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By email: [cards@psr.org.uk](mailto:cards@psr.org.uk)

Dear Sir / Madam,

**Financial Services Consumer Panel response to PSR CP22/1: Card-acquiring market review initial remedies consultation**

The Panel welcomes the proposed remedies set out in the PSR's consultation and believes that the combination of greater transparency, price comparison tools, nudges and the removal of barriers to switching could do much to promote competition in the acquiring market. Opacity and complexity in pricing models, combined with barriers to switching, make it difficult for merchants to compare different acquirers and shop around for better deals, doubtless generating considerable inertia.

While we have no detailed comments on the individual remedies, we suggest an additional area that might warrant further examination is the Reserve Bank of Australia's exploratory work into the possibility of extending the Consumer Data Right (CDR) to acquiring services provided to small businesses. The CDR is currently being rolled out for consumer banking services in Australia, where it is known as Open Banking, and was specifically designed to address the types of market inefficiencies that are evident in the acquiring market. The RBA believes the CDR could make it easier for merchants to seek quotes from alternative payments service providers by allowing them to easily source and share their detailed card transaction data. Additionally, and over the longer term, it believes that third-party providers offering comparison (and possibly switching) services could also emerge, further reducing merchants' search and switching costs.<sup>1</sup>

At the same time as supporting the PSR's proposed remedies, we would like to stress the urgency of these being brought into place. More than half of retail payments are made by card in the UK, with total annual value nearing £900 billion according to UK Finance. According to the British Retail Consortium over 80% of retail spending is now made by card, and retailers spent £1.3 bn to accept payments in 2020 alone.<sup>2</sup> The importance of addressing costs in card payments is vital not only for small merchants which generally pay the highest charges, but also for end consumers who ultimately bear all the costs, most especially during this period of unprecedented stress on household finances.

Whilst we are cognisant of the depth and scope of this work and the complexities it has involved, we are disappointed by the amount of time that this work is taking, considering that the PSR first announced its review into card-acquiring in mid 2018. Over the ensuing three and a half years, cards have captured an even greater share of UK payments both by volume and by value. The scope for harm has increased commensurately and the harms

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<sup>1</sup> See <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/consultation-paper-202105/pdf/review-of-retail-payments-regulation-consultation-paper-202105.pdf>

<sup>2</sup> See <https://brc.org.uk/news/corporate-affairs/cards-now-account-for-more-than-four-in-every-five-pounds-spent/>

that have occurred in the interim in terms of increased costs for consumers are, of course, irreversible.

During the PSR's card acquiring market review, evidence was also provided which showed that scheme fees (included in the fees which merchants pay in order to accept card payments) had increased significantly. In addition, cross-border interchange fees increased significantly in the wake of the UK's exit from the EU. Taken together, as the PSR has noted, these developments pose important questions as to whether there are sufficient competitive constraints on card schemes. In November the PSR announced it will investigate this matter and assess whether any action is required. Again we would encourage the PSR to expedite this work.

Payments are fundamental to consumers and the UK economy and it is of paramount importance that there is access, choice and competition in the payments landscape. The payments marketplace is evolving at an unprecedented pace and we recognise the demands on the PSR's time and resources. We would nonetheless encourage the PSR to ensure it prioritises work that reduces consumer harms particularly those that result in increased costs for consumers.

Yours sincerely,

Wanda Goldwag  
Chair, Financial Services Consumer Panel