

# RETAIL BANKER

## INTERNATIONAL

### Polymath: 28% of prepaid card loading fees illegal

What has been the result of the 'no surcharge' ruling on UK prepaid card fees?

One of its side effects is that many prepaid card and e-wallet programmes needed to change their fee structures. After all, it is estimated that surcharging cost UK consumers alone £166m (\$235m) in 2015, and without surcharging, this income will need to be found elsewhere for prepaid card programmes.

Since 13 January when the regulations came into force, prepaid consultancy Polymath has been checking every consumer-loaded prepaid card website in the UK.

Polymath told *RBI* that many have changed their fee structures, but perhaps most concerning is that of a total of 195 programmes (individual cards issued in more than one currency count as a separate programme) there were still 56 that had illegal card surcharging structures, with a further 20 that may have different fees for different load channels.

Overall, a total of 28% of all prepaid card programmes have illegal fee structures and were charging more for card loads than other channels.

The ban made it unlawful for merchants to charge additional fees when someone uses a particular credit or debit card, or other payment systems like PayPal, to make a purchase unless it is a corporate or commercial card.

A prepaid card load is, in effect, a merchant accepting payment and, therefore falls under the regulations.

Economic Secretary to the Treasury, John Glen, said: "It's completely unfair for someone to be hit by a hidden fee just before they are about to make a purchase, so by scrapping these rip-off charges we are helping to give power back to the consumer. As we build a fairer society, this added transparency ensures buyers can make informed choices about how they spend their hard-earned money."

The new rules will be enforced by Trading Standards, which will have the power to take civil enforcement action against merchants who breach the regulations. It will also entitle customers to receive a refund of any unlawful surcharge they have paid, and enable them, if necessary, to take legal action to recover any such surcharge.

And the ban is not just in the UK. It is effective across the EU from 13 January 2018, and will apply to all purchases made where the banks of the consumer and retailer are within the EEA.

The most common change made by prepaid card programmes to comply with the regulations seems to be either to cancel the credit card load option altogether and, in some cases, the debit card option as well.

However, the question remains: does this, in turn, water down the options available to the consumer? ■