

Directive on Payment Services and Regulation on interchange fees (MIFs) — Citizens' Summary

WHAT'S THE ISSUE?

The 2007 Payment Services Directive (PSD) helped create a single market in payments. It contained rules on information requirements and certain rights and obligations linked to payment transactions and providers. But it needs to be modernised.

Interchange fees, charged by banks when consumers use a card, have long been problematic. They push up costs to retailers and, in turn, to consumers. They make it harder for new players to enter the market.

WHAT EXACTLY WOULD CHANGE?

The scope of the PSD would be broadened to encompass:

- One leg transactions: rules on transparency would extend to international transactions with an 'EU part';
- New market players: third party providers (TPPs) who allow consumers and e-retailers to use simple and cheap means of payment such as online credit transfers.

Consumers would be better protected:

- In most cases, consumers would be allowed to obtain an unconditional refund even for disputed payments;
- In most cases, consumers would lose very little (maximum €50) if they had an unauthorised card payment.

Payments would be made more secure. Payment service providers would need to:

- prove that they have taken necessary steps to make payments safe and secure;
- provide national authorities with an assessment of risks and measures to address them; and
- implement strong customer authentication for 'card not present' transactions (e.g. internet payments).

Interchange fees would be tackled:

- interchange fees would be reduced to a justifiable level (0.2% of the transaction value for consumer debit cards and 0.3% for credit cards);
- it would be easier for consumers and retailers to understand what they are paying;
- retailers would no longer be able to surcharge cards that are subject to reduced interchange fees..

WHO WOULD BENEFIT AND HOW?

Consumers would benefit from

- better protection and security;
- increased competition and greater choice of payment providers;
- full transparency on the fees charged by banks to retailers (that are passed on to consumers)

- cheaper payments thanks to the cap on interchange fees and the ban on surcharging;
- greater possibilities to shop cross-border online, as more retailers would accept card payments.

Retailers would also benefit from lower charges (interchange fees) and enjoy full transparency on the fees charged to them by banks

Payment institutions would benefit from

- a modernised legal framework
- legal clarity on a number of difficult issues (such as interchange fees)
- common technical standards and interoperability.
- greater ease of doing business throughout the EU.

WHY DOES ACTION HAVE TO BE TAKEN BY THE EU?

Because the EU can adopt rules that apply across Europe rather than just in one country, it can help create a level playing field for all market players.

Having one set of EU rules gives payment service users (including consumers) the benefits of a cross-border market for payments: greater choice, more innovation and security and cross-border goods and services.

WHEN IS THE PROPOSAL LIKELY TO COME INTO EFFECT?

The Directive is likely to come into effect two years after its adoption by the Council and Parliament.

The interchange caps would be introduced in two stages:

- cross-border transactions - two months after adoption;
- all transactions including domestic transactions - after two years.