

European Parliament backs cap on card processing fees

The European Parliament has backed a deal to cap the fees retailers pay to process debit and credit card transactions, which EU officials say will mean savings for customers.

Use of credit and debit cards in Europe is continuing to grow.

There are currently 760 million payment cards in circulation in the EU, which works out at about 1.5 per person.

In 2013, the number of non-cash payments in the EU increased by 6%, totalling €100bn (£71.5bn: \$108bn).

But this can be expensive for retailers who have to pay fees every time someone uses a card.

And those expenses are often passed on to the consumer.

Now the EU is bringing in reforms that will cap the fees that banks charge businesses for processing card payments.

MEPs voted in favour of the deal on Tuesday by a margin of 621 to 26.

The cap applies to both cross-border and domestic card-based payments, which cost businesses across the EU around €10bn a year.

The fees are not transparent and differ from country to country.

In future the ceiling will be 0.2% for debit cards and 0.3% for credit cards.

The European Commission says it will mean big savings throughout the EU - €6bn a year for retailers and €730m a year for consumers.

EU Competition Commissioner, Margrethe Vestager said: "This legislation is good for consumers, good for business, and good for Europe. It will lead to lower prices and visibility of costs for consumers."

But critics say there is no guarantee that retailers will pass on the savings. And there are concerns that consumers may eventually face higher banking fees.

Steven Woolfe, financial affairs spokesman for the anti-EU UK Independence Party (UKIP), said: "Those who are benefiting are the lobbyists for the large international retailers.

"This is not going to help those from the small and medium size shops.

"They are still paying high fees because they don't have the same kind of revenue. In America and in Spain where this has been tried before, the retailers have made a huge amount of money but the customers have made no savings at all."

The European consumer organisation, BEUC, says it hopes merchants will pass on savings to customers. It has also called on regulators to "monitor closely if banks do not increase account and services fees to compensate for lost revenues".

Shoppers throughout the EU are increasingly choosing cards over cash. Whatever the impact of these reforms, that trend is unlikely to change.

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