



ACS Submission: Interchange Fee Regulation

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to HM Treasury's consultation on interchange fee regulation. ACS is a trade association, which represents over 33,500 stores across the UK, including Spar UK, Nisa Retail, Costcutter and thousands of independent stores.

ACS supports the EU's adoption of 'Interchange Fee Regulations' (IFR) to cap credit and debit card charges at 0.3% and 0.2% respectively per transaction to reduce costs for retailers. Please see below for our response to the government's suggested approach for implementation.

Do you agree with the government's approach with respect to the design of the regulatory regime for the supervision of IFR?

We are concerned that the cap on interchange fees may encourage payment service providers to recuperate costs from additional charges elsewhere in the supply chain and we urge that this should be taken into consideration by the Payment Systems Regulator while supervising the implementation of IFR. Our members have highlighted there are many charges in addition to the standard set-up fees, for example the cost of purchasing pin pads from specific providers, instead of those that are more competitively priced. Retailers are also additionally charged to link up with Electronic Point of Sale (EPOS) providers. These costs in isolation are small but cumulatively can make card payment systems disproportionately costly for the smallest businesses putting them at a disadvantage.

Do you agree with the government's suggested approach with regards to the interchange fee caps for credit card transactions?

We support the government's plans to implement the default 0.3% cap for credit cards and welcome any review where government may introduce a lower cap on credit card interchange fees.

Do you agree with the government's suggested approach with regards to interchange fee caps for debit card transactions?

Fuel retailers may particularly benefit from the use of a weighted average due to the high value nature of their transactions, however, the average convenience store basket spend is £6.39¹ and it is unlikely that stores will be affected as a customer would need to spend £250 on a debit card for the existing 50p cap (referred to in the consultation) to be of relevance.

¹ him! Research & Consulting May 2015

Moreover, we wish to highlight that independent convenience stores have minimal negotiating power with their payment providers and usually accept the offer that they are given. As such, they do not have the data to model what difference a weighted average would make. Therefore, we would like further clarification on how the weighting would be carried out and by whom?

For more information on this submission, please contact Julie Byers, ACS Public Affairs Assistant at Julie.Byers@acs.org.uk or by calling 01252 515001.