

Consultation paper

Market review of card scheme and processing fees

Remedies consultation

April 2025

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 28 May 2025**.

You can email your comments to schemeandprocessingfees@psr.org.uk or write to us at:

Scheme and processing fees market review team
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

We will consider your comments when preparing our response to this consultation.

We will make all non-confidential responses to this consultation available for public inspection.

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www.psr.org.uk/publications/market-reviews/cp25-1-market-review-of-card-scheme-and-processing-fees-remedies-consultation/

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Contents

1	Executive summary	4
2	Background	8
3	Our interim report proposals, stakeholder feedback and our response	14
4	Remedies under consideration – information transparency and complexity	33
5	Remedies under consideration – regulatory financial reporting	47
6	Remedies under consideration – pricing governance	59
7	Remedies under consideration – publishing scheme information	69
8	A summary of our current view of the remedies and remedy package	75
Annex 1:	Initial cost benefit analysis	80
Annex 2:	Consultation Questions	104

Note: The places in this document where confidential material has been redacted are marked with a [X]. Some numbers have been replaced by a range; these are shown in square brackets.

1 Executive summary

Introduction

1.1 We are consulting on potential remedies to address the detriment identified in the findings of our market review of Mastercard's and Visa's ('the schemes') scheme and processing fees. Our intention is to introduce the following remedies:

- **Better information for merchants and acquirers:** Ensure that the schemes provide acquirers with better information to understand their fees and improve the ability of merchants to understand the fees they are charged.
- **Regulatory financial reporting:** To enable us to effectively monitor and understand the schemes' financial performance in the UK, to assess the impact and effectiveness of regulatory interventions we make and make informed decisions on future regulatory interventions, if any.
- **Pricing governance:** The schemes will improve their governance and record-keeping for their pricing decisions.
- **Publishing scheme information:** Publishing information about the schemes to increase transparency and accountability.

Our market review

1.2 We carried out a market review of Mastercard and Visa's scheme and processing fees to understand competitive constraints, pricing and profitability, and market outcomes. We published our [final report](#) on 6 March 2025. We concluded that:

- Mastercard and Visa are subject to ineffective competitive constraints on the acquiring side of the market, which is unlikely to change in the short to medium term.
- Fees have risen substantially in recent years, with no clear evidence that new fees are set on the basis of detailed cost analysis, competition or innovation. While we have not been able to reach a firm conclusion on the schemes' UK profitability, we have found evidence of Mastercard's and Visa's UK profits that is consistent with a finding that their margins are higher than would be expected in competitive markets.
- Mastercard's and Visa's failure to provide sufficiently clear and detailed information creates poor outcomes for acquirers and merchants, in particular by raising their costs and distorting their ability to respond to the schemes' price signals.

1.3 In addition, we were unable to gain sufficient clarity on the schemes' UK profitability, and acquirers are unable to gain sufficiently clear and detailed information on the drivers of fee changes. This meant that we were limited in our ability to reach the level of robustness we wanted in our final report conclusions.

1.4 In light of these findings, our key aims are as follows:

- Ensuring that acquirers and merchants receive better information to understand the fees they are charged, in order to ultimately reduce costs to acquirers and merchants and lead to improved pricing outcomes over time.
- Enabling the PSR to understand the schemes' market position over time. Then, once remedies are in place, enable the PSR to understand whether there remain problems that may require further regulatory intervention. In order to achieve this:
 - Ensure that the PSR has access to suitable data in order to reach firm conclusions on the profitability of the schemes.
 - Ensure that pricing decisions are appropriately evidenced, so as to enable the PSR to effectively investigate the appropriateness of the level at which fees are set.
- Ensuring that there is sufficient information about the schemes in the UK in order to enable stakeholders, including service users, to scrutinise their financial performance and levels of fees relative to the services they offer, thus helping to counteract or mitigate the lack of effective competitive constraints the schemes face.

1.5 In the interim report of our market review we set out our thinking on potential remedies and next steps based on our provisional conclusions. We have considered all the responses we received throughout the market review process, and used them to help us design the remedies package we are consulting on here. We want to gather further evidence, to develop these remedies or indicate other potential remedies, through this consultation.

Information transparency and complexity (ITC) remedies

1.6 We are proposing ITC remedies to address our finding that information received from Mastercard and Visa can be insufficient for acquirers to understand the fees they are charged, in turn this is likely to affect the information received by merchants. We want to make sure the schemes give acquirers the information they need to access, assess and act on pricing information, and improve merchants' ability to make informed decisions about fees.

1.7 We propose that Mastercard and Visa should provide:

- sufficient information for acquirers to understand existing fees
- sufficient information for acquirers to understand changed and new fees
- meaningful and prompt responses to acquirers' fee-related queries
- information for merchants on fees charged to acquirers

1.8 We are not currently proposing a remedy to reduce the volume of fees schemes charge acquirers. We are asking for more views on this and, if appropriate, how we could reduce the volume of fees to reduce complexity while minimising unintended consequences.

Regulatory financial reporting

- 1.9** We are proposing that Mastercard and Visa give us detailed financial reports so we can effectively monitor and understand their financial performance in the UK. This will help us to decide if we need to take any regulatory action in the future, and to assess the impact and effectiveness of our interventions.
- 1.10** In order to understand the schemes' financial performance, we consider that we need to know the answers to three key questions:
1. What is the level of profitability of their relevant UK operations?
 2. Which products, services or customers drive this level of profitability?
 3. What trends can be identified?
- 1.11** To answer these questions, we propose that the schemes report to us on their UK businesses, comprising:
- the supply of scheme and processing services in the UK (relevant UK operations)
 - other products and services provided by the schemes in the UK or to, or on behalf of, UK customers (other UK operations)

Pricing governance

- 1.12** We are proposing measures to improve the information the PSR can rely on when assessing pricing decisions made by Mastercard and Visa. We propose to achieve this by:
- Requiring the schemes to 'pay due regard' to three pricing principles when taking pricing decisions for fee change events:
 - system outcomes
 - service users' interests
 - reasonableness
 - Requiring schemes to produce a pricing decision record (PDR) for each fee change event. This will be a complete record of the relevant considerations, including how they have had due regard to the pricing principles.
 - Requiring the schemes to appoint a senior manager to ensure they meet our requirements for pricing decisions. This includes reporting to us on their compliance and providing a qualitative summary of the schemes' pricing decisions.
 - Requiring the schemes to send us PDRs upon request, so we can clearly understand how and why they reached a particular pricing decision.
- 1.13** The remedy will also build on our existing General Direction 1, which requires regulated parties and payment system participants to notify us of material fee changes.

