



## **Visa Response to Treasury Select Committee on Cross-border Interchange**

Visa thanks the Committee for the opportunity to provide information relating to cross-border interchange fees. We will also provide relevant context about the Visa network, including our focus on delivering secure, reliable, and efficient global payment services through investments in security, resilient systems, and innovation.

Payments is one of the most dynamic, highly competitive sectors in the UK, and we're proud to be a part of that. As policymakers consider this sector, we believe it is important to be mindful of three critical elements that underpin a thriving payments system – security, value and innovation – and these are reflected in the regulatory framework in the UK.

In response to your letter and as context to our more detailed response below, we offer the following key points:

- Visa does not earn revenue from interchange. Interchange ensures that there is a value transfer between the financial institutions who provide services to both consumers and merchants.
- Interchange underpins many of the card services which are typically free to cardholders in the UK today. It enables competition from a wide range of players – from established retail banks to neo-banks and FinTechs. Interchange supports their ability to issue and manage cards and digital credentials. It enables those players to fortify security against bad actors trying to steal information or commit fraud; and it supports innovation, including the development of new products and services, making it easier for consumers to manage their financial lives safely and securely.
- UK interchange fee levels are amongst the lowest levels in the world.
- The changes made to interchange rates for ecommerce cross-border transactions did not impact the vast majority of transactions with UK merchants. Visa data shows that for UK merchants, there was no change to 98% of transactions.<sup>1</sup>
- These changes related to a subset of ecommerce transactions, where the merchant is based in the UK and the cardholder is in the EEA; or the merchant is based in the EEA and the cardholder is in the UK. Ecommerce cross-border transactions have unique characteristics, including higher risk of fraud, and the need for greater vigilance and investment by issuers to ensure their security and efficiency.
- The rates that now apply to ecommerce transactions between the UK and the EEA are 1.15% for debit and 1.50% for credit. These reflect the capped rates agreed with the European Commission, as part of a multi-year process which completed in October 2019<sup>2</sup>, when the UK was part of the European Union.
- In addition, these changes harmonised the interchange rates for non-UK consumer cards being used online with UK merchants. For example, whether a consumer debit card is issued in the US, Australia or France, the UK merchant will pay the same level of interchange on a cross-border ecommerce purchase.

---

<sup>1</sup> Visa Net Data Jan – June 2022

<sup>2</sup> Applicable October 2019 – November 2024



## **Visa Exists to Enable Individuals, Businesses and Economies to Thrive**

Visa strives to uplift everyone everywhere by being the best way to pay and be paid. For more than 60 years, we have invested heavily and continuously in our global network and operations. We remain focused on delivering an innovative, reliable and secure transaction processing network for merchants and consumers, no matter where they are in the world. We enable transactions between 3.9 billion cards<sup>3</sup>, 80m+ merchants<sup>4</sup> and 15,000 financial institutions<sup>5</sup> in 200+ countries and territories.

In 2018, we completed the transition of Visa's UK operations to our global infrastructure, meaning that UK businesses and consumers benefit from the availability and reliability of our global network, which has successfully processed more than 99.999% of the transactions it has received over the last five years.

Visa's success depends on merchants being able to confidently complete their sales and grow their businesses, and consumers being able to pay safely and securely.

Furthermore, the Visa network levels the playing field between small and large merchants. Every merchant that accepts Visa - irrespective of size, resource, or sophistication - can transact securely with billions of Visa cards across the globe and know that they will get paid because we stand behind every Visa transaction.

By tapping into our network, smaller ecommerce sites can benefit from Visa's world class security and fraud fighting tools so they can better compete with the big technology players. Similarly, every financial institution participating in the Visa system has access to the same payment products, processing capabilities, system resilience and availability, dispute tools and fraud fighting technologies as the largest financial institutions, enabling them to more confidently authorise transactions at merchants in other countries.

Visa is a supporter and champion of small businesses and delivers products, services and programmes to enable small businesses to reach more consumers and grow and thrive in the digital world. Building on Visa's support for the UK government initiative, The Great British High Street, Visa announced a global commitment in 2020 to digitally enabling 50 million small businesses, 8 million in Europe, including in the UK. We continue to use our network to help small businesses get online, receive digital payments, and attract a wider customer base - all important components to help them prosper and grow.

