

Meal vouchers leaving a bad taste

Key messages

1. Whilst retailers in principle want to serve consumers who pay with meal vouchers, the cost of acceptance of these vouchers has become unaffordable. The significant service fees from the issuers come on top of normal payment costs that retailers pay.
2. We need the Commission and co-legislators to determine that meal vouchers and social vouchers (e.g. eco-, covid-or refugee-vouchers) be treated like other regulated consumer payment instruments, i.e. in scope of PSD2/PSR and IFR.
3. This will lead to a substantial reduction (~80-90%) in voucher acceptance costs, restoring the economic viability of these vouchers for retailers.
4. Otherwise, retailers could be forced to no longer accept these vouchers. This is already happening with some SME retailers. Alternatively, retailers can be expected to increase prices across the board to all which would be to the detriment of both employees and consumers.

We want to continue to serve our customers paying with meal vouchers, provided it's affordable to do so.

1. Background

- 1.1 Historically, paper-based meal vouchers were **tax-friendly ways for employers** to give their employees a benefit by, for example, covering or contributing to the cost of lunch on a working day.
- 1.2 In the last 5-10 years however, meal vouchers have:
 - a) moved from **paper to plastic**, using Mastercard or Visa card schemes.
 - b) Evolved to include **new 'social' applications**, such as eco-vouchers for environmentally friendly products, or COVID-vouchers to support affected families or refugee-vouchers to help refugees, e.g. until they have a bank account.
 - c) enjoyed a **much wider acceptance in food, non-food retailers and hospitality**. In some countries without any product restriction in supermarkets and in other member states with differing degrees of restriction.
- 1.3 The three key issuers of meal vouchers in Europe (Edenred, Sodexo and Up) typically charge both retailers and employers/governments a **direct fee for their services**. On top of that in almost all cases **Mastercard/Visa scheme fees are applied to transactions as well as acquirer fees**. In some

countries a **commercial interchange fee is also added** to the cost. Sometimes, e.g. Portugal, the **issuers include their fees in the retailer service charge**. See Annex for details per country.

- 1.4 For retailers, these charges are **up to 20 times higher than usual consumer debit or credit card** acceptance. In addition, they are confronted with **technical and process complexity** (e.g. staff training & reconciliation) to split the goods in shopping baskets into the correct categories for each voucher type.
- 1.5 In some countries, such as Italy and Portugal, these vouchers are **predominantly 3-party based**, card or paper, and there the costs to retailers are also extremely high (5-20% of sales value) compared to normal consumer payment methods (cash, debit/credit cards) **also due to the lack of competition on the acquiring side**. In Italy a higher VAT-rate is applied on the issuer invoices to the merchants, than that which is applied to the issuer invoices to the employers/public bodies.
- 1.6 In the second **Payment Services Directive (PSD2)**¹ recital 14 on **limited network exclusion (LNE)**, meal vouchers are specifically mentioned (see **red** text below), however it also mentions that if these are developing into a **general-purpose instrument**, the LNE no longer applies (see **blue** text below):

*Payment instruments covered by the limited network exclusion could include store cards, fuel cards, membership cards, public transport cards, parking ticketing, **meal vouchers or vouchers for specific services**, which are sometimes subject to a specific tax or labour legal framework designed to promote the use of such instruments to meet the objectives laid down in social legislation. **Where such a specific-purpose instrument develops into a general-purpose instrument, the exclusion from the scope of this Directive should no longer apply. Instruments which can be used for purchases in stores of listed retailers should not be excluded from the scope of this Directive as such instruments are typically designed for a network of service providers which is continuously growing.** The limited network exclusion should apply in combination with the obligation of potential payment service providers to notify activities falling within its scope.*

