

# EU directive banning card fees may include prepaid cards

## UK extends ruling to Amex and PayPal

An EU directive banning card fees from next January may also impact prepaid cards and wallets.

In the UK, the directive has been extended by the government to include charges for American Express and PayPal transactions.

The worst offenders currently are airlines and food delivery apps, and small businesses which typically add a fee for cards. At the moment those booking airline tickets with credit cards pay an extra 3% with Flybe, with a minimum payment of £5. Customers of Ryanair and Norwegian pay 2%.

In 2010 alone consumers spent

£473m on such charges, according to estimates by the Treasury.

## Prepaid cards & wallets

Because prepaid cards and wallets treat the card/wallet as the merchant, it is likely, says David Parker, CEO of Polymath Consulting, that the directive may also apply to them. "Key is whether the card load fee is a charge for a service provided rather than a surcharge. This assumes that the cost for loading with a card (credit or debit) is the same or less than that paid at a bank post office, or for a cash load," he said.

Analysis by Polymath

Consulting has shown that in the UK alone 45% of domestically-

issued cards currently charge a fee for loading the card via credit or debit and 49% of all Travel/FX cards charge a fee. Although the fees on some cards are as low as 0.5%, on others they are as high as 4.95%. Some of these charge the same for whatever method of loading is used, however many charge a different/higher fee for credit/debit cards.

## Debit loads

David Parker commented: "Whilst many cards offer free Debit loads they still charge for



Credit Card loads. They will either have to stop accepting these loads or remove the fees to comply with the new requirement." He added: "Following on from the reduction in interchange imposed by the EU, this is another hit to the incomes of many prepaid card programmes."

The UK prepaid market is particularly hard hit by the new directive because of the high use of debit/credit cards; far higher than in other European markets where other forms such as direct bank transfer are more common.