

ACCIE view on the IFR

ACCIE represents the specialised European credit card issuing industry in the European and national legislative processes. ACCIE's mission is to ensure that cardholders across Europe gain optimal benefit from the credit card payment instruments offered by its members.

Through this paper ACCIE seeks to set out the position of its members on the Interchange Fee Regulation (IFR). ACCIE believes that it may be premature to draw conclusions for the revision of the IFR, as not enough sufficient evidence of its impact is available. We recommend allowing more time for the impact assessment of the IFR while ensuring its efficient implementation, before reviewing the current regulation should this be deemed necessary. Special attention should be paid in ensuring that possible savings made in reduced interchange fees are passed on to consumers. However, the regulation on credit cards can only be proportionate if it addresses the credit card chain as a whole, and benefits consumers. These aspects need to be thoroughly investigated before the IFR is reviewed.

1. Who are the issuers?

The four-party model credit card chain that the IFR addresses, consists of five players who all contribute to a credit card transaction: the issuer, the acquirer, the merchant, the cardholder, and the scheme. The cardholder first initiates a credit transaction, when purchasing from a merchant. After this, the merchant processes the payment through the financial institution they work with – the acquirer, who sends the payment request to the scheme. The scheme, i.e. a payment network owning a scheme brand (e.g. Visa, Mastercard), elaborates the transaction before passing the request to the issuer. Finally, the issuer, providing a credit line to the cardholder transfers the requested amount of money to the merchant on behalf of the cardholder. This takes place through a clearing and settlement process, thus, the issuer bears the risk of getting paid by the cardholder at the statement date plus the grace period agreed between the issuer and the cardholder. Furthermore, the schemes offer financial institutions a licence to issue or acquire cards. Thus, issuers and acquirers are clients of the schemes, and may also use their network to process payment card transactions.

Credit cards are divided in two categories, and each of them serve a different market. **Consumer credit cards** provide a line of credit for individual consumers for their daily purchases, whereas **commercial credit cards** are offered for businesses and are only used for B2B transfers. These two product sets are thus fundamentally different in terms of the end users they serve and the purposes for which they are used.

2. The issuers' essential role for the economy

The issuers play a significant role in the credit card chain, as they provide credit to cardholders and companies, which enables cardholders to purchase products and services they do not immediately have the funds for. Under usual circumstances this supports Europe's economic stability, and helps to boost it. However, access to credit for consumers and businesses is ever more critical during the current COVID-19 outbreak. The credit helps to support consumers whom have had a sudden but temporary cut in their finances, and gives a much needed lifeline to businesses, especially to SMEs that have experienced sudden decreases in their revenue. Moreover, credit cards are vital for online

ACCIE represents the European credit card issuers to policy-makers in Europe. The members of ACCIE provide services to over 21 million cardholders in 12 EU Member States.

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purchases, which have increased as COVID-19 has bound many to home isolation. This is because credit cards are the only payment method generally accepted by all online stores.

As the issuers provide credit to cardholders and security for credit card payments, as well as bearing all the credit risk, it makes them the most important player of the credit card chain for cardholders. Furthermore, the issuers are significant for the European economy, as issuers are licensed to operate locally within a certain jurisdiction. Hence, the issuers operating in Europe are European businesses, and all their activities contribute to the well-being of the European economy and society.

3. The interchange fee and the IFR

The interchange fee is a service fee, which the issuer collects from the acquirer when a credit card transfer takes place. The IFR, which entered into force in June 2015, sets a 0.3% cap for consumer credit cards and 0.2% for debit cards¹. At the moment, commercial credit cards are excluded from the scope of the IFR.

ACCIE believes that any further capping of the consumer credit cards would endanger the issuers' capability to maintain the same quality of services to the cardholders. On the other hand, if commercial credit cards were to be included in the scope of the regulation, it would hinder SMEs access to credit. Thus, ACCIE believes that the unique nature of commercial cards, their value proposition and the existing safeguards built into the IFR and PSD2, justifies their continued exclusion from the scope of the IFR.

