



# EuroCommerce Messages on the Payment Services Regulation (PSR) proposal

4 key messages



# On 28 June 2023, the European Commission launched a Payment Services Regulation (PSR) proposal

## Our key messages:

- 1. Revealing hidden payment costs helps consumers.**
- 2. Mandatory refund processes to support consumer needs.**
- 3. Ensure Strong Customer Authentication is consumer and retailer friendly.**
- 4. Empower innovation with Limited Network Exclusion.**

# 1. Revealing hidden payment costs helps consumers:

**Merchants want the right to surcharge:** Merchants disagree with current surcharging rules and seek the removal of the surcharging ban, advocating for commercial freedom to encourage cost-efficient payments.

**Impact of Interchange Fee Regulation:** Interchange Fee Regulation capped only interchange fees, leading to rising uncapped scheme fees. Merchants couldn't influence consumer behavior through pricing due to the surcharging limitations.

**Effect on Consumer Prices:** Surcharging ban forces merchants to increase overall prices. Cheaper payment method users subsidize those opting for expensive methods, hindering fair pricing strategies.

**Need for Balanced Approach:** Discounting alone isn't enough; merchants advocate for a balanced approach by allowing both discounting and surcharging. Informed consumer choices can reduce average payment costs, that increased from uncapped fees and new payment methods.

**Commercial Freedom and Fair Competition:** Surcharging ban unnecessarily limits merchants' commercial freedom. Allowing transparent passing on of costs and benefits promotes fair competition, empowering consumers to make conscious payment choices.

## 2. Mandatory refund processes to support consumer needs:

**Immediate Refunds aligned with Consumer Rights and Expectations:** Merchants stress the importance of immediate refunds to uphold consumer rights when returning goods and services. We urge that the PSR should oblige Payment Service Providers (PSPs) to offer refund functionality that aligns with these consumer rights and promptly releases refunds to consumers.

**Keep unconditional 8-week refund rights as is:** extending this right to all Merchant Initiated Transactions (MITs) will have severe unintended consequences in customer behaviour, leading to merchant losses and higher consumer prices. Whilst merchants are in favour of consumer protection, we require the PSR to remove this provision.

**Releasing Unused Funds and Exemption from SCA:** To facilitate consumer refunds, we welcome the immediate release of unused funds by issuers and banks, after receiving the final amount of a pre-authorization. Additionally, we welcome that the PSR now ensures that there is no Strong Customer Authentication (SCA) required for merchant-initiated refunds, as it is impractical for merchant staff to perform SCA for these transactions.

**Obligation for Banks/Issuers:** To complete this framework, the PSR should establish an obligation for banks and issuers to offer refund functionality as a core feature in all payment methods. This feature should be included in the basic service cost provided to merchants, further aligning with consumer rights and preferences.

### 3. Ensure Strong Customer Authentication is consumer and retailer friendly:

**Streamlining Strong Customer Authentication (SCA) Implementation:** The PSR should ensure SCA is applied only once in a standard transaction, eliminating multiple mandatory verifications during single customer journeys. Trust in SCA-ed transactions should be reusable for specific purposes and parties, promoting user convenience.

**Addressing Control Issues and Delegated SCA:** Banks' dominance over ID systems hampers merchant and PSP flexibility in customer journey design. The PSR should address these issues, allowing smoother integration of third-party solutions.

**EU Digital Identity Wallet and Democratic Values:** The upcoming EU Digital Identity Wallet is crucial for digital society, linking physical and digital identities. To safeguard democratic values, control over digital IDs should not solely rest with commercial entities. Accepting the EU Digital Identity Wallet as SCA by merchants is vital but should be voluntary.

**Clarifying Practical Use Cases:** PSR needs to clarify what if any SCA is to be done at execution of Mail Order Telephone Order (MOTO) transactions. Furthermore, we call for a tolerance margin for variable weight items (e.g. meat, vegetables) in e-commerce before re-authentication is needed. Member states should ensure all SCA exemptions are available.

## 4. Empower innovation with Limited Network Exclusion:

**Importance of Limited Network Exclusion (LNE):** LNEs benefit merchants by allowing innovative payment options with minimal regulatory burden, fostering competition among smaller players in the market.

**Challenges with Proposed LNE Clauses:** Limitations like 'in the premises' hinder omnichannel customer experiences, restricting options like 'click and collect'. To strengthen the single market, acceptance of payment services under LNE clauses must be allowed across member states.

**Issues with Meal Vouchers:** Merchants face challenges with meal vouchers as e-money issuers misuse the LNE, resulting in additional fees. To address this, meal and social vouchers should be included as a payment service and Interchange Fee Regulation (IFR) applied to ensure affordability and fairness.