

Commission report fails to address major loopholes in payment card fees regulation

EuroCommerce Director-General Christian Verschueren today expressed regret and disappointment that the Commission's report on the functioning of the Interchange Fee Regulation did not take account of the mounting evidence of massive rises in card fees not covered by EU regulation:

"Nearly 80% of card transactions in Europe are handled by two American companies with global reach. Merchants in retail and wholesale, as well as in hospitality, tourism, and air travel, who have already been hit commercially by COVID-19, have seen these companies raise fees not covered by the Interchange Fee Regulation by some 50%. Over the last 18 months alone this has taken an additional €800 million out of the pockets of merchants, and ultimately consumers. This allows these card schemes to consolidate their position by making competing schemes less attractive to banks. We note that the Commission will continue to monitor the situation and hold a stakeholder meeting at the end of the year. We call upon the Commission to act on the basis of this new evidence, and not wait for even more economic damage to be caused by these two card schemes using their market power to extract further duopoly profits from consumers".

We have submitted evidence from independent antitrust and payments consultants Zephyre and CMSPI, showing that card schemes have, since the Commission's consultants EY stopped gathering data in 2018, raised their fees not covered by the IFR by some 50% - one scheme even raising fees by 150%. We want to see more competition in payments through innovation and proposals under the European Payments Initiative. But as we have seen in other industries, unregulated powerful incumbents can neutralise competitors if regulators do not act. We have already seen four European initiatives offering alternatives to major card schemes fail. This could happen again if no action is taken now.

EuroCommerce has already brought a series of complaints against the card schemes over the last twenty years, which led to the Interchange Fee Regulation among various other actions. We are heavily reliant on the Commission to legislate as they have told us other avenues for complaint are not open to us. In particular, we believe it imperative that the Commission looks to act to introduce:

- Regulation of the total fees charged to payment card acquirers and which are, in turn, passed through to merchants and ultimately their customers;
- Removal of all substantive exemptions in the Regulation so as to cover commercial cards, three-party card schemes, cash withdrawals at ATMs, inter-regional cards, and virtual card transactions;
- Independent acquiring of three-party card schemes;
- Mandatory minimum interchange fees for cash withdrawals and deposits at ATMs in order to maintain consumer choice and cash alternatives and
- Strong and dissuasive penalties for non-compliance with the regulation.

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 31 countries and 5.4 million companies, both leading global players such as Carrefour, Ikea, Metro and Tesco, and many small businesses. Retail and wholesale provide a link between producers and 500 million European consumers over a billion times a day. It generates 1 in 7 jobs, providing a varied career for 29 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.