

## **Consultation response to the Phase 2 draft guidance document on the application of the Interchange Fee Regulation**

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ACCIE, the Association of Credit Card Issuers Europe, welcomes Phase 2 draft guidance on the application of the Interchange Fee Regulation (IFR) in the UK. With this guidance document the Payment Systems Regulator is once again taking the lead in clarifying the application of the IFR.

After long negotiations the wording of Article 8 (Co-badging) was agreed by European legislators. The current text is a compromise between the proposals of the European Parliament and the Council of the European Union. The article is written with the general ambition of the IFR in mind and therefore does not leave much room for interpretation.

Article 8(2) states that ‘a consumer may require two or more different payment brands on a card-based payment instrument provided that such a service is offered by the payment service provider.’ The Article should be read in combination with the recital which clarifies that the aim of the provision is to lower costs for consumers and to create more transparency. This is at odds with the wide interpretation of the PSR, which leads to the mandatory provision of co-badged cards solely on consumer request, without taking into account business considerations. It will create an undesirable situation with unjustifiably high costs and possible confusion at point-of-sale for both consumers and merchants.

Co-badging necessitates large investments in technology in order to integrate the systems, processes and conditions of different payment brands and applications. According to general market principles these investments can be justified if there is sufficient demand for the new product. This is shown by one of our members who currently issues co-badged cards. Some specific co-badged combinations are supported by a viable business case and add value to consumers. Such a business case is entirely dependent on very specific market circumstances. The same proposition could be superfluous or even counterproductive in other Member States, such as the UK market, due to different market specifics (regulatory, technical or other circumstances).

Forcing issuers to invest in large scale technical solutions which allow them to offer combinations of the payment brands in their portfolio, irrespective of business case and real consumer demand, will eventually result in higher costs for consumers. It will also lead to the creation of redundant products that would not have been developed otherwise. Most

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likely it will also stimulate issuers to stop offering multiple payment brands, which severely reduces competition and consumer choice.

In short, an approach to co-badging, which will stay close to the wording of Article 8 and to the general ambition of the IFR is necessary. ACCIE suggests that the **word 'service' in Article 8(2) should be seen as relating to the co-badged product** and not to the provision of two or more branded products. This interpretation will leave issuers free to make individual business decisions **based on a sound business case**, whilst upholding the regulation's objectives of ensuring **transparency, competition and choice**, and will offer consumers **products and services that cater to real consumer needs**.

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**About ACCIE** - ACCIE represents the specialized European credit card issuing industry in its dealings with EU and Member State institutions. Its mission is to ensure that its cardholders across Europe gain optimal benefit from the credit card payment instruments offered by its members.

The members of ACCIE provide services to approximately seven million cardholders in seven different EU Member States (Austria, Belgium, France, Germany, Luxembourg, the United Kingdom and the Netherlands).



For more information, please feel free to contact our spokesperson Wim van Groeningen ([wim.van.groeningen@accie.eu](mailto:wim.van.groeningen@accie.eu)).