Publishing scheme information

- 1.14** We want to increase transparency and ensure schemes are able to be held to account by all relevant stakeholders. This remedy would comprise two stages:
1. Publishing suitable financial and performance-based metrics relating to the schemes' UK businesses, for example total number of transactions and approximate revenue from scheme and processing fees.
 2. Publishing information about the schemes' regulatory financial reporting and pricing governance. We are also considering whether other information may be relevant to increase transparency and accountability.
- 1.15** We propose to publish the information on our website and that schemes also be required to publish relevant information.

Consultation process and next steps

- 1.16** This document sets out our current views on our proposed remedies. We seek stakeholder feedback on:
- the remedies in principle
 - the potential specific features of our remedies
 - the considerations that have informed our views, including our initial cost benefit analysis (CBA)
- 1.17** We welcome all feedback. We have highlighted issues where we would particularly welcome evidence.
- 1.18** Please send us your responses by **5pm** on **28 May 2025** using the details on page 2.
- 1.19** If we decide to proceed with our remedies considering the feedback to this consultation, we will consult on our specific proposed remedy package (including a draft CBA and draft direction). If we decide not to proceed, we will publish our reasons and next steps.

2 Background

Following the publication of our final report, we are consulting on our proposed approach to remedies to address our final report findings.

The market review

- 2.1** Market reviews are one of the principal ways we investigate the market for payment systems, or the markets for services provided by payment systems.
- 2.2** Card payments are critical to the smooth running of the UK economy as they enable people to pay for their purchases and merchants to accept payments for goods and services. They are a well-established method for consumers to make payments, and their use is growing. Mastercard and Visa are central to this; over 95% of transactions using UK issued cards are made on their rails. However, a considerable number of stakeholders, including individual UK merchants and UK merchant associations as well as acquirers, have consistently raised concerns about Visa and Mastercard increasing fees to an extent that cannot be explained by changes in the volume, value or mix of transactions.
- 2.3** In light of these concerns, we conducted a market review into Mastercard and Visa's scheme and processing fees using our powers under the Financial Services (Banking Reform) Act 2013 ([FSBRA](#)). In addition to card fees, we also considered payments that the card schemes make to service users as well as other fees and payments relating to the card schemes' scheme and processing activities.
- 2.4** We published our [interim report](#) in May 2024 and received 24 written responses, from the card schemes as well as a range of merchants, acquirers, and industry bodies. The card schemes broadly disagreed with our findings, arguing that the market is competitive and market outcomes positive. Merchants, acquirers, and industry bodies were broadly supportive of our findings but expressed disappointment that the remedies we were considering did not go far enough to address the consequences of the lack of competition.
- 2.5** We published our [final report](#) on 6 March 2025. In reaching the final conclusions of our market review; we considered, responded to and engaged with written responses to our interim report and any other additional representations that stakeholders made after the consultation closed. We based our conclusions on information and evidence received in previous phases of this review as well as additional evidence gathered since publication of the interim report.

Our findings

Competitive constraints on the schemes

2.6 We assessed the extent of the competitive constraints that Mastercard and Visa face in the supply of core scheme services, core processing services, and a range of optional services offered to acquirers and merchants. We found that:

- Mastercard and Visa do not face effective competitive constraints in the provision of core scheme services and core processing services on the acquiring side.
- Mastercard and Visa are subject to varying degrees of constraint across their optional services, with stronger indications that a lack of effective alternatives results in the schemes not facing effective competitive constraints in the supply of some of these services.
- Mastercard and Visa face stronger competitive constraints on the issuing side than on the acquiring side. These constraints are mainly a result of competition between Mastercard and Visa, rather than with providers of other payment methods, as each scheme competes to win issuing portfolios.

Market outcomes

2.7 We assessed the outcomes for customers of Mastercard and Visa scheme and processing services in the UK. We found that:

- The average fee levels charged by Mastercard and Visa to acquirers for core scheme and processing services rose by at least 25% in real terms between 2017 and 2021.
- The balance of scheme and processing fees that the Mastercard and Visa charge fall heavily on the acquiring side of the schemes rather than on the issuing side, with net fee revenue from acquirers accounting for most [3] of net scheme and processing fee revenue for Mastercard (in the period between 2017 and 2023) and for Visa (between 2018 to 2023).
- There was a sizeable gap between the margins of comparable companies operating in more competitive markets, which are in a range of 12% to 18% in the period 2018 to 2023, and the margin range derived from Visa's financial information ([3] to 64%) as well as the upper end of the margin range derived from Mastercard's financial information ([3] to 54%). We considered that this evidence is consistent with a finding that Mastercard's and Visa's margins are higher than would be expected in competitive markets, and consistent with our finding of a lack of competitive constraints. However, the data we obtained during our market review did not allow us to reach a firm conclusion on the level of the schemes' UK profitability. This is because Mastercard and Visa do not report financial performance for their respective UK businesses, and because there are large discrepancies in the schemes' financial performances across the datasets we looked at.
- The current level of fees charged is not a necessary condition to support the level of investment and innovation in the card industry. Increased competition would lead to more innovation to the benefit of card users.
- Mastercard and Visa do not provide sufficiently clear and detailed information to acquirers, resulting in their receiving complex or incomplete information on core and optional scheme and processing services and fees. This raises acquirers' and merchants' costs and distorts their ability to respond to the schemes' price signals.

Conclusions of our final report

- 2.8** We considered the findings in light of our legal framework, including our general duties, objectives, and regulatory principles under FSBRA and concluded that the market is not working well for the following reasons:
- Mastercard and Visa are subject to ineffective competitive constraints on the acquiring side of the market, which is unlikely to change in the short to medium term.
 - Fees have risen substantially in recent years, with no clear evidence that new fees are set on the basis of detailed cost analysis, competition or innovation. While we have not been able to reach a firm conclusion on the schemes' UK profitability, we found evidence of Mastercard and Visa's UK profits that is consistent with a finding that their margins are higher than would be expected in a well-functioning market.
 - Mastercard's and Visa's failure to provide sufficiently clear and detailed information creates poor outcomes for acquirers and merchants, in particular by raising their costs and distorting their ability to respond to the schemes' price signals.
- 2.9** These conclusions indicate that certain aspects of the market, specifically the level and quality of information available to acquirers and merchants who use, or may use, the schemes' core and optional services, are not working well by reference to our objectives, including both the competition and the service-user objective. This is because they are insufficient to enable acquirers and merchants to use certain core and optional services in a way that best reflects their needs and promotes their interests.
- 2.10** In addition, certain aspects of the market, specifically the level and structure of fees may not be working well by reference to our objectives – that is, we are concerned that they do not reflect effective competition conditions and are not set at a level that takes into account both the need to promote innovation and the need to take account of the interests of users of the schemes' networks on both sides of the market (in particular acquirers, merchants and their customers). However, better information would be required in order to reach a firmer view (in particular for assessing the current level of fees).
- 2.11** In undertaking this market review and reaching our conclusions, we had regard to the regulatory principles in FSBRA, including the desirability of sustainable growth in the UK economy in the medium or long term. We noted in particular that UK acquirers and merchants may face higher costs and prices due to lack of effective competition. We concluded that the issues we have identified are not conducive to such growth.
- 2.12** Overall, taking our conclusions separately and together, we concluded the market is not working well and that UK merchants and their customers are likely to be suffering harm as a result. We therefore considered that intervention is warranted and are now consulting on our approach to remedies.

