

Home » Pay Gov » U.K. Bans Surcharging, Load Fees Could Be at Risk

[Print view](#) | [Purchase Reprint](#)

07.19.17

U.K. Bans Surcharging, Load Fees Could Be at Risk

The U.K.'s HM Treasury is banning surcharges on credit and debit card payments. For prepaid card providers, the new rules put significant fee income related to card-loading at risk, according to Polymath Consulting.

HM Treasury announced July 18 that it's putting an end to "rip-off" fees related to paying with a debit or credit card. The government cites the example of consumers being charged as much as 20 percent extra for purchases like a flight when paying with a credit card.

HM Treasury also said that PayPal and [American Express](#) will be covered under the rule, which goes further than the EU directive requiring member states to eliminate surcharging for Visa and [Mastercard](#) debit and credit cards, following [interchange caps](#) that went into effect in 2015.

Although the agency concedes that many industries absorb the costs of card acceptance and do not pass these on to consumers, it estimates that in 2010, U.K. consumers spent £473 million (US\$617 million) on surcharges.

The ban, which will go into effect on Jan. 13, 2018, presents a problem for prepaid issuers and wallet providers that charge more when users load their accounts with credit or debit cards.

Polymath Consulting analysis estimates that 45 percent of GPR cards in the U.K. currently charge a fee for loading the card via credit or debit cards. Forty-nine percent of U.K. travel/FX cards charge a fee. Although the fees on some cards are as low as 0.5 percent, on others they're as high as 4.95 percent, according to the firm.

"You can charge an administrative fee for taking loads, but you must charge the same fee for all loading methods," Polymath CEO David Parker tells Paybefore.

"Following on from the [reduction in interchange](#) imposed by the EU, this is another hit to the incomes of many prepaid card programs," he added.



Parker says the U.K. prepaid market will be particularly hard hit by the new regulation because U.K. consumers are more likely to use debit and credit, compared with other EU markets where [direct bank transfer](#) is more common.

The regulation also marks the first time PayPal is being treated like other acceptance networks, Parker notes.