

Specific Direction 14 requiring providers of card-acquiring services to provide information to merchants

Specific Direction 14 (card-acquiring – provision of information (summary box))

October 2022

Varied by Specific Direction 14/15/16a: varying Specific Directions 14, 15 and 16 (card-acquiring services))

Consolidated version
May 2024

This is a consolidated version of Specific Direction 14 as varied by Specific Direction 14/15/16a. Additions are in green and underlined. Deleted text is set in red and shown ~~struck through~~. It has been prepared by the PSR to assist users of the direction.

Specific Direction 14 (card-acquiring – provision of information (summary box))

1 Recitals

Whereas:

- 1.1** The PSR launched its card-acquiring market review in 2018 due to concerns that card-acquiring services may not offer value for money for merchants. It published the final report on 3 November 2021. It concluded that the supply of card-acquiring services does not work well for small and medium-sized merchants and large merchants with annual card turnover up to £50 million.
- 1.2** In the final report, the PSR identified three features that, individually and in combination, restrict merchants' willingness and ability to search and switch between card-acquiring providers.
- 1.3** The PSR wants to remedy these features to improve outcomes for merchants. It aims to do this by:
- a. encouraging them to search and switch, or negotiate with their existing provider
 - b. reducing the obstacles to switching
 - c. subsequently creating incentives for suppliers of card-acquiring services to develop and offer better deals for merchants through competitive pressure as merchants become more engaged and shop around more actively with better information
- 1.4** This specific direction is intended to remedy the feature of concern that acquirers and independent sales organisations (ISOs) do not typically publish their prices for card-acquiring services.
- 1.5** This specific direction is intended to achieve greater transparency and comprehensibility for merchants by helping them to understand the pricing elements of any service they use and compare prices more easily.
- 1.6** This direction is addressed to ~~14~~15 specified payment service providers (PSPs).
- 1.7** This direction was varied by Specific Direction 14/15/16a: varying Specific Directions 14, 15 and 16 (card-acquiring services) to update the list of directed PSPs and to introduce a mechanism for obligations to be placed on PSPs taking on relevant business.

2 Powers exercised and purpose

- 2.1** Visa Europe and Mastercard are payment systems designated by the Treasury under section 43 of the Financial Services (Banking Reform) Act 2013 (the Act) for the purposes of Part 5 of the Act.
- 2.2** The PSR makes this direction in accordance with sections 54(1) and (3) (Regulatory and competition functions – directions) of the Act. In accordance with section 54(3)(c), this direction applies to specified persons, all of which are participants in the Visa Europe and Mastercard regulated payment systems.
- 2.3** In making its decision to use its section 54 powers, the PSR had regard to section 62(2)(a) (Duty to consider exercise of powers under the Competition Act 1998) of the Act.
- 2.4** The purpose of this direction is to require directed PSPs to provide information to merchants in the form of a bespoke summary box setting out key price and non-price service elements of card-acquiring services. This direction also requires directed PSPs to provide information to prospective customers through an online quotation tool that generates indicative key price and non-price information and to ensure that any ISOs offering card-acquiring services provided by the directed PSPs provide the same.

Direction

NOW the PSR gives the following specific direction to:

Adyen ~~UK Limited~~ N.V.

Barclays Bank PLC

Chase Paymentech Europe Limited

Elavon Financial Services DAC

EVO Payments ~~International GmbH, Branch UK~~ Ltd

First Data Europe Limited

First Merchant Processing (~~Ireland~~) ~~DAC~~ UK Limited

GPUK LLP

JPMorgan Chase Bank, National Association

Lloyds Bank plc

PayPal (~~UK Ltd~~) Ltd

Squareup Europe) ~~SarL et Cie SCA~~ Ltd

~~Square~~ UK

Stripe Payments UK Ltd

SumUp Payments Limited

Worldpay (UK) Limited

3 General provisions

Scope of this direction

- 3.1** This direction applies to the ~~44~~15 directed PSPs named above.
- 3.2** This direction applies in relation to participation in the Visa Europe and Mastercard regulated payment systems.
- 3.3** A relevant merchant is any merchant with an annual card turnover of up to £50 million.
- 3.4** Paragraphs 3.5 to 3.12 of this direction apply in relation to any relevant merchant with a contract for card-acquiring services with a directed PSP.