Our approach to designing remedies

- 2.13** In this document we set out our proposed approach to remedies to address our final report findings.

- 2.14** Mastercard and Visa do not consistently provide sufficiently detailed and clear information to acquirers, resulting in them receiving complex or incomplete information. This results in acquirers' ability to make informed decisions being negatively impacted, with consequential impacts for merchants. Our potential measures – targeted towards information transparency and complexity challenges (set out in Chapter 4) – seeks to improve accessibility and information availability for service users (acquirers and merchants).
- 2.15** The results of our profitability analysis are consistent with a finding that Mastercard's and Visa's margins are higher than would be expected in competitive markets, and consistent with our finding of a lack of competitive constraints. However, on the basis of the data currently available, we are not in a position to effectively assess the schemes' financial performance in the UK and reach a firm conclusion. Our approach of regulatory financial reporting (set out in Chapter 5) seeks to enable us to effectively monitor the financial performance of Mastercard and Visa by addressing the evidential shortcomings.
- 2.16** Our understanding of pricing and ability to sufficiently investigate the basis on which pricing decisions are taken is also currently limited due to a lack of available information. This includes cost analysis conducted by the schemes. We have seen little evidence that fee increases are linked directly to any changes in relevant costs or that new fees are set based on detailed cost analysis. The sample of fee changes we have reviewed indicates that Mastercard and Visa do not record in writing all the factors that decision-makers consider when approving fee changes. This limits our understanding of the drivers of fee changes. Our pricing governance remedy (set out in Chapter 6) focuses on requiring schemes to better evidence pricing decisions, including how they have paid 'due regard' to a set of pricing principles. This will improve our ability to effectively assess whether prices are being set at an unduly high level and contrary to the interests of service users.
- 2.17** There is poor public understanding of the schemes' financial information in the UK and awareness of the revenue collected from scheme and processing fees or the resulting impact on the cost of doing business in the UK. This contributes to a lack of public scrutiny of the schemes' fee levels and fee changes, and their impact on UK businesses' ability to invest and grow. The publication remedy (Chapter 7) will provide information to the market to enable stakeholders, including service users, to understand key aspects of Mastercard's and Visa's operational and business activities. This includes, over time, their level of profitability in the UK.
- 2.18** The key aims of our remedial action are as follows:
- Ensuring that acquirers and merchants receive better information to understand the fees they are charged, in order to ultimately reduce costs to acquirers and merchants and lead to improved pricing outcomes over time.
 - Enabling the PSR to understand the schemes' market position over time. Then, once remedies are in place, enable the PSR to understand whether there remain problems that may require regulatory intervention; and, in order to achieve this:
 - Ensure that the PSR has access to suitable data in order to reach firm conclusions on the profitability of the schemes.
 - Ensure that pricing decisions are appropriately evidenced, so as to enable the PSR to effectively investigate the appropriateness of the level at which fees are set.

- Ensuring that there is sufficient information about the schemes in the UK in order to enable stakeholders, including service users, to scrutinise their financial performance and levels of fees relative to the services they offer, thus helping to mitigate the lack of effective competitive constraints the schemes face.

Remedies work to date

- 2.19** Throughout this market review we engaged with stakeholders about the state of the market and potential remedies. We met with 43 stakeholders in total. This includes stakeholder roundtables for acquirers, merchants, and issuers (with 32 attendees in total) and bilateral meetings with trade bodies representing thousands of merchants.
- 2.20** In May 2024 we published our interim report, which asked consultation questions about the actions we were considering. We received 24 written responses, from the card schemes and a range of merchants, acquirers and industry bodies concerning possible remedies.

Effectiveness and proportionality

- 2.21** In accordance with our Markets Guidance, we aim to ensure that any action we take is effective and proportionate to the concerns identified.¹
- 2.22** We have looked for remedies that would be effective and proportionate in achieving their aims. At this stage, we do not have sufficient information to make a full assessment of effectiveness and proportionality, because we are still developing features of our remedies. We also do not have access to information to understand in detail the potential implementation costs associated with these remedies. However, we consider that the remedy package we are proposing is capable of being effective and proportionate, particularly given our findings on the scale of harm and potential harm that may be arising as a result of the market not working well.
- 2.23** In our consideration of proportionality we are considering whether the remedy (or remedy package) would:
1. be effective in achieving its aim
 2. be no more onerous than is required to address that aim
 3. incorporate the least onerous among the available options that are effective in addressing that aim
 4. not produce adverse effects which are disproportionate to the objective of addressing that aim
- 2.24** We are also having regard to our regulatory principles, including section 53(b) of FSBRA which provides: 'the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction'.

¹ PSR, [Markets Guidance](#), PSR15/2.2 (August 2015). The Markets Guidance also refers to CMA guidance, CC3 (revised) April 2014: 'We note what the CMA has said regarding effectiveness and proportionality in the context of its assessment of possible remedies following a market investigation (Part 4 in general and paragraphs 334 to 347 in particular)'.

- 2.25** In Chapters 4 to 7, we set out how each of our proposed remedies contributes to our aims outlined in paragraph 2.18. We discuss possible appropriate design features to ensure that our remedies are effective.
- 2.26** In Chapter 8, we set out our initial view that, taken together, the package of remedies we are proposing is effective in achieving our overall aims.
- 2.27** If we proceed to consult on a specific remedies package, we will provide an assessment of effectiveness and proportionality, together with a draft CBA.

Structure of this consultation document

- 2.28** The remainder of this document is structured as follows:
- **Chapter 3 – Our interim proposals, stakeholder feedback and our response:**
We set out the proposals in our interim report, stakeholder feedback to these and our response to this feedback.
 - **Chapter 4 – Remedies under consideration – information transparency and complexity (ITC):** We set out the design of our ITC remedy and invite views from stakeholders.
 - **Chapter 5 – Remedies under consideration – regulatory financial reporting (RFR):**
We set out the design of our RFR remedy and invite views from stakeholders.
 - **Chapter 6 – Remedies under consideration – pricing governance:** We set out the design of our pricing governance remedy and invite views from stakeholders.
 - **Chapter 7 – Remedies under consideration – publishing scheme information:**
We set out the design of our publication remedy and invite views from stakeholders.
 - **Chapter 8 – A summary of our current views of the remedies and remedy package:** Sets out our current views on the effectiveness of our proposed remedies, and our proposed remedy package.
 - **Annex 1 – Cost benefit analysis (CBA):** We set out a high-level initial CBA of our potential remedies approach.
 - **Annex 2 – Consultation questions:** A full list of questions in this consultation.

