EuroCommerce for retail & wholesale

Press release

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Benefit of Interchange Fee Regulation now nullified by fee increases

EuroCommerce today released a study by retail payments consultancy CMSPI and antitrust and economics advisers Zephyre on the rise since the adoption of the EU Interchange Fee Regulation (IFR) in the fees paid by merchants accepting card payments. EuroCommerce Director-General said:

"We have been a strong supporter of the Interchange Fee Regulation (IFR) ever since its adoption in 2015, as a means of limiting the amount paid by merchants and consumers for credit or debit card transactions. Unfortunately, as we have warned before, the large international card schemes have meanwhile raised the fees not regulated by the regulation to such an extent that all the benefits to consumers and merchants have now disappeared. We are therefore asking the Commission urgently to look at action to restore the balance originally achieved by the regulation".

The study shows very significant increases in Visa and Mastercard scheme fees since the entry into force of the IFR. These figures are based on specific data drawn from invoices and acquirer notices received by leading merchants from their card acquirers. It registers the following:

- Additional annual costs since 2015 to merchants accepting cards of €1.46bn. No less than €1.06bn of these annual cost increases have arisen since 2018, when the EY study, commissioned by DG Competition as part of its review of the regulation, stopped collecting new data. Fee increases already announced for January 2021 will add an additional cost of some €100m on merchants. These are unlikely to be the last increases we see in fees over the coming year.
- Two scheme fee increases occurred during the period up to 2017 covered by the Commission review. In the years since, there have been a further eleven increases in various fees not regulated by the regulation.
- The IFR resulted in a reduction in consumer card interchange fees for merchants. The increases in other charges mentioned above have now exceeded the reductions brought about by IFR.
- **This means that the average cost of card payments in the EU is now higher than it was when the IFR came into force in 2015, nullifying any benefits previously derived from the regulation.**

Most retailers make on average no more than 1-3% net margin and have little choice but to ultimately pass on to consumers increases in the fees unilaterally imposed on them by an unavoidable trading partner like the card schemes.

The ability of the card schemes to take out such significant additional revenue from the system with apparent impunity is particularly worrying at a time when the ecosystems identified by the Commission as hardest hit by the COVID shutdown – travel, hospitality, mobility and (particularly non-food) retail are exactly the ones in which card use is most concentrated.

The COVID shutdown has inevitably driven a massive growth in online sales, and this means more intensive use of cards. Fees for such 'card not present' transactions (i.e. when purchases are made over the internet or on a mobile), are more expensive than to those made at a physical point of sale.

We very much welcome the plans for the European Payments Initiative (EPI) as a European competitor to the US card schemes. But EPI is planned to go live in 2025, and it will be some time before its impact on the market will be felt. In the meantime, merchants – and through the price of the goods and services they buy – consumers, are paying ever-rising fees for what has become an everyday and, in many cases, unavoidable way of paying for them.

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