

Visa and Mastercard's UK card fee buck-passing doesn't quite hold up

Article

The news: Visa and Mastercard blamed fraud risks and tough competition for higher post-Brexit fees between the UK and the EU in their responses to questions from the UK Parliament.

Key context: The EU caps the fees networks can charge merchants for card payments, but they wasted no time raising fees after the UK left the EU.

- Both Visa and Mastercard raised cross-border fees from 0.2% to 1.15% for debit cards and 0.3% to 1.5% for credit card transactions last year.
- The UK's Payment Systems Regulator (PSR) [found](#) no “evidence that shows that there have been significant changes in the costs” for card issuers.

What they're saying:

- Visa [stressed](#) it doesn't earn revenues from interchange and said UK interchange fees were among the lowest in the world.
- Mastercard [said](#) interchange fees were not levied on consumers or paid to card schemes—though it conceded that some retailers pass on fees through higher prices or surcharges.
- In response, Treasury Committee Chair Mel Stride [said](#) the committee wanted to ensure businesses were not “burdened with disproportionate additional costs.”

Shaky arguments: Visa and Mastercard's claims that fraud and growing competition are responsible for higher fees only go so far.

Fraud losses on UK-issued cards totaled £524.5 million (\$721.3 million) in 2021, a 7% fall from the year before, according to trade association UK Finance. **And we project total UK card fraud to decline 3% year-over-year in 2022**, per Insider Intelligence forecasts. While fewer losses presumably help save money, those drops could be the result of increased spending on protection and prevention, which would contribute to higher fees.

But it seems unlikely that growing competition would force card networks to hike fees. **Visa and Mastercard together account for 99% of all card transactions in the UK**, per the British Retail Consortium. That leaves them with plenty of resources to maintain their market positions, even if they don't earn revenues from interchange fees.

Trendspotting: Card fees will remain a hot topic in the UK as the cost of living crisis fuels concerns that merchants are passing fees onto consumers through higher prices. Parliament and regulators can put pressure on card networks with legal action and stronger oversight in the future.

Mastercard and Visa have also [run into trouble](#) in the US over fees, where the Merchant Payments Coalition lobbied Congress to block increases. Companies like **Amazon** have [voiced discontent](#) at rising fees as well. Grievances among merchants might compel them to use alternative payments, like account-to-account (A2A) offerings.

Most Utilized UK Ecommerce Payment Method, 2021

% of total

Digital/mobile wallet

32%

Credit/charge card

27%

Debit card

24%

Bank transfer

7%

Buy now, pay later (BNPL)

6%

Direct debit

2%

Cash on delivery (COD)

1%

Prepaid card

1%

Prepay

1%

Other

1%

Note: numbers may not add up to 100% due to rounding

Source: FIS, "The Global Payments Report," March 2, 2022

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