- 1.7 In PSD2 Article 3 (k) iii) vouchers issued or distributed by an undertaking or a public sector entity for special purposes are excluded from payment services. **However, there is no similar clause like in Recital 14 that stipulates that this exclusion ends if the voucher develops into or behaves like a general-purpose payment instrument.**
- 1.8 In Interchange Fee Regulation (IFR)² Article 1 (2) (c) – now also reflected in the proposed Payment Services Regulation (PSR)³ in Article 2 2. (j) (iii) – covers the **exclusion of these meal and social vouchers**:

This Regulation does not apply to services based on specific payment instruments that can be used only in a limited way, that meet one of the following conditions:
(a) instruments allowing the holder to acquire goods or services only in the premises of the issuer or within a limited network of service providers under direct commercial agreement with a professional issuer;
(b) instruments which can be used only to acquire a very limited range of goods or services;

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32015L2366&from=NL>

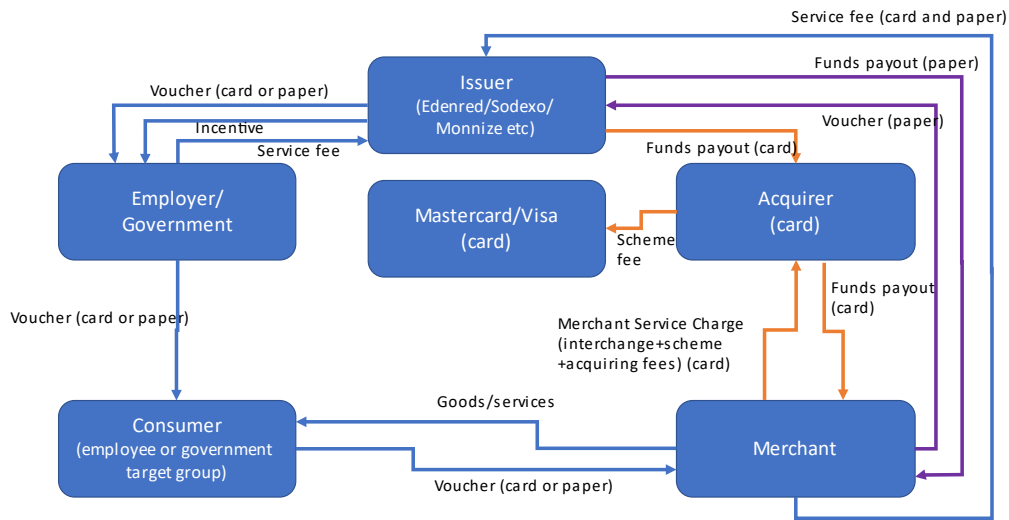
² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015R0751&qid=1678101164620>

³ [230628-proposal-payment-services-regulation_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015R0751&qid=1678101164620)

(c) instruments valid only in a single Member State provided at the request of an undertaking or a public sector entity and regulated by a national or regional public authority for specific social or tax purposes to acquire specific goods or services from suppliers having a commercial agreement with the issuer.

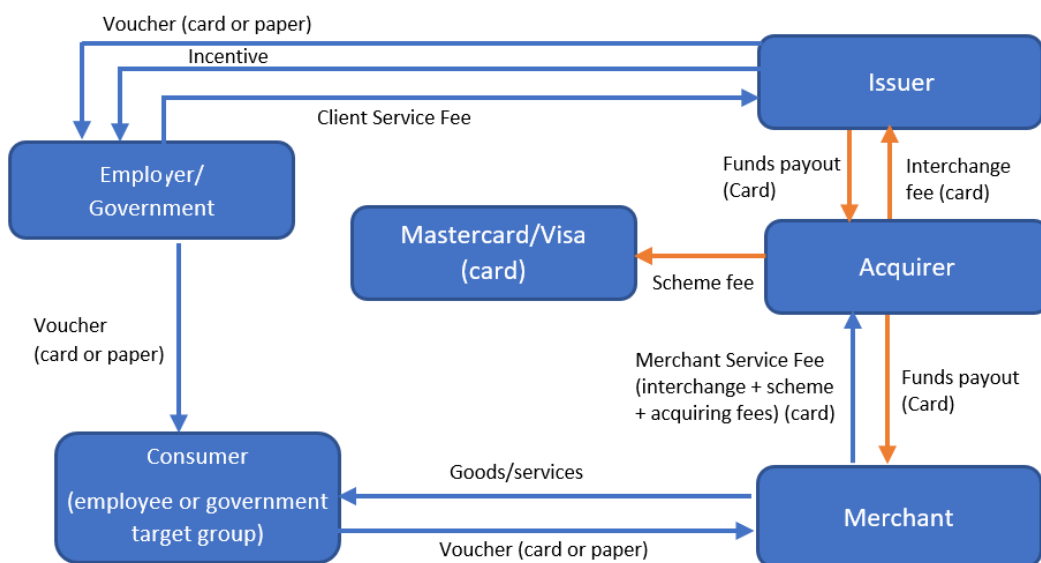
1.9 The diagram below shows the **current** data and financial flows for both paper- and card-based vouchers. **Blue** showing the flows for both paper and card-based, **orange** showing the flow for cards and **purple** that for paper. For cards, the issuers are using 4-party schemes with Interchange++, whilst separately invoicing merchants a service fee.

