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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Baroness Kramer
House of Lords
London
SW1A 0PW

26 March 2024

Dear Susan,

Thank you for your question on card interchange fees during the debate on electronic payment devices on 19 March, where you asked, “why has the Government or the FCA as the regulator not acted to reverse what could be called the Brexit penalty?” I promised to write in response to your question.

The UK’s Payment Card Interchange Fee Regulations 2015, which is derived from EU law, is the relevant legislation that caps interchange fees applicable to consumer debit and credit card transactions where the merchant, acquirer and card issuer are all within the UK. The Payment Systems Regulator (PSR) is the lead regulator in this area.

Where the caps apply, they currently limit interchange fees to 0.2% of the value of a transaction for consumer debit cards, and 0.3% for consumer credit cards. These are the same levels as apply across the EU’s Single Market although, since Brexit, interchange fees are no longer capped for cross-border card payments between the UK and EU. However, the PSR, which is independent of the Government and a subsidiary of the FCA, is conducting a market review into cross-border interchange fees and published its interim report in December 2023. In this report, the PSR has proposed reintroducing a price cap

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for EEA-UK payments, where the transactions are made online at UK businesses. The PSR will publish its final report later this year, setting out its final steps to take on this matter.

I am copying this letter to other Peers who spoke during the discussion, and I am depositing a copy in the Library of the House.

Yours,
Charlotte

BARONESS VERE OF NORBITON