Payment
Systems
Regulator

Decision not to proceed with interim cap on cross-border interchange fees

Statement of reasons

October 2025

MR22/2.9

Decision not to proceed with interim cap on cross-border interchange fees

- In our final report on the market review into the UK-EEA cross-border interchange fees, we concluded that these fees should be capped.
- We have decided that the most effective and pragmatic manner to give effect to this conclusion is to implement such a cap in only one step, once our work to determine an appropriate level for UK-EEA cross-border interchange fees has concluded.
- Accordingly, we have decided not to pursue an interim cap for UK-EEA cross-border interchange fees.

Introduction

1.1 In December 2024, we published the final report on the market review into UK-EEA cross-border interchange fees. We concluded that a price cap was the only effective remedy to mitigate the harm to merchants and their customers resulting from the post-Brexit increases in the levels of cross-border interchange fees for UK-EEA, card-not-present transactions. Since then, we have been evolving our thinking on how best to implement such a cap as efficiently as possible to give effect to the findings of the market review.

1.2 We launched a consultation on remedies which closed in February 2025 ('the remedies consultation'). That consultation highlighted our concerns over the likely timeframe for developing a methodology for setting the level of a price cap and the detriment that would continue to occur if no remedy were to be implemented until completion of that work. We sought stakeholder views on a phased approach to remedies, specifically on whether to impose an initial, interim cap which would remain in place while we carried out the relevant work to determine the appropriate level for these interchange fees.

1.3 We noted, however, concerns around the risk of unintended consequences arising from a price cap being imposed before we had completed such work. Following the launch of the remedies consultation, we were notified that Mastercard, Visa and Revolut had filed with the court their applications for judicial review of our proposal to impose a price cap. We do not expect judgment before 2026.

Decision not to proceed with interim cap

1.4 For the reasons set out below, we now consider it more effective to proceed with a cap only after we have developed a robust methodology and carried out analysis to determine the appropriate level for UK-EEA cross-border interchange fees. Therefore, we are now focusing on developing that methodology for the analysis as promptly as possible and have decided not to proceed with a staged approach to implementing a price cap and with our work on any interim cap.

1.5 In our remedies consultation document, we considered the benefits of addressing the harm to merchants and their customers against the potential costs and risks of any unintended consequences of imposing an interim cap before we had concluded our assessment of the appropriate level of UK-EEA cross-border interchange fees. Our assessment of the balance of these benefits and risks has materially changed since the launch of the remedies consultation because:

- assuming that our powers to impose price caps are confirmed by the courts, we expect a potential interim cap to be in place for a much shorter period of time than previously anticipated, therefore significantly reducing potential benefits;
- in view of responses to the remedies consultation, the risks of unintended consequences and costs which we had identified in the consultation document remain or are exacerbated, notably the costs of implementing two caps in close succession, and the limited evidence around the appropriate level of the interim cap to mitigate the risk of unintended consequences.

Timing implications of judicial review proceedings

1.6 A key factor in our assessment of the benefits and risks associated with an interim cap was the relatively extended period of time (i.e. up to 30 months) for which we anticipated that the interim cap would be in place (and therefore benefit merchants and their customers).

1.7 We do not consider it appropriate to impose an interim cap while litigation is ongoing. We also note the potential for further litigation if we were to take steps to impose an interim price cap, which could delay a long-term cap further. On that basis, we expect that any interim price cap could only be in place, and generate benefits, for no more than a few months (if at all), instead of up to 30 months as previously expected.

Risk of unintended consequences

1.8 In addition to the reduced expected benefits of an interim cap, we continue to be concerned about the risks of unintended consequences following review of the responses to our remedies consultation. We received 24 responses in total, from card schemes, issuers, acquirers, merchants, trade associations and others. An overview of the responses is provided at Annex A to this document.

1.9 In particular, we note:

- some respondents to the remedies consultation indicated that introducing two different caps in close succession might have negative impacts for the market. These included an increased operational burden, inconvenience and costs for acquirers, and the lack of a stable pricing environment leading to confusion and inconvenience for merchants, with multiple price changes and associated costs being incurred twice. The impact of the litigation on our potential timetable, described above, is likely to exacerbate these concerns.
- the consultation responses did not provide any new data or evidence to support a specific level for an interim cap, which has constrained our ability to further analyse the potential for unintended consequences from different levels for an interim cap.

Next steps

1.10 We will continue to progress our work to develop a longer-term price cap as quickly as possible. Our current consultation on the methodology for assessing an appropriate level for the cap is open until Friday 21 November 2025 and will help to ensure that the analysis underpinning any longer-term cap is robust and well-evidenced.

Annex A: Overview of responses to our remedies consultation

1.1 Stakeholder responses to the remedies consultation were generally in line with what we had been told at interim report stage, with merchants supportive of our two-staged price cap remedy, while issuers and card schemes remained opposed. Those in favour, particularly merchants, highlighted that there was a clear need to intervene to prevent further harm.

1.2 Issuers objected to any cap below issuer costs, questioned the evidential basis for any of the potential levels we proposed in our remedies consultation, and repeated concerns about implementation costs. Issuers also expressed a view that an interim cap would hamper investment and growth and would adversely affect non-bank issuers in particular. We also heard from an EEA issuers' trade association, which objected to the principle of the cap as they said it discriminated against EEA issuers. Some issuers criticised the methodology that calculated the original, pre-Brexit interchange level of 0.2% (for debit transactions) and 0.3% (for credit transactions), which they said was outdated and inappropriate.

1.3 Card schemes said that we had failed to justify the interim cap by reference to an urgent need to address harm to merchants. They also agreed with issuers that an interim price cap could have unintended consequences, and said that we had provided no evidence that any interchange reduction would be passed on to merchants.

1.4 Views from acquirers were more mixed in this consultation than previously: while some remained strongly supportive of a two-staged approach, others said that they would prefer for the PSR to implement the longer-term cap only, noting in particular the increased costs and inconvenience that successive fee changes would cause for acquirers, and the potential confusion and disruption for merchants.

1.5 We also asked in the consultation document for views on different potential levels of interchange fees, with a view to identifying a level for the interim cap that mitigated the risks of unintended consequences. We received fairly limited, and mixed, responses, without any new evidence to support the setting of the cap at a particular level.

1.6 Overall, the views we received were broadly aligned with those we had already considered: as expected, merchants and small businesses (including trade associations) tended to advocate for the pre-Brexit level of 0.2% / 0.3% or below; on the contrary, issuers and schemes supported the current IF level of 1.15% and 1.5% for debit card and credit card transactions respectively. The other level on which we consulted (0.5% / 0.6%) attracted criticism across the board, with issuers tending to view this as an arbitrary level unsupported by evidence and acquirers warning of the risk of unintended consequences from capping fees at a level which was previously untested.

PUB REF: MR22/2.9

© The Payment Systems Regulator Limited 2025
12 Endeavour Square
London E20 1JN
Telephone: 0300 456 3677
Website: www.psr.org.uk

All rights reserved