Meal voucher product and money flows



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1.10 The next diagram shows the data and financial flows for card-based vouchers purely as a 4-party scheme where only Interchange++ is applied. This would make these vouchers economically viable again for retailers.



See also the Annex showing **acceptance by country** based on EuroCommerce member data.

2. Our issues

- 2.1 Because of the IFR exclusion (see 1.8) and as tax regimes are country specific, the key voucher **issuers have created a very profitable market for themselves**. Even though they are E-Money Institutes, they misuse the situation to charge, with country specific price schedules, fees of up to 20 times higher than other payment methods. This appears to be an area where the **single market is not functioning and competition is unnecessarily restricted**.
In a way, this has the effect of imposing Territorial Supply Constraints⁴, limiting retailers' ability to source where they wish to in the single market.
- 2.2 Due to this **excessively high costs** of acceptance, meal & social vouchers are **loss making for retailers**. With margins in food around 1-3% retailers can't afford these costs, yet at the same time, they are reluctant to disappoint consumers through non-acceptance.
- 2.3 The claim by the issuers that these vouchers bring **additional turnover ('upselling') is not supported** by empirical evidence from retailer sales records.
- 2.4 Because the key issuers are increasingly using Mastercard or Visa based cards, **their handling costs have been considerably reduced** compared to paper vouchers.
- 2.5 The key issuers are using Mastercard or Visa **commercial** BIN ranges for their products. However, these kinds of transactions are **not business-expense related**. If there were no vouchers, these costs for lunch, groceries, eco-products etc. would be normal personal expenses.

3 Our position

- 3.1 **Acceptance:** retailers are keen to **continue acceptance** of these vouchers. We believe they are, **in principle, good instruments to help support employees and other target groups with specific funds**. We want to **avoid confrontation caused by non-acceptance or surcharging at the Point of Sale with voucher holders** and/or with employers or public bodies who purchase these vouchers for their target groups.
- 3.2 **Costs:** to avoid the potentially widespread non-acceptance at retailer locations, the overall **costs of acceptance**, whether paid directly or indirectly, **must be reduced to 'normal' interchange++ levels**. Alternatively, retailers would be forced to **increase prices for all paying consumers**, which is far from ideal, especially in an already inflationary environment. Specific **surcharging of meal voucher transactions** is either not allowed in some countries or is not feasible, due to anticipated adverse consumer reaction.
- 3.3 **Regulators:** should categorise card-based meal vouchers as **general-purpose instruments**, because they don't (or will no longer) meet the exclusions of the abovementioned PSD2/IFR (and now PSR) Articles. Then a competitive 4-party scheme would apply.
Just to be clear: they don't meet any of the other exclusions: they are **not** 'only used at the premises of the issuer' and **not** 'accepted in a limited network'. They are **not** restricted to a 'very limited range of goods and services'.
- 3.4 **Co-legislators/Regulators:** should **change or remove the exclusion for vouchers** as these are also functioning like general-purpose payment instruments, **regardless of** 'suppliers having a commercial agreement with the issuer'.

