

Visa and Mastercard facing UK cap on 'unduly high' fees

Visa and Mastercard are facing the prospect of a cap on so-called interchange fees charged on transactions made between the UK and continental Europe.

The Payment Systems Regulator (PSR) said on Thursday it was proposing the return of a cap, which ceased to apply in the UK when Brexit was completed, after finding both companies had likely raised fees to an "unduly high level".

The watchdog estimated they cost UK businesses an extra £150m-£200m last year alone.

The payments regulator's review concentrated on charges set by [Mastercard and Visa](#) as the US pair account for 99% of debit and credit card payments in the UK.

Both the EU and UK have ambitions to secure greater competition in the payments market but no homegrown European operator of scale has emerged.

The PSR declared the market was not functioning in the way it would like.

It planned to impose an initial time-limited cap of 0.2% on UK-European Economic Area (EEA) debit transactions and 0.3% on credit transactions.

The final cap would be set once further analysis was carried out, it said of its plans.

The regulator said of its probe: "Every time people use Mastercard or Visa debit or credit cards issued in the EEA for online retail transactions with UK businesses, UK businesses pay cross-border interchange fees."

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“After Mastercard and Visa significantly raised some of these fees in 2021 and 2022, the PSR has been examining the level of these fees to understand whether they, or other factors, indicate the market is not working well.”

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Chris Hemsley, managing director at the PSR, said: “In this market review we have provisionally found that the fees charged by Mastercard and Visa to UK businesses... are likely too high.

“In short, at this stage, we do not think this market is working well.

“Should we ultimately conclude this is the case, our interim report sets out a range of potential solutions which could be implemented.

“They are designed to make sure cross-border interchange fees are set at a level that better reflects the interests of all

Mastercard and Visa users.”

A spokesperson for Visa said the company strongly disputed the findings of the PSR’s interim report and said the proposed remedies were “not justified”.

“Accepting reliable, secure, and innovative digital payments represents enormous value to UK businesses, especially when selling overseas,” the spokesperson said.

“These interchange rates apply to less than 2% of UK card payments – European (EEA) cardholders buying online from a UK seller – and reflect the fact that these transactions are more complex and carry far greater risk of fraud.”

Mastercard responded: “We do not agree with the PSR’s findings and will continue to educate them on the critical importance of electronic payments to the UK economy.

“In an extremely competitive payments market, interchange reflects the value provided to consumers and businesses.

“We enable fast, safe and simple transactions, protect consumers from fraud and help business grow in the UK and across the globe.”