3 Our interim report proposals, stakeholder feedback and our response

This chapter reviews the remedies we proposed in our interim report, the feedback we received and how we have developed them in response. It also considers remedies that we proposed but are now not progressing. It sets out why we will not be proceeding with other remedies that stakeholders have suggested.

Introduction

3.1 The chapter is structured into five sections:

- The first section looks at how the remedies currently under consideration have evolved from those presented in the interim report, and how we have taken account of stakeholder feedback. We look in turn at the four remedies that form the proposed package presented in this consultation.
- The second section confirms that we will not be proceeding with interim remedies (by which we mean interim remedies to mitigate the issues we have identified in the short-term).
- The third section confirms that we will not be proceeding with remedies that we previously ruled out in the interim report, and we summarise the reasons why we have decided not to proceed with these.
- The fourth section summarises why we will not be proceeding with other remedies that stakeholders have suggested as part of their submissions.
- The last section outlines potential future work that we may undertake but that does not form part of our current approach.

Remedies currently under consideration

3.2 Chapter 8 of our interim report set out our thinking on potential remedies and next steps based on our provisional conclusions that the supply of scheme and processing services is neither working well nor working in the interests of all service users.² In the interim report we explained that we were considering actions to address the detriment we identified and briefly outlined our objectives and some potential high-level approaches. The interim report considered action across four areas:

- regulatory financial reporting (RFR) (paragraphs 8.7 to 8.15 of the interim report)
- pricing methodology and governance (paragraphs 8.16 to 8.22 of the interim report)
- mandatory consultation and timely notification requirements (paragraphs 8.23 to 8.30 of the interim report)
- complexity and transparency (paragraphs 8.31 to 8.34 interim report)

3.3 We published our interim report in May 2024 and received 24 written responses, from the card schemes as well as from a range of merchants, acquirers, and industry bodies. We have taken into account, responded to and engaged with written responses to our interim report and any other additional representations that stakeholders made after the consultation closed. We have also taken into account information and evidence received in previous phases of this review as well as additional evidence gathered since publication of the interim report.

3.4 In light of representations from stakeholders and further analysis we have undertaken, we are now consulting on the following potential remedies:

- information transparency and complexity
- regulatory financial reporting
- pricing governance
- publishing scheme information

3.5 The following section sets out: our proposals in the interim report; the stakeholder feedback we have received; our response to this feedback; and our current views on these remedies or remedy categories.³

2 [PSR MR22/1.9 Market review of scheme and processing fees: Interim report \(Interim Report\), May 2024](#), Paragraph 8.1.

3 As set out in Chapter 4, we are now proposing a package of ITC remedies that includes a revised set of the complexity and transparency remedies in our interim report together with a form of mandatory notification requirement. We therefore consider the feedback on mandatory consultation, timely notification, and complexity and transparency, in the same section. See paragraphs 3.6 to 3.22 below.

Information transparency and complexity

What we proposed in our interim report

3.6 In our interim report we provisionally found that scheme and processing fees are overly complex and lacking in transparency, and that this is not working in the interests of service users. We considered the following potential complexity and transparency remedies to address these issues:

1. A requirement that behavioural fees are invoiced with sufficient detail, in an appropriate and accessible format, to ensure that acquirers can accurately pass the costs on to those merchants responsible for triggering them.
2. A requirement that all optional services are clearly identified as optional through the development of clear service level descriptions setting out how and why they are considered optional, and are offered on an opt-out basis.
3. A requirement to provide clear information to merchants on how scheme and processing fees work, whether through bespoke materials or a dedicated web portal.
4. A developed taxonomy of scheme and processing fees, so that the classification of fees is consistently understood across the UK payments sector.
5. Requirements on the card schemes to reduce their number of services (referred to below as 'fee volume reduction'), either in the form of a broad obligation to demonstrate steps being taken over time to reduce their number of services or precise obligations to reduce their number of services by a specified percentage.
6. Improvements to the ways in which information is made available through the schemes' portals.

3.7 In Chapters 6 and 7 of the interim report, we also noted that changes to pricing are notified after they have been agreed and as set out in Chapter 7, although the schemes do notify acquirers in advance of fee changes, they can be substantially revised as close as five weeks before implementation.

3.8 In the interim report, we therefore considered a potential mandatory consultation and timely notification remedy to address these issues, which required schemes to consult acquirers on fee changes before internal approval. Schemes would then have to report to the PSR and acquirers how the feedback was incorporated into any decision-making. They would also have to engage merchants on upcoming changes. Schemes would also be required to notify in advance any fee changes, and not implement fee changes until a specified period of time has passed after the notification.

Feedback from the schemes

3.9 The card schemes both provided submissions in relation to these potential remedies:⁴

- Both card schemes expressed concerns about the proportionality of the transparency and complexity remedies.⁵ Mastercard noted that many of the concerns expressed relate to behavioural fees which account for a very small proportion of revenues.⁶
- Mastercard noted that it was already making improvements to address concerns as to the complexity and transparency of its pricing, and that regulation was unlikely to be justified or the most effective and rapid means of redress in these circumstances.⁷
- Both card schemes objected to the proposal to require them to reduce their number of services. Both explained that their range of services met the wide range of their customers' needs and that a requirement to reduce the number of services could be detrimental to competition, innovation and the extent to which their services are tailored to the needs of their customers.⁸
- Visa recognised that some of the measures outlined in these remedies could in principle be implemented, if appropriately scoped in a manner which is proportionate to the evidence which the PSR has available to it.⁹
- Both schemes objected to our proposed mandatory consultation and timely notification requirements.¹⁰
- Both schemes noted potential competition law concerns relating to the exchange of sensitive commercial information and possible PSR-mandated price signalling to competitors.¹¹ Visa also pointed to a danger that a mandatory consultation requirement could, depending on how the precise rules around Visa's obligations in response to any such consultation are implemented, amount to a form of price regulation if, for example, it was required to demonstrate that it had responded to and/or reflected acquirer feedback in its post-consultation pricing decisions.¹²
- Visa highlighted a 'compounding' effect of some of the PSR's proposed remedies with pricing methodology, governance, consultation and notification collectively implying a substantially longer process for Visa to deploy new services in the UK, with adverse consequences for competition and innovation.¹³

4 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.12 to 6.23 and 6.32 to 6.40. Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraphs 5(c) and 5(d).

5 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraph 5(d); [3-]. Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.12 to 6.23.

6 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), page 9 and paragraph 5D (page 90).

7 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraph 5D (page 90).

8 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraph 5D. Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.16 to 6.22, and [3-].

9 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraph 6.13.

10 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.32 to 6.40 [3-]; Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraph 5C [3-].

11 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.32 to 6.40 and [3-] and Mastercard, Response to PSR MR22/1.9 *Interim Report* (30 July 2024), paragraph 5C and [3-].

