

Mastercard comes under fire in UK for involvement in payments “cartel”

Article

Mastercard, along with payment providers allpay, APS, PFS, and Sulion, are under investigation by the UK's Payment Systems Regulator (PSR) regarding anti-competitive collaboration, [per](#) Reuters. The PSR said the firms agreed not to compete for each other's customers on prepaid cards that the government used to distribute welfare payments to vulnerable groups like those who are homeless, victims of domestic abuse, and asylum

seekers. All five firms were involved in this practice between 2012 and 2018, according to the complaint. Mastercard said that the incident involved two former employees and that it was isolated to UK prepaid cards, adding that it implemented internal controls and training to ensure that such practices don't reoccur.

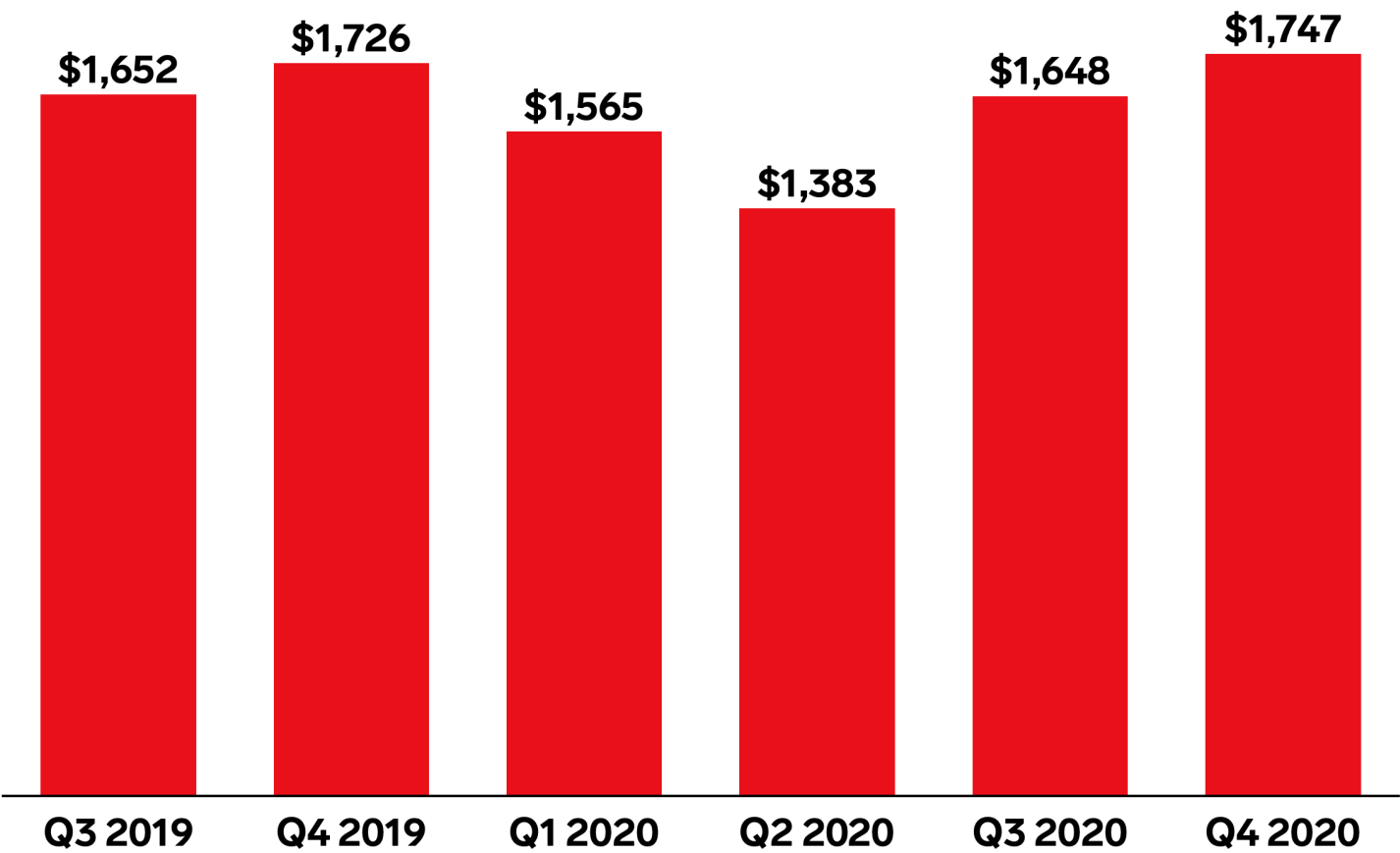
Mastercard is cooperating with authorities, but its involvement in the “cartel” might hinder growth potential in the UK, where it's trying to catch up to Visa. The UK's debit and prepaid card market is dominated by Visa, and Mastercard has worked to expand its footprint in the market: In February, NatWest, one of the UK's largest banks, switched its debit cards over from Visa to Mastercard. It's possible that the case has a negative financial impact on Mastercard because some issuers and merchants may decide to take their business elsewhere to avoid any association with the case, effectively throttling Mastercard's ambitions in the country. There could also be little impact on Mastercard's business and growth potential, however, because of its decision to own up to the breach and the measures it put in place to prevent it from happening again.

The recent case adds to mounting scrutiny against certain card network practices.

- **There's growing pushback against Mastercard and Visa's merchant fee policies in the US and abroad.** In January, news broke that Mastercard planned to increase merchant debit and credit fees for online transactions between the UK and EU starting in October. And in the US, both Visa and Mastercard intended to raise merchant card fees for select transactions starting in April. But these plans were met with intense pushback, including from lawmakers. Both card networks decided to delay US card fee increases until next year, but some retail trade groups are lobbying for them to lower or cancel these fees altogether.
- **Visa is currently being probed by the US Department of Justice over its debit practices.** The Department of Justice is investigating allegations that Visa limits merchants' ability to route debit card transactions to smaller, lesser known, and often less expensive card networks. In response, Visa said its debit practices are in compliance with laws but that it intends to cooperate with the investigation. This case, along with others involving the practices of card networks, put into question the power that these providers have.

Mastercard Global Gross Dollar Volume

billions



Note: data is for all Mastercard credit, charge, and debit programs
Source: Mastercard, 2021
Methodology: Data is from Mastercard's quarterly earnings releases published between October 29, 2019 and January 28, 2021.