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A snapshot of prepaid in the U.K. and Ireland

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An analysis conducted by **Polymath Consulting Ltd.** into the prepaid card market in the United Kingdom and Ireland reveals an expansion of the number of cards and insights into the fees issuers charge.

Since 2007, the number of cards available in those markets grew from 50 to 214. But that rise has not been a steady upward progression, as contraction in the number of cards offered has been followed by new launches.

Additionally, the growth reflects our definition that if a card is a stand-alone product available for purchase in the U.K. or Ireland, it should be included in our research as a separate entity.

A stand-alone product could have multiple configurations, one charging a transaction fee but no monthly fee and another levying a monthly fee but with a lower transaction fee. There is a general trend toward pricing package variations like this among card programs.

GPR tops the list

General purpose reloadable (GPR) cards form the most diverse group and are still the most popular. However, gift cards continue to grow rapidly in the amount of money consumers load onto them.

There has been an increase in the number of GPR cards, from 23 in 2007 to 94 today, representing 44 percent of the total number of cards. Closed-loop retailer gift cards accounted for 43 percent of the total, while travel cards amounted to 9 percent and cards used primarily for money transfers stood at 4 percent.

Based on the current exchange rate, the average purchase fee for GPR cards is 10.05 British pounds (\$15.93), with gift cards coming in at 1.38 pounds (\$2.19), travel cards 3.80 pounds (\$6.02) and money transfer cards 7.76 pounds (\$12.30). Keep in mind that issuers rolling out new cards often seek to undercut the established players in terms of the fees they charge.

Monthly service fees on cards can be as high as 12.50 pounds (\$19.81). However, the fees may not always be charged by the issuer and are dependent on whether there are other fees associated with the card. Some of the higher fees reflect additional consumer benefits that apply to those cards.

For example, take the MasterCard Worldwide-branded Activeplus and Flexiplus cards, both of which are managed by London-headquartered card provider Cashplus. The Activeplus card comes with a monthly fee of 4.95 pounds (\$7.84) but no transaction fee. On the other hand, the Flexiplus card has no monthly fee but a transaction fee of 0.99 pounds (\$1.59). Generally speaking, issuers of gift cards that come with monthly fee charges only start charging that fee six months or more after card activation.

Many issuers charge a fee for reloading cards. The fee is often dependent on where the card is reloaded. For example, there is no charge to reload a MasterCard-branded Tuxedo card at a Barclays Bank PLC branch, but the charge is 0.99 pounds at the post office and 3 percent of the reload amount at PayPoint PLC retail locations.

Other fees

Cancellation fees are charged once the customer decides to deactivate the card and receive any funds left on the card. Most gift cards are valid for 12 months. But when cards expire, sometimes the balance is lost.

There has been an increase in the introduction of cancellation fees, with 91 percent (195) of the cards now having such fees. Ninety percent of the cards come with a replacement fee, with 49 percent of them charging over 5 pounds for the service.

Most cards have maximum load limits and balance requirements, which are related to know your customer (KYC) rules. Increasingly, twin levels are specified – one where KYC activity has been satisfied and one where it has not – and even some incidences of three levels being utilized.

A new development is the increased use of maximum load amounts over time. For example, of the two types of PrePay Technologies Ltd.'s MasterCard-branded Optimum cards available, one has a maximum load limit of 5,000 pounds (\$7,923) but only 1,600 pounds (\$2,536) per year. The most popular load limits are between 500 (\$792) and 1,000 (\$1,585) pounds.

Even more fees

Of the cards reviewed, 74 percent (159 cards) have no renewal fees. Some cards, such as the Bread card, managed by the Payment Card Solutions (UK) Ltd., and the Visa Inc.-branded Speedcard, charge a fee every two years.

For travel cards, a foreign exchange fee is sometimes applied – usually between 2 and 3 percent of the cash withdrawal amount. Transaction fees are often charged at the POS, usually a flat fee ranging from 0.20 (32 cents) to 0.99 pounds, although there is an increasing incidence of fees over 1 pound and some are 2 pounds per transaction.

Some cards charge an additional fee when used for purchases abroad; typically it is 2.75 percent of the purchase amount, but Travelex charges the highest rate, 5.75 percent.

Only 32 cards reviewed have a PIN issue/reissue fee, largely influenced by the large volume of gift cards in the analysis, none of which come with PIN numbers. Of those that do provide a PIN reissue feature, charges have been rising and now range from 0.50 to 10 pounds (79 cents to \$15.85, respectively).

Customer service fees, such as balance inquiry fees conducted via telephone, Internet or short message service (SMS) text messages are normally free. There has been an increase in the use of SMS, with consumer facilities like blocking and unblocking cards becoming available, as well as transaction notifications by SMS.

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