12 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.38.

13 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 7, paragraph 7.5(c).

- Mastercard additionally noted that consultation with acquirers on specific pricing proposals may not improve pricing outcomes overall as acquirers' incentives are not necessarily aligned with those of other ecosystem participants.
- In relation to timely notification, Mastercard stated that, other than in very exceptional circumstances, it already gives acquirers nine months' notice before implementing approved fee changes.¹⁴
- Mastercard also noted that just seven of the 17 acquirers consulted by the PSR expressed concerns around sufficient time to implement fee changes.¹⁵

Feedback from other stakeholders

- 3.10** In response to our interim report, stakeholders were generally very supportive of the transparency and complexity remedies proposed. However, some stakeholders also raised concerns about a potential fee volume reduction remedy, referring to the risk of unintended consequences, such as bundling.¹⁶ This is discussed further in Chapter 4.
- 3.11** Stakeholders were also supportive of a potential timely notification remedy.¹⁷ Stakeholders were less supportive, however, of the mandatory consultation element.
- 3.12** Alongside our consideration of responses to our interim report, we engaged with stakeholders from across the market on this set of remedies. This included roundtable discussions¹⁸ with acquirers, issuers and merchants, and further bilateral discussions with 11 acquirers.¹⁹
- 3.13** In these remedy discussions, acquirers told us there were distinct issues and themes throughout the process acquirers use when dealing with scheme and processing fees (specifically when trying to reconcile invoices received from the schemes). Acquirers have said that the remedies should aim to:
- improve technical information and data provided by the schemes regarding fees to allow accurate forecasting, reconciliation of invoices and ascertain the likely impact of fee changes
 - require schemes to provide a minimum standard of service for fee-related queries
- 3.14** Additionally, both acquirers and merchants debated the benefits and costs of a remedy aimed at reducing the number of fees charged by the scheme and whether a website aimed at increasing transparency to merchants would be beneficial.
- 3.15** Responding to the interim report, ten stakeholders²⁰ commented specifically on the timely notification requirement. They all expressed support for the remedy, submitting that timely notification could provide better clarity and certainty on when new fees or fee changes are being implemented, enabling advance financial planning on their impacts, which was a priority for these stakeholders.

14 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraph 5C and [3-].

15 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), paragraph 5C.

16 See also, MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraphs 13-16, where similar concerns were raised ([3-]).

17 These remedies were also positively received at the stakeholder roundtables, 16 July 2024 see MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraphs 32-34 ([3-]).

18 See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025).

19 Acquirers we had bilateral discussions with and/or responded to the Interim Report: [3-].

20 [3-].

3.16 A majority of acquirers, issuers and merchants that responded viewed the proposed mandatory consultation design as adding an unnecessary intermediate step without any identifiable benefits. An acquirer [3] and an industry association [3] felt that this remedy would not materially help and could potentially impose a burden on the industry and merchants, by having to dedicate resources to meaningfully engage in a consultation process but with the potential of only limited returns.²¹

Our response to feedback provided by stakeholders

3.17 While the schemes suggested that the remedies described above would be disproportionate, the majority of feedback we have received from other stakeholders indicates that most of these remedies would be welcomed from across the market, and would help to address the issues found in relation to transparency and complexity.

3.18 We also note that Visa indicated that some of our complexity and transparency remedies (with the exception of fee volume reduction) could represent a positive step forward.²² Similarly, Mastercard did not dispute the need for action to improve the information provided to its customers, but instead questioned whether regulation was necessary to address the concerns or if they were better addressed by steps it is taking already to improve how it meets customers' needs. As set out in Chapter 7 of the final report, we have considered whether the recent improvements made by the schemes affect any of our findings and have concluded that these improvements have not sufficiently addressed the poor outcomes we have identified. As such, we continue to consider that regulatory action is required to achieve our aim that acquirers and merchants receive better information to understand the fees they are charged, in order to ultimately reduce costs to acquirers and merchants, and lead to improved pricing outcomes over time.

3.19 We set out in Chapter 4 our updated thinking in relation to these remedies (including timely notification). We have sought to improve upon the remedies set out in the interim report, in order to develop a set of remedies that would be proportionate and effective, including over time.

3.20 With regards to fee volume reduction, we note the concerns raised by the schemes and other stakeholders that this requirement has the potential to negatively impact competition and innovation, while also presenting risks of unintended consequences such as bundling. Alongside this, we have also considered feedback in response to our remedy proposals – and evidence gathered in our market review – that the number of fees may contribute to the complexity of such fees.²³ As such, we consider that we need more information in order to determine whether to progress, or not progress, a fee volume reduction requirement. As set out further below in Chapter 4, we are asking for more feedback on fee volume reduction and how this might practically be designed to reduce complexity without creating negative impacts. We are therefore seeking feedback on three options:

- to develop a fee volume reduction requirement, as part of the remedies for this market review

21 [3]. See also MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraphs 23-31, this remedy received mixed feedback when discussed [3].

22 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraph 6.12-13.

23 [MR22/1.10 Market review of card scheme and processing fees: Final report \(Final Report\) March 2025](#), paragraph 7.83.

- to appoint, or require the schemes to appoint, a skilled person to undertake a review of their fees and fee structure, with a view to reporting to the PSR on ways in which the overall volume of fees could be reduced
- to not take further action in this area at the present time

3.21 We will take responses to this consultation, together with further internal work and stakeholder engagement into account when deciding whether and, if so, how to progress a fee volume reduction requirement.

3.22 In response to the feedback received, we have decided not to progress with a mandatory consultation remedy. This is on the basis that:

- there was a risk that the process of implementing regulator-mandated consultation could become inflexible and bureaucratic, leading to increased engagement costs (particularly for small acquirers)
- there was a lack of clarity on how outcomes can be achieved as it was unclear how feedback would be incorporated by schemes into their product design or pricing decision-making
- mandating consultation would impact flexibility in the introduction of services in the UK by the schemes, which could impact service users

Regulatory financial reporting

What we proposed in our interim report

3.23 In the interim report we consulted on a possible RFR remedy. We proposed requiring the card schemes to provide us with their UK financial performance information on an ongoing basis, in order to provide better insight on their financial performance in the UK. We noted that we were considering the appropriate level of detail for this reporting. We said that the remedy would comprise profit and loss (P&L) and balance sheet information in relation to their UK activities, prepared in accordance with an appropriate methodology on an enduring basis.²⁴ We noted that RFR should apply to the full UK activities of the schemes, 'including all international and cross-border transactions (including foreign exchange [FX] conversion revenues) and activities with a UK nexus'.²⁵

Feedback from the schemes

3.24 The card schemes both objected to our potential RFR remedy:²⁶

- The schemes both said that we had provided no evidence that an RFR remedy is required, and that producing this type of information on a UK basis would be disproportionate and burdensome.²⁷ Visa also highlighted the potential that there could be duplication with the PSR's approach to supervision.²⁸

24 See PSR MR22/1.10 *Final Report*, March 2025, Chapter 8, paragraphs 8.10 to 8.11.

25 See PSR MR22/1.10 *Final report*, March 2025, Chapter 8, paragraph 8.13.

26 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.24 to 6.31; Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), pages 85 to 87.

