to compare them to alternative bundles from the other network. One issuer suggested that the taxonomy should be split between services and pricing, with a clear distinction between mandatory, opt-in, and opt-out fees. They also said that the implementation date for fee changes should be provided to assist with forecasting.
6. When discussing this remedy, four acquirers also noted that sometimes the data for fee triggers is not provided and cannot be reconciled until an invoice is received, but by this point it is too late to submit a challenge to the schemes. Two of these acquirers said that, to help with this, invoicing should happen as close to the event as possible. Similarly, one merchant confirmed that a taxonomy would be beneficial to validate whether a fee has been charged correctly. This merchant explained that merchants only know what they are paying after the invoice is received, so a taxonomy could help them forecast better.

Standardised invoicing

7. There was support for a standardised invoicing remedy that imposes requirements/expectations on each scheme (rather than requiring the preparation of identical invoices).
8. One acquirer spoke about its concern over the cost associated with the provision of data – for example, the schemes have, at times, provided information for a low cost initially, and then charged more for it. The cost of fee information can be prohibitive, including the resourcing needed to understand it. Issues raised included the cost of data and the cost of fee information.
9. Specific improvements were suggested at the acquirer and issuer roundtables. With regard to specific improvements, one acquirer said that it would be helpful to have an exact description of why the fee has been incurred, beyond what is currently provided in the invoice.
10. Several merchants were supportive of standardised invoicing, noting it will be clearer for them to understand the fees they are paying, especially when dealing with different acquirers. However, one merchant highlighted that, while standardised invoicing is critical for acquirers, it would not have a direct impact on how small merchants understand their costs.

Service level agreements (SLAs)

11. There was a wide level of support for SLAs, although there were questions around how such a remedy would be enforced and the consequences of non-compliance.
12. Two acquirers said that this remedy would be helpful as it can sometimes be challenging to get timely information on fees, as well as other scheme services. Two stakeholders (another acquirer and one merchant) said we would need to carefully consider the requirements of this remedy, suggesting that the SLA would need to be a meaningful solution to the problem. Similarly, the merchant noted that the SLA would need to ensure there was a process to ensure feedback from acquirers and merchants was duly considered (with evidence to that effect). The merchant further noted that this remedy would need to be well designed and ensure timely and meaningful responses, otherwise there is a risk that:
 - there will be delays to achieving the desired level of clarity
 - the schemes may initially, or only, provide holding responses rather than actual answers

The question of enforcement was also raised, with one acquirer suggesting a potential escalation process should the schemes not comply with the SLA.

Fee simplification

13. There was a general recognition that the pricing information is increasingly complex. However, responses to this remedy highlighted potential design challenges, including bundling and potential fee increases.
14. Two acquirers and three issuers raised concerns about the risks of bundling and fee increases with this remedy, and said we would need to be mindful of these and carefully manage them. One issuer said that if the schemes started to bundle fees, customers will lose visibility and traceability of price increases at an itemised level.
15. Three merchants and two issuers welcomed fee simplification. One of these merchants said it could help merchants to understand what they need to pay, and also reduce the number of fees. Another thought fee simplification should be a precursor to any transparency remedy that would be useless without simpler fees. One of these issuers said there are many fees that could be condensed or simplified without issues.
16. With regard to the potential options presented to achieve this remedy, two acquirers raised concerns over the work required. One acquirer thought that appointing an individual to look at simplifying the fees creates extra work and is not necessarily needed. A different acquirer thought it would also be difficult to achieve objectivity.

Information provision to merchants

17. Responses on the provision of information to merchants depended on stakeholder category, with merchants being the most supportive.
18. Two acquirers told us that, in general, schemes do not have contact with merchants as this is more the role of the acquirer. These acquirers thought it is likely that most acquirers would like to maintain their own relationship with their merchant clients.
19. One of these acquirers further highlighted that having a non-contracted party involved could add a layer of confusion. Different merchants require different levels of information (for example, depending on their size) and this is something the acquirer can accommodate. Another acquirer added that merchants are unlikely to engage in the detail of scheme fees.
20. One merchant explained that there can sometimes be long delays between acquirers being informed of fee changes and acquirers telling merchants, so this remedy could be helpful. Another suggested that it may be helpful for acquirers to have access to a tool or website that provides pricing information to merchants, to facilitate discussion between acquirers and merchants and resolve queries. Another merchant noted that it gets its answers to scheme and processing fee queries from its acquirer rather than the schemes.
21. One issuer thought this remedy was likely to be welcomed by merchants, but this would depend on how it is communicated. This issuer explained that many merchants do not have a payments division, so information needs to be accessible and simple.

Mandatory consultation and timely notification

- 22.** These remedies are set out in paragraphs 8.23 to 8.30 of our interim report.