Requirements for providing information – summary box

- 3.5** A directed PSP must provide information to relevant merchants in the form of a bespoke summary box.
- 3.6** The bespoke summary box must include the information which is published on the PSR's website from time to time under the title 'Summary box template'.
- 3.7** The information must be provided in the form published on the PSR's website from time to time under the title 'Summary box template'.
- 3.8** The PSR may amend the information to be included under paragraph 3.6 or the form to be used under paragraph 3.7, and will provide reasonable notice of any such change.
- 3.9** A directed PSP may provide additional information to merchants but it must do this separately from the bespoke summary box.
- 3.10** The bespoke summary box must be provided at the head of:
- a. any monthly billing information
 - b. any other periodic billing information
- 3.11** If a directed PSP gives a merchant billing information through a merchant portal it must display the bespoke summary box in a prominent place. This obligation applies whether or not a merchant also receives billing information in another way.
- 3.12** A directed PSP may not charge a merchant for the provision of a bespoke summary box.

Requirements for providing information – online quotation tool

PSPs

- 3.13** A directed PSP must provide an online quotation tool on their website.
- 3.14** The online quotation tool must:
- a. ask relevant merchants that are prospective customers to enter key information
 - b. use that information to generate indicative pricing and non-pricing information (indicative information)
 - c. provide the indicative information to relevant merchants that are prospective customers
- 3.15** The key information referred to in paragraph 3.14a is:
- a. total card acceptance in previous 12 months, if available

- b. average transaction value
- c. merchant category code

- 3.16** The indicative information referred to in paragraph b and c is that which is published on the PSR's website from time to time under the title of 'Online quotation tool template'.
- 3.17** The indicative information must be provided in the form published on the PSR's website from time to time under the title 'Online quotation tool template'.
- 3.18** The PSR may amend the key and indicative information prescribed at paragraphs 3.15 and 3.16 or the form to be used under paragraph 3.17, and will provide reasonable notice of any such change.
- 3.19** A directed PSP may allow its online quotation tool to provide other information in addition to the indicative information prescribed in paragraph 3.16.
- 3.20** In order to facilitate the provision of other information as described at paragraph 3.19, a directed PSP may allow prospective customers to enter other information in addition to the key information prescribed in paragraph 3.15.
- 3.21** If a directed PSP chooses to provide and/or allow additional information as set out in paragraphs 3.19 and 3.20, this must not affect the generation and provision of indicative information as set out in paragraphs 3.14 and 3.16.
- 3.22** An online quotation tool must not demand contact details, including a telephone or email address, in order to generate and provide indicative pricing.
- 3.23** A directed PSP may not charge a merchant for the use of an online quotation tool.
- 3.24** The online quotation tool must be displayed prominently ~~fashion~~ on the directed PSP's website, no more than one click from the landing page.

ISOs

- 3.25** Sometimes a directed PSP will not have a direct relationship with a merchant using its card-acquiring services. If the merchant has contracted such services through a relevant ISO, the directed PSP must ensure that the relevant ISO hosts on its website an online quotation tool as required at paragraphs 3.14 to 3.24 above.
- 3.26** A directed PSP must provide a relevant ISO with reasonable notice of any amendment to the 'summary box template' or 'online quotation tool template' which they are notified of in accordance with paragraphs 3.8 or 3.18 above.
- 3.27** A relevant ISO is any ISO which has a contract with a directed PSP where the purpose of the contract involves merchants using the directed PSP's card-acquiring services.

General requirements

- 3.28** A directed PSP must take into account any relevant guidance the PSR publishes.
- 3.29** A directed PSP must make a relevant ISO aware of any relevant guidance the PSR publishes in a timely fashion.
- 3.30** A directed PSP must ensure as far as possible that any information provided to merchants under this direction is complete and accurate.
- 3.31** Reasonable modifications may be made to either the 'summary box template' form or the 'online quotation tool' form for accessibility reasons only. Such modifications may not include changes to the information or categories of information to be provided.