27 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), pages 85-7 and Visa response to MR22/1.9 *Interim Report* (30 July 2024), paragraphs 6.24 to 6.31.

28 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraph 6.30 and [3-].

- Visa noted that work on the fully loaded UK P&L accounts²⁹ had ‘surfaced the challenges of estimating profitability and that results are highly sensitive to methodologies and assumptions. It is therefore unclear how RFR will assist in the PSR’s analyses as it too will be subject to these same challenges and sensitivities’.³⁰
- Visa additionally said that the PSR has no reasonable justification for collecting balance sheet information through RFR and that producing this information would be extremely burdensome.³¹ Mastercard stated that a balance sheet for the card activities in the UK would impose a significant burden and that the PSR does not explain the purpose balance sheet information would serve as Mastercard does not utilise balance sheet reporting in the UK to manage its business.^{32,33}
- Mastercard considered that there is no evidence, even on an indicative basis (given the limitations of the work that the PSR has been able to perform to date), to conclude that Mastercard’s prices or margins are above what would be expected in competitive markets.³⁴ Visa considered that the PSR had not established that Visa’s profitability indicates harm, nor any harm that might warrant the collection of additional information.³⁵
- The schemes both stated their view that the purpose of the remedy was a means for the PSR to obtain information to justify a price cap.³⁶ Mastercard considered that we could not do this using FSBRA.³⁷ Visa considered that we could not do this using FSBRA section 54 and 55.³⁸ Mastercard considered that a price cap (and an RFR remedy) would be contrary to the PSR’s innovation and competition objectives.³⁹

Feedback from other stakeholders

3.25 We received feedback from five other stakeholders on our RFR remedy:⁴⁰

- Three of the five stakeholders [redacted] expressed support for RFR.⁴¹ One stakeholder [redacted] noted that ‘every other UK economic regulator requires RFR’, citing the CAA, Ofcom, Ofgem, ORR and Ofwat.⁴²

29 See Chapter 5 for an explanation of the schemes’ UK P&L accounts.

30 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraph 6.31.

31 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.25, 6.27 & 6.29.

32 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), page 84.

33 Mastercard has previously said that there would be various challenges to applying a ROCE, including how to properly value intangible assets. Source: Non-confidential stakeholder responses to competitive constraints call for evidence and profitability working paper MR22/1.7, page 302.

34 Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), pages 85 to 87.

35 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraphs 6.24 to 6.31.

36 Visa noted specifically the statement in the interim report that if the PSR had additional information, it may have considered proposing a price cap or a form of price control, see Visa Europe, Response to *Interim Report* (30 July 2024), Technical Annex 6, paragraph 6.28; see also, MR22/1.9, para 8.9.

37 See: Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), page 86 [redacted].

38 Visa Europe response to MR22/1.9 *Interim Report* (30 July 2024), Technical Annex 6, paragraph 6.28 [redacted].

39 See: Mastercard response to MR22/1.9 *Interim Report* (30 July 2024), pages 86 and [redacted].

40 [redacted].

41 [redacted].

42 [redacted].

- All three stakeholders who expressed support for RFR considered that it should be part of a broader package of remedies, including a more interventionist remedy such as a price cap or a price rebalancing remedy.⁴³
- One issuer [S] stated that RFR must be a 'secondary remedy, once the benefits for the industry [from other remedies] have been fully considered/determined'.⁴⁴
- Finally, one acquirer [S] did not support our RFR remedy. It stated that it did not 'believe this will benefit acquirers or merchants'. It said that 'allocation of costs would be a complex exercise, with various different reasonable approaches open for the parties to adopt.' It also noted that the CMA 'abandoned an attempt to measure UK retail bank profitability' in the retail banking market investigation.⁴⁵

Our response to feedback provided by stakeholders

3.26 The schemes suggested that an RFR remedy would be disproportionate, though three of the five other stakeholders expressed support for RFR. In our final report, we found that the financial data that we were able to obtain in the course of our market review did not allow us to reach firm conclusions on the profitability of the schemes. Our current view is that collecting UK-specific information on an ongoing basis through a RFR remedy is an effective and proportionate way to address this finding for the following reasons:

- First, our initial CBA (Annex 1 – paragraphs 1.53 to 1.57) suggests that the costs of implementing our proposed remedy package, including an RFR remedy, may be justified given the potential harm reduction which may be realised following their introduction.
- Second, we could take a primarily principles-based approach such that RFR requirements that can be met in ways that are tailored to Mastercard and Visa's specific circumstances, business model and existing internal systems. This approach could allow us to be more prescriptive where appropriate (e.g. the valuation of intangible assets in a balance sheet).
- Third, we will only request the minimum information required to effectively monitor and assess their UK financial performance. We have also taken into account the potential synergies between an RFR remedy and the PSR's wider work developing its approach to supervision. We will take the fact that we could not reach a firm conclusion on the schemes' UK financial performance, and the need to answer our three key questions (set out in paragraph 1.10) to understand it, into account when designing the PSR's wider regulatory reporting regime.
- Finally, our view is that the evidential shortcomings identified by our market review cannot be resolved through continuing to review the data collected through the market review thus far. We also view gathering such information systematically as more effective and less burdensome than doing so by multiple one-off requests.

3.27 In reaching this view we have taken account of feedback from the schemes and other stakeholders and considered how our proposed approach can avoid creating unnecessary regulatory burden, whilst being capable of achieving the necessary outcomes (i.e. answering the three key questions set out in paragraph 1.10, though we remain open to alternatives).

43 In the Interim Report we noted that we were not minded to pursue a price cap. We did not consider a price rebalancing remedy in the Interim Report (we consider this in Chapter 3 of this document).

44 [S].

45 [S].

3.28 We note and acknowledge Visa's feedback regarding the challenges in producing RFR accounts (for example, in the allocation of costs to the UK operations). We set out in paragraph 5.9 a summary of the challenges we have experienced to date undertaking margin analysis as part of our market review and how we think that our proposed approach to RFR should address these challenges (see paragraphs 5.19 to 5.22).