Mandatory consultation

- 23.** There was mixed reaction on this remedy, with stakeholders recognising some benefits, though they were concerned that, in practice, negative impacts would outweigh them.
- 24.** One acquirer explained that this remedy would be a good way to encourage conversation on fees but queried the extent to which this engagement would be constructive, given that the schemes' bargaining power is unequal to the acquirers. Another acquirer noted that, if this information were to be publicly available it could be helpful, even if only at a high-level, as it would show merchants that acquirers aren't imposing fees unilaterally. One merchant welcomed this, and specified that there should not be a minimum materiality level for the fees included for consultation.
- 25.** Two acquirers thought that the content of what would be included in a consultation is important to consider, for example, demonstrating the impact on acquirers from a financial and implementation perspective. Another acquirer thought that it was important to ensure there is an appropriate set-up within the schemes for those who communicate with acquirers. Fees are often introduced by non-client-facing teams and the acquirer's contact is different, which causes a lot of confusion and back-and-forth trying to clarify the correct information.
- 26.** However other acquirers were sceptical, with one highlighting a risk that the schemes could use this remedy to claim they had added more value. This acquirer thought there was a further risk that engagement may not be constructive due to an imbalance in bargaining power.
- 27.** Three further acquirers raised concerns about the risk that this remedy would require a lot of time and resource from acquirers and possibly deliver quite limited benefits. One issuer thought this remedy would need to be implemented in combination with simplification, otherwise it would be difficult to implement effectively. There is a concern that acquirers would be inundated with information and that this would be hard to manage.
- 28.** Another issuer thought there was limited value in mandatory consultation as it is likely the feedback is always going to be negative. This issuer thought it would be more beneficial to focus on the lead time to implementation. Two other issuers added that there is greater value in standardisation and simplification, which would also require less work. One merchant noted that while the proposed remedy is reasonable, there are doubts over whether it would address the competition issues that we had found.

Involving merchants in the consultation process

- 29.** The proposal to involve merchants in mandatory consultation received mixed feedback.
- 30.** One merchant welcomed this – noting that early merchant feedback could be beneficial and ensure the schemes are designing products that work well from the outset, and any issues, challenges or opportunities are considered and factored in appropriately where possible. It thought this could be done by using a group that could represent merchants' views, or a similar practical solution. However, a different merchant highlighted a potential risk that the schemes could use this remedy to say they consulted with merchants, without actually implementing any of the feedback provided. Another merchant added that it would be more appropriate to implement remedies between acquirers and the schemes, rather than involving merchants.
- 31.** Two acquirers also had concerns about involving merchants in this process, and said that this could cause it to become overly complex. One of these added that the largest merchants already engage directly with the schemes, and the smaller ones tend not to get involved in querying underlying scheme fees. Another acquirer suggested that, as new fees are introduced, the schemes could provide some detail on, for example, the hundred most impacted merchants, as this may help with engagement.

Timely notification

- 32.** Timely notification was generally positively received by stakeholders.
- 33.** Three acquirers welcomed the idea of a timely notification remedy. One of these acquirers said that this would be a change from the status quo and would give acquirers a way to challenge. This acquirer thought it would also be helpful to have impact assessments looking at cost versus benefit. Another acquirer explained that acquirers currently struggle with a lack of notice and would therefore value longer notice periods for changes with a higher impact.
- 34.** Two merchants and an issuer also thought a notification requirement would be beneficial. One of these merchants thought it would be helpful to have more time between the fee change being announced and implementation, so the change would be at least six months after merchants hear about the price increase from acquirers. The other merchant said that being able to accurately forecast is important to merchants, but changes to fees can make this difficult. Even a six-month period may not be enough where annual financial and budget planning is done in advance of the new financial year; these fee changes can be introduced and take effect at any point in the year, often after budgets have been finalised and the new financial year is in progress.

Interim remedy

- 35.** Stakeholders that provided feedback on this remedy were generally supportive.
- 36.** One issuer said it could see the benefit of an interim remedy, as any legal action following publication of the final report could delay enduring remedies. Three merchants agreed with the need for an interim remedy, with one calling for a freeze on fee increases until remedies are implemented.

Pricing methodology

- 37.** This remedy is set out in paragraphs 8.16 to 8.22 of our interim report.
- 38.** There were not many stakeholders that commented on this remedy, but those that did considered that it could prove helpful.
- 39.** Two acquirers said we should require the schemes to provide information more systematically. These acquirers thought it would be helpful if the schemes needed to explain certain details, such as:
- whether each fee is optional or mandatory
 - how decisions have been made in setting fee levels
 - how they define the value of the service
- 40.** One issuer also agreed that looking at methodology and pricing decisions would be helpful in tackling some of the current confusion over fees.
- 41.** One acquirer said that this remedy was not a viable solution as it wouldn't address the upward pressure on scheme fees. One merchant also expressed a concern that the remedy would not be helpful unless there is a framework to measure the information against (that is, a simplified taxonomy).
- 42.** Regarding the possible options to achieve this remedy, an acquirer thought it unlikely that a UK-specific pricing committee would add value, and thought that a retrospective audit approach may be better.

Regulatory financial reporting (RFR)

- 43. This remedy is set out in paragraphs 8.7 to 8.15 of our interim report.
- 44. There was a limited update given to stakeholders on the topic of RFR. In general, stakeholders welcomed this remedy, but had questions on how it would work in practice.
- 45. Three acquirers and two issuers agreed that data should be available from the schemes and should be collected. However, these acquirers noted that schemes are well versed in providing financial information and there are concerns about how this would be presented or created – for example, a profit and loss account based on ‘alternative facts’. One merchant shared a similar concern that the schemes can hide behind this remedy, and concluded that we should have been bolder in stating that prices are too high. The three acquirers all agreed with this, with one stating that it would like to see the schemes’ market power curtailed. Another acquirer suggested we should be collecting and publishing aggregate scheme fees charged, on a quarterly basis.

PUB REF: MR22/1.11

© The Payment Systems Regulator Limited 2025

12 Endeavour Square

London E20 1JN

Telephone: 0300 456 3677

Website: www.psr.org.uk

All rights reserved