## **Visa Drives Trust Through Stringent Standards of Safety, Security and Reliability**

Fraud is a key area which continues to be a concern and a priority for consumers and merchants. Some fraud trends are worrying - including Authorised Push Payment ('APP') scams, where people and business are tricked into sending money using instant account-to-account payments to an account controlled by a fraudster. In the UK, in 2021, £583 million was lost to APP scams (up 39% from 2020)<sup>6</sup>, overtaking card fraud losses for the first time. Instant payments lack many of the fraud prevention capabilities and consumer protections that exist with card payments. Despite reports of fraudsters

---

<sup>3</sup> As of December 31, 2021

<sup>4</sup> Data provided to Visa by acquiring institutions and other third parties as of September 30, 2021. Merchant locations reported excludes an additional estimate of 20 million small businesses that utilise payment facilitators as of September 30, 2021

<sup>5</sup> For the 12 months ended March 31, 2022

<sup>6</sup> UK Finance Annual Fraud Report

trying to take advantage of the pandemic, fraud rates on cards continue to fall. Incidents of fraud occur in less than 0.1% of transactions on our network, among the lowest of all payment forms.

Trust – which is based on safety, security and reliability – is the foundation of everything that Visa does. We invest heavily and continuously in network security – more than any other part of our business. Over the past five years alone, we have spent nearly £7 billion on reducing fraud and enhancing network security.

In addition to our secure data centres, we operate a series of integrated cyber command and intelligence hubs globally that handle 24/7 security monitoring, incident response and investigations, and threat intelligence. In 2021 alone, our fraud prevention capabilities helped stop over £19 billion in attempted fraudulent transactions for merchants and financial institutions.

Given the expansion in ecommerce since the start of the pandemic, we have increased our focus on securing online commerce through new products and services, innovation, and extensive investments in Artificial Intelligence (AI). Visa cardholders benefit from the greater effectiveness of our fraud controls on their cards, including receiving helpful real-time alerts from their financial institutions when a suspicious transaction is spotted.

Globally, Visa cardholders can count on our zero liability protections on unauthorised or fraudulent transactions, ensuring that they do not have to pay for transactions they did not authorise. In the UK, credit cardholders have important legislative protections through Section 75 of the Consumer Credit Act. The Visa brand promise helps ensure that cardholders around the world continue to have confidence to pay for goods and services from UK merchants using both debit and credit cards.

In addition, we maintain well-established dispute resolution rules and processes to support our strong consumer protections. These were particularly valuable throughout the pandemic when consumers were often able to dispute charges or get refunds on purchases that did not work out as planned.

### **Competition in the Payments Sector is Thriving**

In the UK, the payments industry is characterised by a strong digital infrastructure, a sophisticated technology sector and a well-constructed regulatory environment, leading to a thriving and dynamic market landscape. Today, there are an increasing number of ways to pay for goods and services, driven by consumer expectations, technological advances, open innovation, and collaboration between organisations.

From a consumer perspective, you can pay by card from a number of different globally located card schemes, move money account-to-account, use a digital wallet to make purchases, use a merchant payment programme and, increasingly, can utilise a buy-now-pay-later (BNPL) product. These services are delivered by banks, FinTechs, and global technology and ecommerce platforms – all providing consumers, merchants and businesses with increased choice. Examples of the many options consumers have at the online checkout can be found in the Appendix.

The dynamic environment we see in payments is delivering new payment use cases, new business models, and greater frictionless commerce. We believe this fast-moving and intense market competition provides important context when considering regulatory policy around payments. There is a dynamic and ever-expanding range of payment options available for UK consumers and merchants today, and on the near-term horizon. We believe that each of these payment options should be able to compete freely on the basis of those three key elements – security, value and innovation.

## **Multi-Party Payment System**

As noted in the introduction, interchange ensures that there is a value transfer between the financial institutions who provide services to both consumers and merchants. It underpins many of the card services which in the UK are typically free to cardholders.

When setting interchange fee levels, it's important to find value for everyone – encouraging merchants to accept card payments and encouraging consumers to use their cards.

An appropriate level of interchange enables merchants to reach a bigger customer base and offer the trust, speed, convenience and operational efficiencies associated with digital payments. They can take confidence in the reliability of the Visa network and reassurance that they will be paid once the purchase has completed, anywhere in the world.

For financial institutions, amongst other things, interchange supports their ability to issue cards and digital credentials that provide their customers with flexibility and choice in accessing a range of funds through debit, pre-paid and credit. It contributes towards the provision of customer support teams to answer cardholder enquiries. It helps reimburse cardholders if a card is used fraudulently. And it supports innovation including the development of new products and services, making it easier for consumers to manage their financial lives safely and securely.