3.29 We note the schemes' feedback regarding the particular complexity of a balance sheet and the difficulty in valuing intangibles. However, our current view is that collecting balance sheet information would better enable us to understand Mastercard's and Visa's financial performance. In reaching the view that it would be worth collecting this information we have considered that:

- It will enable us to undertake a return on capital employed analysis (ROCE), which will give us a more rounded view of Mastercard's and Visa's financial performance. Using a ROCE-based benchmarking analysis in tandem with a margin-based benchmarking analysis will enable us to take into account the schemes' capital intensity⁴⁶ and to perform additional benchmarking of the schemes' financial performance by comparing the schemes' ROCE to their weighted average cost of capital (WACC). This has the potential to remedy some of the challenges of a margin-based approach to profitability analysis and enables us to more firmly assess the presence and magnitude of economic profits.^{47,48}
- Given the time this market review has taken, and the wider evidence base indicating potential significant harm that may be occurring in the market (see paragraphs 3.30 and Annex 1 – paragraph 1.12 respectively) we think that it would be proportionate to put in place a RFR remedy that fully addresses our concerns, rather than one that might not be entirely effective and ultimately needs to be expanded over time, with the risk of further delaying the PSR's ability to effectively monitor the schemes' financial performance. Other regulators, in their RFR regimes, also have a requirement to include balance sheet reporting. For example, we note that in the Energy Market investigation, the CMA mandated an expansion of Ofgem's regulatory financial reporting regime to include balance sheet reporting.⁴⁹

46 We note that information about the schemes' capital intensity is also helpful in providing context for a margin benchmarking analysis. For example, companies with higher levels of capital employed can be expected to require higher returns than companies with a lower level of capital employed. We further note, for example, that Mastercard said it has substantial intangible assets and that its capital employed is likely higher than shown in its published accounts (See MR22/1.10 *Final report*, March 2025, Annex 10: paragraphs 6.189 and 6.190). Visa said that it had a large intangible asset base that was uncapitalised (See MR22/1.10 *Final report*, March 2025, Annex 10, paragraphs 6.195).

47 For example, as noted in our Final Report, whilst we selected the most sufficiently similar comparators for the purposes of this market review, we acknowledge that no ideal comparators exist (MR22/1.10 *Final report*, March 2025, Annex 10: paragraphs 6.18 to 6.24). We also note that Mastercard and Visa have both raised objections to our approach to and selection of comparators.

48 We note that during the course of the market review, we have revisited the suitability of undertaking a ROCE-based benchmarking analysis, as explained in our February 2023 profitability methodology working paper and September 2023 response. We consider there are benefits in combining a margin-based benchmarking approach with a ROCE-based benchmarking approach to assess the schemes' profitability.

49 CMA, *Energy market investigation: Final report*, 24 June 2016. The CMA noted that 'Providing a balance sheet ... will enhance the integrity of the profit and loss account by helping to ensure that no items are missing and that revenues and costs in the profit and loss account are consistent with values given in the balance sheet' (paragraph 19.176). The CMA also stated that 'Preparing balance sheets as per our remedy will provide Ofgem with balance sheets that are complete and internally consistent with suppliers' profit and loss accounts, which will be a considerable advantage when undertaking a profitability assessment' (paragraph 19.177).

- 3.30** We do not agree with the schemes' statements that our evidence is insufficient to justify RFR. Our final report sets out our finding that there is a lack of competitive constraints on the acquiring side of the market and evidence of pricing and non-pricing outcomes that are consistent with this. We also note in our final report that the potential harm is significant (scheme and processing fees have increased by over £170 million in real terms since 2018) but that we were not able to obtain, as part of our analysis, data allowing us to reach firm conclusions on the level of economic profits. The limitations of the data available, coupled with the findings of a lack of competitive constraints on the acquiring side and pricing and non-pricing outcomes that are consistent with this, point to the need for the schemes to disclose data that would allow the PSR to monitor financial performance more effectively.⁵⁰ For more information on the potential significant harm that our final report found may be occurring in the market, see Annex 1 – paragraph 1.12.
- 3.31** We note the schemes' statements that they consider the purpose of the RFR to be a means for the PSR to obtain information to justify a price cap. These statements are incorrect; the purpose of our RFR remedy is to provide us with better information in order to understand Mastercard's and Visa's UK financial performance to assess the impact and effectiveness of regulatory interventions we make and make informed decisions on future regulatory interventions, if any.⁵¹ This was also the purpose we identified for RFR in our Interim Report⁵² and it is in line with our 2023 profitability working paper in which we first stated that we were considering requiring the schemes 'to provide us with their UK financial information on an ongoing basis to help us better understand these businesses and ensure we deliver against our strategic priorities'.⁵³ We consider that our powers under FSBRA section 54 (or section 55) are suitable for effecting an RFR remedy, as we would be requiring (for example) the schemes to take specified action in relation to their respective designated payment systems.
- 3.32** Whilst we note the support from three of the five other stakeholders for a price cap or price rebalancing remedy in addition to RFR, we are not currently considering a price cap. In the event that in future newly available information, analysis of the effectiveness of the remedies arising from this review, or new market developments suggest that a cap is appropriate, we would have full regard to our statutory objectives and conduct appropriate consultation before designing any price cap.
- 3.33** An acquirer [3] suggested that our RFR remedy would not benefit acquirers or merchants.⁵⁴ We consider that a RFR remedy would reduce the risk of the schemes increasing prices further as it would enable more effective regulation of the schemes, including evaluating the effectiveness of other remedies in the package and enabling us to make informed decisions on future regulatory interventions, if any. We consider that is an important complementary part of the package and its effectiveness and proportionality should be considered in that context. As noted in chapter 5, the remedy would enhance transparency in the supply of scheme and processing services. Therefore, the potential remedy could (in combination with our publishing scheme information remedy) benefit merchants and acquirers by improving their bargaining power.

50 See MR22/1.10 *Final Report*, March 2025, (March 2025), Chapter 6.

51 Due to the fact that we consider RFR to be an important part of assessing the impact and effectiveness of any other regulatory interventions we make, we also do not consider RFR to be a 'secondary remedy'.

52 See MR22/1.9 *Interim Report*, (May 2024), Chapter 8, paragraph 8.10.

53 See MR22/1.5 *Approach to profitability analysis working paper*, (February 2023), paragraph 1.8.

54 [3].