⁴ <https://www.eurocommerce.eu/updates/territorial-supply-constraints-are-consumers-getting-a-good-deal/>

- 3.5 **Regulators:** should then rule that **regulated consumer pricing levels must apply to meal & social vouchers** with capped interchange fees. Any **direct cost charge by the issuers to the retailers should be forbidden** as is the case in open loop 4-party schemes. Issuers must be obliged to move the **card-based vouchers to consumer BIN-ranges**.
- 3.6 **Regulators:** should aim to bring the **costs of paper-based vouchers down to similar levels as regulated consumer cards**. This will incentivise a move to consumer **card-based solutions with much lower handling costs** for issuers, retailers and employers/governments.
- 3.7 **Co-Legislators:** should work to **harmonise tax treatment of these vouchers** to encourage **cross-border trade within the single market**.
- 3.8 **Public bodies:** should impose **fee caps** on what issuers can charge to merchants in **tenders for social vouchers** in both 4-party and 3-party closed loop models including paper vouchers.

Next page: Annex showing country table of current meal voucher schemes.

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 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.

4 Annex: Table of providers/contract structures/schemes by country

COUNTRY	Supplier	Contractual model	4 party or 3 party	Fee model	Scheme(s) used
Belgium	Sodexo, Edenred, Monizze/Up group	Direct contract between merchant and issuer	3 party for the physical card flow (even if dual branded with Mastercard/ Visa) 4 party for mobile acceptance of the dual branded cards	% without a cap unless negotiated differently by the merchant and different per issuer Different pricing for mobile dual branded (IC Mastercard/ Visa on top). Different pricing (higher) for Eco- cheques/ Consumption cheques and recently 'Koopkrachtpremie')	Mastercard / Visa Debit only for the new co-branded cards. Acceptance can be decided by the Merchant but this implies that Mobile acceptance is not possible.
France	Edenred	acquirer fees + separate bill from issuers	4 party	To the issuers : - interchange: % of the generated turnover (negotiable) - network fees % of the generated turnover (negotiable ?) -> for Conecs AND Mastercard/Visa (?) Acceptance fees : depending on merchant agreements with its supplier(s) Acquiring fees : 4 party: depending on merchant agreements with its acquirer * blended or IC++ : IC Fees are under IFR regulation since all those cards are considered	Mastercard - consumer
	Edenred via Conecs	pay-out less fees from the issuers	3 party		Visa - consumer
	Sodexo	acquirer fees + separate bill from issuers	4 party		Mastercard - consumer
	Sodexo via Conecs	pay-out less fees from the issuers	3 party		Visa - consumer and Carte Bancaire
	Up	acquirer fees + separate bill from issuers	4 party		Mastercard - consumer
	Up via Conecs	pay-out less fees from the issuers	3 party		Mastercard - consumer
	Swile	acquirer fees + separate bill from issuers	4 party		Mastercard - consumer
Germany	Bimpli (ex-Appetiz)		mix		
	Sodexo - VISA; fee per transaction; monthly invoice, 46€ top-up fee usually per quarter. Acceptance of Sodexo-vouchers (excl. Gute Woche-Karte) % of turnover incl. VAT	1. direct contract/ bilateral agreement with sodexo, both for accepting and giving out vouchers	4 party	scheme fees, and fees for accepting and giving out vouchers	Visa
	Edenred - Ticket Restaurant Menü Schecks: % des Umsatzes Ticket Plus Card: % des Umsatzes (explizit: nur von Karte, bei Split-Payments) + Abwicklung des Zahlungen über Maestro-Acquirer -> Gebühren für Abwicklung von Maestro-Zahlungen; monatliche Rechnung	acquirer contract plus bilateral fee agreement	4 party		Maestro (change to Debit Mastercard expected)