Interchange also underpins innovation in the FinTech sector, which currently employs more than 80,000<sup>7</sup> people in the UK alone. Here, interchange helps new digital banks launch and thrive, which in turn provides greater competition in the sector and gives consumers access to even greater choice.

## **Cross-border Interchange**

It is with this important context in mind, that we address the specifics of your question.

As set out above, given the role of interchange in the payments ecosystem, Visa keeps interchange rates under regular review. This included a review of the rates between the UK and the EEA, in light of the UK's departure from the European Union. All material changes to interchange are notified to the Payment Systems Regulator (PSR), consistent with Visa's regulatory responsibilities in the UK.

The scope of our changes was narrow and carefully tailored to reflect the legal and regulatory framework and the competitive dynamics of a unique, very limited, subset of transactions.

- UK interchange fee levels are amongst the lowest in the world and Visa does not earn revenue from interchange.
- Visa considers a number of relevant factors when setting interchange, including competitive dynamics, operational challenges and market developments. Cross-border, ecommerce transactions have unique characteristics, including higher risk of fraud, and the need for greater vigilance and investment by issuers to ensure their security and efficiency.
- The changes made to interchange rates for ecommerce cross-border transactions did not impact the vast majority of transactions with UK merchants. Visa data shows that for UK merchants, there was no change to 98% of transactions.<sup>8</sup>

---

<sup>7</sup> The Department of International Trade 2019

<sup>8</sup> Visa Net Data Jan – June 2022

- As a result of the UK's exit from the European Union, many large ecommerce merchants wanted to ensure that they had both UK and European-based operations. As they made this shift, many consumer transactions which were previously cross-border, became localised. This trend may well continue, further reducing the small proportion of transactions impacted.
- The rates applied to ecommerce transactions between the UK and the EEA are 1.15% for debit and 1.50% for credit. These were the capped rates agreed with the European Commission, as part of a multi-year process which completed in October 2019<sup>9</sup>, when the UK was part of the European Union.
- In addition, these changes harmonised the interchange rates for non-UK consumer cards being used online with UK merchants. For example, whether a consumer debit card is issued in the US, Australia or France, the UK merchant will pay the same level of interchange on a cross-border ecommerce purchase.
- The interchange rates for face-to-face consumer transactions between the UK and the EEA were capped at 0.2% for debit and 0.3% for credit under the agreement with the European Commission referred to above. These rates continue to apply to the UK today.

## **Conclusion**

Payments is one of the most dynamic sectors in the UK. As we have outlined, Visa believes that there are three critical elements in a thriving payments system – security, value and innovation. These elements must be carefully balanced. Prioritising one over the others can have unintended consequences to the detriment of consumers and merchants.

We are proud to partner with many of the UK's leading financial institutions, including FinTechs, in enabling British merchants, businesses and cardholders to transact reliably, safely and securely, every day, while also supporting the safety, security and efficiency of the UK economy. The regulatory framework in the UK recognises the crucial role that payments play in ensuring the financial stability of the UK's financial sector.

We recognise that increasingly merchants and consumers have a range of options available to them to make payments, and we believe that the benefits of paying with Visa are significant, competitive and compelling. We continue to invest, innovate, and constantly improve, so that merchants and consumers can continue to have confidence to pay and be paid, safely and securely.

We operate transparently with key stakeholders and regulatory bodies, including the PSR and our supervisor, the Bank of England. We notified key commercial stakeholders of these changes in February 2021 and engaged with the PSR and others on our decision, well ahead of implementing the changes, to address any questions regarding the changes.

Visa remains fully engaged in the current review being undertaken by the PSR and is committed to working co-operatively and constructively with all our regulators, as well as other parties involved in the payments ecosystem.


---

<sup>9</sup> Applicable October 2019 - November 2024


## Appendix





### PAYMENT TYPE


 **ADD CREDIT/DEBIT CARD**


OR

 **PAYPAL**

 **PAY IN 3**  
with PayPal Pay Later


 **PAY LATER**  
with Klarna


 **PAY IN 3**  
with Klarna

 **CLEARPAY**

WE ACCEPT:        

## Order summary

 [Edit](#)

My bag (1 item)      £32.50      [View](#) 

**Total**      **£37.50**

