Treasury Committee
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Chris Hemsley
Managing Director
Payment Systems Regulator
Via email

2 December 2021

**Card Payment Fees**

Dear Chris

The Committee has been made aware of retailers' concerns about the cost of card payments, and it notes the recent decision by Amazon to not accept Visa Credit Card payments from 19 January 2022.[1]

In the Payment System Regulators (PSR)'s recent publication, *Market review into card-acquiring services – Final Report*, you noted that "Together, transactions involving Mastercard and Visa cards accounted for around 98% of all card payments at UK outlets in 2018, both by volume and value". You also noted that "COVID-19 has accelerated many well-established trends, such as the growth in card payments, changing shopping preferences (including the shift to online spending), and increasing levels of card acceptance among businesses (particularly small businesses)"[2].

Given the concerns expressed to us, as well as the seeming concentration in the card market and increased card usage due to the impact of COVID-19, I would be grateful if you could respond to the following questions:

1. What have been the changes to debit and credit card UK scheme fees over the last five years and cross-border interchange fees more recently? What research has the PSR done to look at the underlying reasons for these changes?

2. What impact does Mastercard's and Visa's dominance have on competition and pricing within the card acquiring services market, in particular for smaller firms?

3. To what extent does the PSR believe that the increases in interchange fees that Visa and Mastercard are charging on cross-border activities (reported as coming into force in October 2021)[3] are justified on the grounds of increased costs? In addition, has the PSR done any work to consider whether domestic interchange fees set by the UK Interchange Fee Regulation are appropriate in current market conditions, or whether there is scope to reduce them still further?

4. What future work does the PSR intend to carry out to look at whether the overall levels of UK scheme fees, as well as the level of interchange fees when goods are bought overseas, are justifiable or excessive?

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[1] Amazon to stop accepting Visa credit cards in UK - BBC News
[2] PSR card-acquiring market review - final report - November 2021
[3] Visa set to raise fees after removal of EU cap post-Brexit | Financial Times

5. What action can the PSR take within its current remit to regulate both scheme fees and interchange fees for goods bought overseas, and in what circumstances would it expect to intervene in the future?

6. How does the PSR's new 5-year strategy incorporate continued examination of whether debit and credit card interchange fees and scheme fees are proportionate, and how does it continue to test the level of competition within the card acquiring services market?

In line with its usual practice, the Committee intends to publish this letter, and in due course, your response.

With best wishes,

Mel Stride

Rt Hon. Mel Stride MP
Chair, Treasury Select Committee