

Surcharging will benefit consumers

We want to fairly inform consumers of the impact of their payment method choice using surcharging and incentives.

This will ensure decreasing payment costs leading to lower consumer prices.

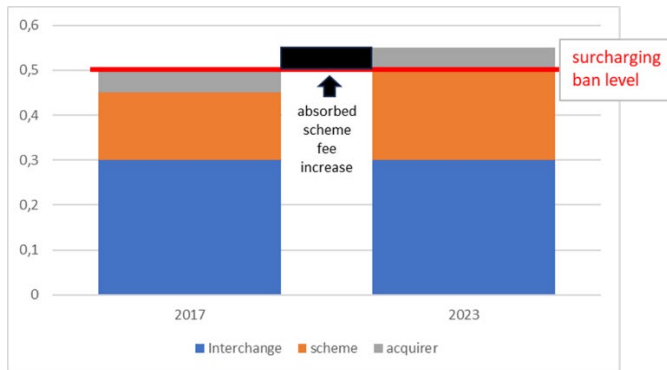
What is surcharging:

1. Surcharging is a way to **inform consumers of their payment choices** and **allow them to act accordingly**.
2. Because consumers think **'payments are for free'**, they don't know that their choice for more expensive payment methods **leads to higher consumer prices**, because retailers will add it to their cost price.
3. Surcharging allows merchants the **freedom to compete commercially**. Even if a merchant has the right to surcharge, they might not use surcharging for commercial reasons.
4. In Australia, 40% of merchants implemented surcharging, but surcharging was applied to 4% of transactions (2010 CMSPI data). **This shows that surcharging works to influence consumer behaviour**.
5. **The right to surcharge would not be needed, if payment costs were all harmonised & capped at a low level**, as a commodity service, cost price based.
6. **Cross-subsidisation**: customers using low-cost payment methods effectively subsidise those choosing more expensive payment methods. With more expensive payment methods coming in, the average is moving up.
7. **Surcharging mechanisms work**: consumers reduced the use of plastic bags, once merchants started charging for it.
8. **Surcharging does not 'undermine price stability'** of the goods/service purchased. If consumers want to use expensive payment methods, it is like paying for additional services, such as for packaging, transport, insurance, etc.

Current surcharging bans must be removed:

9. Today, the **EU surcharging ban is not applied in a harmonized way:**

- a) Surcharging only applies to regulated products, however for those only interchange is capped. This exposes merchants to scheme fee increases of those regulated products as shown in this graph.



The black box shows how merchants are exposed to increases of unregulated scheme fees for payment instruments where only interchange is regulated.

Eventually these increased scheme fees will filter through in price increases that apply to all consumers.

- b) 11 Member States (Belgium, Bulgaria, Croatia, France, Hungary, Latvia, Lithuania, Malta, Portugal, Spain and Romania) even **apply a complete surcharging ban**, which is goes against creating a level playing field of the Single Market.

10. A **complete surcharging ban** does not protect consumers, but only protect the payment services providers and payment schemes, as they are able to charge whatever they like to merchants.

11. The right to surcharge should be **mirrored with discounting/incentives** to stimulate consumers using more cost-efficient payment methods. The 2020 EY/CE study showed that 60-71% of fees decreases are passed on to consumers (p183). These incentives can be monetary or in the form of additional loyalty points, a free coffee, etc.

12. Surcharges by merchants will be proportionate and **not be misused as a margin generator**.

The right to surcharge will enable retailers to a) motivate consumers to pick a cheaper payment method, b) stop cross-subsidising, c) lower consumer prices and d) stimulate competition between payment methods.

Next page: Table summarising impact of surcharging.

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Impact of surcharging on...

	Current surcharging ban Consumer cards + SEPA CT/DD (Art 28.3) 11 MS apply complete ban (Art 28.4)	No surcharging ban (= right to surcharge) Allows more competition (see Bundeskartellamt paper), lower consumer prices and informs consumers of the fair cost/benefit of their choices	Complete surcharging ban Only works if all payment methods cost the same and are regulated Sends wrong signal
... Consumer	EU citizens not used to surcharging/discounting , however accept surcharges for e.g. transport, insurance, wrapping.	Better understand the cost of payments and adapt behaviour accordingly leading to lower consumer prices, i.e. more consumer protection and choice . E.g. charging for plastic bags & Australia example.	Payment costs are perceived as “free” because they are invisible and this will lead to higher consumer prices, i.e. less consumer protection and choice .
... Merchant	Exposed to rising uncapped scheme fees (see chart) and rising costs of non-regulated payments . Can't afford to say 'no' to Mastercard/Visa cards.	Have the right to use price as a tool to influence consumer behaviour . Consumer that use expensive payment methods accept the consequences of their behaviour. No cross-subsidising .	Will include the rising cost of payments in sales prices to ALL consumers . Cross-subsidising by consumers using cheap payment methods to consumers using expensive ones .
... PSP/ Scheme	Only look at level playing field between cards and non-card payments , reducing merchant negotiation power.	More competition on merchant fees . Blocks 'scheme rules' that prohibit surcharging (e.g. Paypal/AmEx).	Have no incentive to keep cost of payments low. Can charge whatever they want . Increased fee flows to outside the EU .
Conclusions	Same level of regulation including lack of harmonisation from 11 MS applying full ban.	Less regulation, more level playing field between PSP/Schemes, Merchants and Consumers. More MS harmonization.	More regulation, less level playing field as more power to the (non-EU) PSPs/Schemes. More MS harmonization.