4 Key definitions

- 4.1** **Act** means the Financial Services (Banking Reform) Act 2013.
- 4.2** **Billing information** means the total amount of transactions, fees and charges enabling a merchant to reconcile and confirm card acceptance costs.
- 4.3** **Card-acquiring services** means services to accept and process card transactions on behalf of a merchant, resulting in a transfer of funds to the merchant.
- 4.4** **Card turnover** means total amount of card transactions taken by a merchant within a specified period.
- 4.5** **Contract for card-acquiring services** means an agreement between an acquirer and an organisation for the provision of card and affiliated services for the exchange of monetary value.
- 4.6** **Directed PSPs** means the PSPs to which this specific direction is given.
- 4.7** **Merchant portal** means an online service provided to a merchant to allow them to access information about their card-acquiring services at any time, including details of transactions acquired by the provider.
- 4.8** **Independent sales organisation (ISO)** means an organisation that sells card-acquiring and ancillary products and services on behalf of an acquirer, and in return is paid commission for the sales and/or ongoing management of the relationship.
- 4.9** **Merchant** means an organisation which accepts card payments.
- 4.10** **Participant** has the meaning given by section 42(2) of the Act.

- 4.11 Payment facilitator** means a PSP that contracts with one or more merchants to provide card-acquiring services, but may not have a direct contractual relationship with the operator of a card payment system. A payment facilitator must be registered with the operator of a card payment system by an acquirer with whom it contracts.
- 4.12 Payment system** has the meaning given by section 41 of the Act.
- 4.13 Payment Systems Regulator or PSR** means the body corporate established under Part 5 of the Act.
- 4.14 POS terminal** means an electronic device that a merchant uses to accept a card in a card-present transaction without the need to connect to a smartphone or tablet.
- 4.15 PSP** means a payment service provider within the meaning of section 42 of the Act.
- 4.16 Regulated payment system** means a payment system designated by HM Treasury under section 43 of the Act.
- 4.17 Relevant business** means activity in respect of which Section 3 of this direction imposes obligations.

5 Monitoring

- 5.1** The PSR may from time to time in writing require a directed PSP to provide it with a report on its compliance with:
- a. this direction
 - b. any requirements the PSR makes known in writing to the directed PSP or issues in guidance
- 5.2** The directed PSP must provide the report required under paragraph 5.1 by the date given by the PSR.
- 5.3** The PSR may from time to time in writing require a directed PSP to provide or produce information about:
- a. how the PSP is complying, or proposes to comply, with this direction
 - b. which the PSR otherwise requires in connection with monitoring compliance with or the effectiveness of this direction
- 5.4** The directed PSP must provide the information by the date given by the PSR.

6 Application

- 6.1** This direction applies to the directed PSPs named above.
- 6.2** Subject to paragraph 6.11, where a directed PSP ('the transferor') transfers relevant business to another person, that person ('the transferee') is, from the date of transfer, a directed PSP.
- 6.3** This applies whether or not the transfer is to a group undertaking (which has the same meaning as in section 1161(5) of the Companies Act 2006).
- 6.4** Subject to paragraphs 6.10 and 6.11, despite the transfer, the transferor remains a directed PSP.
- 6.5** The transferor must give advance notice in writing to the PSR of the proposed transfer. That notice must include the anticipated date of the transfer, the name of the proposed transferee and their contact details, confirmation of whether or not the transferee is a group undertaking, the transferor's submission on whether paragraph 6.10 will apply and a description of the relevant business being transferred. The PSR may require further information to be provided about the transfer (this is without prejudice to any other power the PSR has to require information to be provided).
- 6.6** The notification must be given by the transferor as soon as reasonably practicable after a date for transfer has been set, and in any event no later than 28 days before the date of the anticipated transfer.
- 6.7** If, following the notification, there is a material change to the matters set out in the notice (for example that the transfer is no longer happening or it is to happen on a different date), the transferor must notify the PSR in writing of the change as soon as reasonably practicable.
- 6.8** Immediately following the transfer, the transferor and the transferee must notify the PSR in writing that the transfer has been completed. That notification may be given jointly or individually.
- 6.9** Where the transfer of relevant business is to more than one person, each person to which relevant business is transferred is a transferee for the purposes of this direction and consequently the PSR will assess each transferee separately for the purposes of paragraph 6.11.
- 6.10** Where the PSR is satisfied that, by virtue of the transfer, the transferor is no longer a PSP in a relevant regulated payment system (those systems being the Visa Europe and Mastercard payment systems), it will give notice in writing to the transferor that it is no longer a directed PSP.

6.11 The PSR may decide that a transferee or a transferor is not, despite paragraph 6.2 or 6.4, to be, or remain, a directed PSP. If it does so, it will provide a written notice to the transferee or transferor (as appropriate) setting out that decision and, in doing so, specifying when its decision will come into effect (which may be on a specified date or by reference to an event (such as the transfer)). The decision may be stated to be contingent on the transfer happening (including happening in a particular way or in relation to particular relevant business). The PSR's notice may be given at any time after the notification mentioned in paragraph 6.5 has been given to the PSR, including after the transfer has taken place.

