PSR Payment Systems Regulator

Factsheet

Note to point-of-sale terminal providers

This factsheet categorises the range of terminals covered under our Specific Direction 16 (SD16), which requires point-of sale (POS) terminal providers to limit the length of their contracts with merchants. It lists the hardware and software that providers use and explains whether or not our instruction covers them.

Our card-acquiring market review identified that POS terminal contracts can lock merchants in for as long as 48 months. This raised a concern that long lock-in periods discourage merchants from searching for and switching providers.

We want merchants to have the flexibility to search and switch, or negotiate with their existing provider, and for suppliers of card-acquiring services to develop and offer better and more competitive deals.

SD16 requires providers of POS terminals to limit the initial length of their contracts for terminal hire to 18 months. This limit will mean merchants can switch more easily when they find a better deal.

What POS terminal providers must do

SD16 applies to 14 specified payment service providers. It:

- requires pre-existing contracts to move to rolling monthly arrangements after any initial or subsequent term

- requires them to limit any initial term for a new POS terminal contract to 18 months before moving to a monthly arrangement

The direction requires exit fees for new POS terminal contracts to be cost-based, transparent and fully explained, but doesn't limit them to applying only after the 18-month period.

Get in touch
If you have any questions about SD16, email us at contactus@psr.org.uk

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What counts as a POS terminal

This table displays the different terms for POS products, and specifies which ones are covered by SD16.

Term		Description	'POS terminal' under SD16
	Card terminal	A hardware device exclusively used to take card payments	Yes
	Card reader or mPOS	A hardware device used to take card payments that relies on a connection to a mobile device, such as a mobile phone	No
	EPOS terminal with embedded card-acceptance device	An electronic POS till that has an embedded card-acceptance device	Yes
	Smart POS	A hardware device primarily used to take card payments but supporting other business applications, such as stock control and customer loyalty	Yes
	Soft POS	Software installed on a mobile device, such as a mobile phone, that uses hardware in the device to take card payments	No
	Virtual terminal	A remote software application allowing keyed capture of card payments data	No

The POS terminal contracts that fall under SD16 include arrangements for:

- structured sale
- lease
- membership
- card-acquiring service
- smart POS terminal and application service