4. ACCIE's position on the IFR

The IFR should be considered in the context of a rapidly changing, highly-competitive, well-functioning European payments market. A number of new legislative and innovative developments have taken place in the payments market simultaneously with the implementation of the IFR, resulting in competition from new entrants and changing customer expectations. These developments have not had adequate time to settle and therefore their true impact cannot yet be fully evaluated. Correspondingly, ACCIE believes that focus should be put on analysing the effects of the IFR, and ensuring that the rules are fairly enforced with the benefits to customers being passed through. This is to ensure the review of the IFR is carried out based on sufficient evidence, which is not yet fully available.

ACCIE believes that the IFR can only be fair when it addresses the credit card chain as a whole, and truly benefits the consumers, as it is the core purpose of the IFR. Therefore, we recommend that the Commission pays special attention to these aspects, should a review of the IFR be deemed necessary.

At the moment, the IFR only targets one player in the credit card chain – the issuers. ACCIE believes that this approach misses the envisioned effect taking into consideration that the issuers are the most important player for the cardholders' interest, and they also significantly contribute to the European economic stability.

¹ [Regulation \(EU\) 2015/751 on interchange fees for card-based payment transactions \(Article 3\)](#)

By targeting the issuers, the IFR targets the player of the credit card chain, which ultimately provides credit for consumers and businesses, and solely bears the risk related to it. The issuers do not only provide credit, but have extensive security processes in place to protect their customers from fraudulent transactions and against other unforeseen circumstances, as well as digital solutions, which are making transactions more secure and more robust. Further decrease of the interchange fees could endanger these services. The issuers' role in stabilising and boosting the European economy is notable, as the credit they provide enables their customers to make purchases they do not immediately have the funds for. This boosts the economy by allowing purchases that would not otherwise be possible, which increases economic growth. During the COVID-19 outbreak this purchasing power is ever more important for the overall European economic stability, and its capability to recover after the crisis.

The weakening in the issuers' position is supported by the EY report, which shows that the issuers have experienced a significant decrease in their revenue, whereas some other players in the credit card chain have been able to increase their fees since the implementation of the IFR². Moreover, the report does not provide evidence that the IFR has led to the expected reduction of prices for consumers, which could indicate that a more comprehensive approach might be needed for the IFR to truly benefit the consumers.

It is incorrect to view interchange fees as a revenue driver. Issuers use the interchange fees to support a variety of services that protect card payments and assign credit line facilities. These services include well-established dispute processes and protection against fraudulent use, of which the former are highly valued by cardholders, especially as purchases are increasingly made online. The purchases acquired via credit card are insured, as they protect cardholders against merchant failure, whether the purchased goods are not delivered, are delivered damaged, or the merchant files for bankruptcy. This is the base for cardholders' trust in online shopping, allaying their fears when buying at a distance. Since online payments cannot be made in cash, the Commission's ambitions to create a European Digital Single Market are reliant on this trust. ACCIE believes that modifying the current interchange levels would affect the issuers' ability to provide such safeguards for their customers. ACCIE underlines that protections such as these, supported by interchange fees, are especially important during times when the business landscape is under pressure and merchants experience an increased failure rate.

5. A unilateral approach

ACCIE fully supports the ultimate goal of the IFR, as lowering the prices for consumers. Consequently, ACCIE believes that special focus should be paid to guarantee that savings made in the reduced acquiring prices are passed on to consumers, should the IFR be reviewed. ACCIE believes that at this point, it is essential for the market to retain the current IFR capping of the consumer cards, and to exclude commercial cards from the scope of the regulation. This will allow the issuers to maintain the same level of services for their clients. However, ACCIE is concerned that the IFR only targets one player of the credit card chain (the issuers), leaving the other players unregulated when it comes to the cost of payment. Thus, ACCIE believes that if the IFR will be reviewed, a thorough investigation should be conducted to address the credit card chain as a whole. This would ensure fairness amongst all the players involved, as well as guarantee that the regulation truly benefits consumers, and the European economy as a whole.

² [EY Study on the application of the Interchange Fee Regulation: Final report](#)