6.12 The PSR shall maintain a schedule of directed PSPs on its website.

7 Commencement and duration

7.1 This specific direction comes into force on 6 July 2023.

7.2 This specific direction shall continue in force until such time as it is varied or revoked by the PSR.

7.3 The PSR will review this direction three years and five years after the date on which it comes into force.

7.4 The PSR may also review this direction at any other time than as provided for in paragraph 7.3.

7.5 The PSR may vary or revoke this direction at any time.

8 Citation

8.1 This specific direction may be cited as Specific Direction 14 (card-acquiring – provision of information (summary box)).

9 Interpretation

9.1 The headings and titles used in this specific direction are for convenience and have no legal effect.

9.2 The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.

9.3 References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

- 9.4 In this specific direction, the word ‘including’ shall mean including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word, and the word ‘include’ and its derivatives shall be construed accordingly.

~~Made on 6 October 2022~~

~~Chris Hemsley~~

~~Managing Director~~

~~Payment Systems Regulator~~

Made on 6 October 2022

(varied by Specific Direction 14/15/16a: varying Specific Directions 14, 15 and 16 (card-acquiring services) on 29 May 2024.)

Chris Hemsley

Managing Director

Payment Systems Regulator

Explanatory notes

Summary box

- 1.** With respect to pricing information on transactional charges, this direction is intended to take into account that different PSPs offer card-acquiring service products that differ in how the cost of accepting a transaction is determined. PSPs may apply a 'headline rate' to a particular type of transaction which can take the form of a pence per transaction fee, an ad valorem fee or a combination of the two. Some PSPs may also apply additional transaction charges to certain transactions – for example, card-not-present transactions. The intention is that the summary box clearly explains to the merchant how they are charged for accepting transactions and to highlight that the different characteristics of a transaction may affect the cost.
- 2.** With respect to pricing information on non-transactional charges, this direction is intended to take into account the fact that for merchants using many different CAS products, transaction charges will not account for all of their charges; in many cases, non-transactional charges will represent a significant portion of their total charges for accepting card payments. The summary box is therefore intended to capture some of the more significant recurring charges to highlight to merchants that these charges will also apply and the level of these charges. Where a provider does not charge such fees, or a third party provides and charges the merchant directly for certain services (such as supplying POS terminals), they will be able to note this accordingly.

Online quotation tool

- 3.** By displaying a quote in a format based closely on the summary box format, merchants will be able to easily compare the quote with their summary box information provided by their existing provider. This will inform their decisions whether to switch provider or, alternatively, to attempt to negotiate better pricing with their existing provider.
- 4.** The pricing and non-price information contained in the quote is intended to be indicative. This direction takes into account that the provider will need additional information and to undertake certain processes (such as 'know-your-customer' (KYC) and anti-money laundering checks) from the merchant in order to provide a contractual offer with binding pricing. That said, as many of the key information items providers use to determine pricing are contained in the summary box (for example, average transaction value, merchant category code, etc), the expectation is that the indicative pricing (and non-price factors) will be reasonably proximate to what the provider may offer on a binding basis.

Application to ISOs

5. ISOs can be an important entry point for merchants looking to buy card-acquiring services. ISOs are tasked by acquirers with procuring new merchant relationships in return for commission. Given ISOs' role in merchant recruitment, the PSR is directing the directed PSPs to ensure that any ISOs they work with provide online quotation tools. This will allow merchants to have access to a wide range of indicative pricing information, which they can use to inform their decisions when shopping around.
6. The PSR would expect a directed PSP to make partner ISOs aware of the relevant requirements of this direction and any other applicable guidance, publication or consultation by the PSR. It should do so in a timely manner.

Modifications for accessibility

7. The direction allows for reasonable modifications to be made to the prescribed forms for the summary box and/or online quotation tool where necessary for accessibility reasons – for example, to allow for an Easy Read version. No modifications other than those necessary may be made to the format, and all information prescribed must be included.

Status of directions and explanatory notes

Directions give rise to binding obligations. Breaching a direction is a compliance failure which makes a party liable to regulatory sanction.

Explanatory notes may be used, among other things, to explain provisions and requirements (such as General Directions) and/or to indicate how to approach compliance.

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