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Dr Tony Richards
Head of Payments Policy Department
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Guidance Note: Interpretation of the Surcharging Standards: Revised Draft - August 2012

Dear Tony

Thank you for the opportunity to contribute to the Payments System Board review of card surcharging and in particular the revised draft Guidance Note.

Our view remains that draft Guidance Note is broadly right and is a useful document. We note that the key change to the previous draft is the explicit inclusion of fraud costs when assessing the “reasonableness” of the costs that support a surcharge amount.

We also note that the payments industry has a series of mandated anti-fraud measures by its various stakeholders. On this basis, we suggest that reasonable fraud costs could only be include where the relevant anti-fraud measures are in place.

We remain concerned that the way that any scheme rules around surcharging will be applied will be an unnecessary compliance burden. On this basis, we suggest that the guidance note outlines expectations that;

- any scheme rule that caps surcharging levels does not require acquirers to identify merchants that contravene the scheme rule and that the identification would work on an exception basis as agreed between scheme and members, and
- when a scheme and a merchant disagree on the reasonableness of any surcharge, a separate party should be in place to arbitrate. (Given the competitiveness of the acquiring market, the acquirer itself will be in a difficult position to arbitrate.)

Please feel free to contact me if you should wish to discuss further.

Yours Sincerely

Chris Campbell
Head of Payments Policy and Strategy