	Givve - Vertrag enthält keine Entgelte, Jedoch Zusammenarbeit mit MasterCard, daher MasterCard-Acquirer Gebühr; Zusammenarbeit mit PayrNet der Railsbank als Emittent	acquirer contract plus bilateral agreement	4 party	no fees for acceptance, just scheme fees	Mastercard
Spendit - keine Vergütung, aber separater Vertrag mit VISA/MasterCard notwendig, entsprechende Gebühren fallen an; Zusammenarbeit mit Solarisbank als Emittent accepted under VISA and Mastercard agreements, but the card is only accepted if the merchant have an additional agreement with the meal voucher company	acquirer contract plus bilateral agreement	4 party	no fees for acceptance, just scheme fees	Visa/Mastercard	
Greece	Edenred, Up Hellas	direct contract with issuers	3 party	fee is percentage of voucher value spend. No additional fees applicable.	
Italy	Edenred, Sodexo, Up	Direct contract between merchant and issuer	na	fee is percentage of voucher value.	na
Netherlands	No tax friendly meal voucher regime applicable	na	na	na	na
Portugal	Three different contract models: 1. Private networks (Edenred, Ticket Restaurant, Sodexo): require a direct agreement between this companies and merchants 2. Open networks - meal vouchers issued by banks (eg. Santander, Caixa Geral Depositos) - cards accepted in all merchants with specific MCC (supermarkets, restaurants...) under Visa, Mastercard and Multibanco schemes and prices (usually consumer debit or prepaid) 3. Mix (Up - Cheque Dejeuner, Sodexo) : accepted under VISA and Mastercard agreements, but the card is only accepted if the merchant have an additional agreement with the meal voucher company (Note: - Sodexo in Portugal start in a open loop card in partnership with a bank (Millenium BCP) then change to a Mix process but are changing all the cards to a Private network. - These Private Networks in Portugal works through scheme Multibanco (domestic scheme) and run exclusively in merchants that process with SIBS	1. bi-lateral agreements 2. normal acquirer contract, however meal voucher issuer BINs restricted to certain MCCs 3. acquirer contract plus bilateral fee agreement 3. is becoming less popular, issuers shifting to 2.	1. 3-party 2. 4-party 3. 4-party (behaving as 3-party)	1. Charged a fee directly by these companies 2. IC++ fees charged by the acquirers (no special fees/prices for these type of cards) 3. normal IC++ plus a fee charged by these issuers, paid to acquirers	1. private network under Multibanco scheme 2. Visa, Mastercard and Multibanco 3. Visa and Mastercard
Spain	Edenred				Mastercard
	Sodexo				Visa
	Up				Mastercard
Czech Republic	Sodexo, Edenred, Up,	direct contract with issuers, no fee for employers providing vouchers to employees	3 party for Sodexo, 4 party for Edenred and Up	fee is percentage of voucher value spend. In case of 4 party additional fee to be paid to acquirer. Also % of the voucher value. Kick backs from banks to issuers appear to be applicable. Not transparent	Mastercard
Romania	Sodexo, Edenred, Up, Cuget Liber	direct contract with issuers, employers also pay fee to issuers for providing meal vouchers to their employees	4 party for all issuers	fee is percentage of voucher value spend. Additional fee to be paid to acquirer/bank. Also % of the voucher value. Kick backs from banks to issuers appear to be applicable. Not transparent	Mastercard
Sweden	Edenred, Epassi	Edenred: direct contract with issuers as well as acquiring contract. Merchant ID and MCC must be enabled at Edenred for the card to be accepted. However in many cases the card is accepted as Mastercard nevertheless. Epassi: tbc	4 party (Edenred) 3 party (Epassi) tbc	Edenred: IC++ and direct fees. For transaction outside contracted merchants, Edenred deducts an extra fee from the cardholder's balance, causing adverse reaction from the cardholder to the merchant. In those cases any product restrictions don't work. Epassi: tbc	Mastercard (Edenred)