Visa and MasterCard to cap fees for non-EU travellers

MasterCard and Visa have offered to cap face-to-face transactions at 0.2% for debit and 0.3% for credit transactions.

The European Commission has announced that non-EU MasterCard and Visa debit and credit cards used in European stores will have the same rates of interchange fees as European cards.

Cards issued in other regions such as America or Asia and used in face-to-face or cardholder-present transactions in EU travel retail stores, will now pay the same interchange fees as a card issued in Europe. Commercial cards, however, are not covered and remote sales (e-commerce and telesales) card transactions will have higher interchange fees.

MasterCard and Visa have offered to cap face-to-face transactions at 0.2% for debit and 0.3% for credit transactions. Online transactions will be capped separately at 1.15% for debit and 1.5% for credit.

SUCCESSFUL COALITION

EU interchange fees provide a default basic transaction charge between the cardholder and merchant’s banks. After a successful coalition between travel retailers and downtown stores among others, the EU recognised these fees were not competitive and outside European competition rules.

This is because they created a floor when negotiating Merchant Service charges. As a result, interchange fees were regulated for EU-issued cards under the Interchange Fee Regulation (IFR). The IFR came into force in 2015, capping EU interchange fees at 0.2% for debit and 0.3% for credit.

In addition, the European Commission launched a separate investigation into intra-regional cards issued outside the EU. This culminated in a closed hearing last year, at which Jacques Parson, Chairman of Kappé International, who has led the travel retail part of the coalition, presented evidence alongside Christian Verschueren, Director-General of EuroCommerce.

As a result of the hearing, the Commission announced its decision to accept separate Commitments by Visa and MasterCard for the next five-and-a-half years to ensure improved transparency for retailers leading to better prices for consumers.

Parson said: “I welcome the Commission’s announcement regarding MasterCard and Visa’s commitments. Our voice has been heard and overall, this is good news for our industry.

“I am however perplexed at the distinction created between bricks and mortar and online stores. I am not sure that will help the EU’s stated policy for eCommerce, which shows more work is needed in these areas to create a truly fair framework between customers, the schemes and the banks. We shall definitely be
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reacting to the public consultation!”