Pricing governance

What we proposed in our interim report

- 3.34** In our interim report we set out potential pricing methodology and governance remedies. We explained that we were considering requiring the schemes to take their pricing decisions in a more consistent and formalised way, and that we were primarily considering methods to improve decision-making processes around pricing and the introduction of new services.⁵⁵
- 3.35** We considered that the aims of a remedy in this area would be to ensure that decisions were taken in a suitable way, both procedurally and substantively. We explained that this might mean that (i) decisions are taken with a clear role for a UK-led committee or sub-committee; and (ii) decisions need to be based on, or have regard to, specified considerations and price increases are linked to underlying cost increases. We stated that these remedies would place the schemes under positive obligations to consider cost, service quality and service users more generally before making pricing decisions.⁵⁶

Feedback from the schemes

- 3.36** The card schemes objected to this remedy:⁵⁷
- Both card schemes argued that the potential remedy could dampen competition and innovation.⁵⁸ Visa further noted that the remedy does not reflect the many factors that Visa strives to consider when determining pricing.
 - Both card schemes stated that there is no robust justification in the interim report to the effect that pricing decisions have not been taken in a suitable way.⁵⁹ Visa further noted that the proposed principle that any pricing decisions could only be cost-based is unjustified, disproportionate and likely to give rise to multiple unintended consequences.⁶⁰
 - Mastercard stated that this remedy could amount to an unjustified interference with its commercial freedom and internal decision-making processes.⁶¹
 - Mastercard noted that a cost-based pricing methodology would restrict its incentives to improve existing services, introduce new services and price them reasonably in order to reward its innovation and risks.⁶² Visa stated that a cost-related pricing methodology would be a real constraint on Visa's ability to operate in an ordinary commercial way.⁶³
 - Mastercard stated it was open to discussing 'appropriate' pricing principles on the basis that it would have commercial freedom to develop its own methodology without incurring unintended consequences.⁶⁴

55 See PSR, MR22/1.9 *Interim Report*, (July 2024), Chapter 8, paragraph 8.16.

56 See PSR, MR22/1.9 *Interim Report*, (July 2024), Chapter 8, paragraphs 8.17 and 8.22.

57 Visa Europe response to MR22/1.9 *Interim Report*, (July 2024), Technical Annex 6, paragraphs 6.41 to 6.50; Mastercard response to MR22/1.9 *Interim Report*, (July 2024), pages 87 to 88.

58 Mastercard response to MR22/1.9 *Interim Report*, (July 2024), pages 87 to 88. Visa Europe response to MR22/1.9 *Interim Report*, (July 2024), Technical Annex 6, paragraphs 6.43 and [3-].

59 Mastercard response to MR22/1.9 *Interim Report*, (July 2024), pages 87 to 88.

60 Visa Europe response to MR22/1.9 *Interim Report*, (July 2024), Technical Annex 6, paragraphs 6.42(b) & 6.44.

61 Mastercard response to MR22/1.9 *Interim Report*, (July 2024), page 87.

62 Mastercard response to MR22/1.9 *Interim Report*, (July 2024), page 88.

63 [3-].

64 [3-].

- Visa stated that the PSR does not have the power to regulate prices in the manner proposed as it does not have the power to regulate or control prices using its s.54/55 FSBRA powers. It stated that this amounts to unlawful price control.⁶⁵

Feedback from other stakeholders

3.37 In response to our interim report, we received feedback from five other stakeholders specifically on our possible pricing methodology and governance remedies; two of them were supportive of the remedy, while three pointed to limitations or potential unintended consequences.

- Two stakeholders expressed support for the remedy⁶⁶; one of them included it in a list of three remedies that the PSR should prioritise.⁶⁷
- One stakeholder submitted that such remedy was unlikely to have a disciplining effect on the schemes' pricing decisions or address harms identified in the interim report.⁶⁸
- Another stakeholder told us that pricing committees may be appropriate for UK retail banks, who have consumer duty obligations, and that this type of supervision is very expensive to implement and complex to oversee.⁶⁹
- One stakeholder advised caution that the remedy may inadvertently lead to price control and/or deter innovation.⁷⁰

3.38 Alongside our consideration of responses to our interim report, we engaged stakeholders from across the market on this set of remedies. This included roundtable discussions⁷¹ with acquirers, issuers and merchants, and further bilateral discussions with 11 acquirers.⁷²

3.39 Two acquirers highlighted that the PSR should be requiring the schemes to provide information more systematically. These acquirers thought it would be helpful if the schemes needed to explain certain details, such as whether each fee is optional or mandatory, how decisions have been made in setting fee levels, and evidence of how the schemes are defining the value of the service.⁷³ One issuer also agreed that looking at methodology and pricing decisions would be helpful in tackling some of the current confusion over fees.⁷⁴

3.40 One acquirer said that this remedy was not a viable solution as it wouldn't address the upward pressure on scheme fees.⁷⁵

3.41 One merchant also expressed a concern that the remedy would not be helpful unless there is a framework to measure the information against (i.e. a simplified taxonomy).⁷⁶

65 Visa Europe response to MR22/1.9 *Interim Report*, (July 2024), Technical Annex 6, paragraphs 6.42(d) & 6.49 and [3-].

66 [3-].

67 [3-].

68 [3-].

69 [3-].

70 [3-].

71 See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025).

72 Acquirers we had bilateral discussions with and/or responded to the Interim Report: [3-].

73 See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraph 39 [3-].

74 See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraph 40 [3-].

75 See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraph 41 [3-].

76 See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraph 41 [3-].

- 3.42** Regarding the possible options to achieve this remedy, an acquirer thought it unlikely that a UK-specific pricing committee would add value, and thought that a retrospective audit approach may be better.⁷⁷

Our response to feedback provided by stakeholders

- 3.43** We note that the above feedback, from both the schemes and other stakeholders, indicates concerns that the proposals set out in the interim report could dampen innovation and competition. Our interim report price methodology proposals were seeking to address our concerns that the schemes' internal records did not (accurately) reflect the drivers for their pricing decisions. The pricing methodology proposal sought to address this challenge by requiring the schemes to set out how they would approach pricing decisions going forward, including specifying how those decisions would be recorded.
- 3.44** As explained in Chapter 6, we have substantially changed this remedy to address stakeholders' concerns. In particular, rather than requiring the schemes to develop a pricing methodology subject to a PSR non-objection decision, we now propose to set out a series of pricing principles that would apply following a short implementation period. This will enable this remedy to be implemented more quickly than the proposals set out in the interim report, whilst continuing to deliver our overarching ambition of ensuring that the schemes' pricing decisions are documented in a consistent and reliable way.

Publishing scheme information

- 3.45** This remedy was not part of the potential remedies we had considered at the publication of the interim report stage. However, in the course of our engagement with stakeholders, we formed a view that it would be beneficial to publicise key information to increase transparency and ensure schemes are held to account by all stakeholders. This remedy aims to ensure that there is sufficient information about the schemes' financial performance in the UK in order to enable stakeholders, including service users, to scrutinise this and the levels of fees relative to the services they offer. The rationale for this remedy recognises that the direct effect of our RFR and pricing governance remedies will not be immediate as they depend on the PSR collecting data over time.
- 3.46** Under our RFR proposals, we are asking schemes to provide us with their UK financial information, and related to this remedy, we received views from stakeholders on publicising this information. Two stakeholders – a merchant association [3] and an acquirer [3] – were supportive of publishing relevant information gathered via RFR.⁷⁸

Our current views regarding remedies we are minded to pursue

- 3.47** Having carefully assessed the objectives of our remedial action as outlined in Chapter 2, and feedback from stakeholders, we consider that, in principle, we should pursue the ITC, RFR, pricing governance and publication remedies. Our initial CBA (see Annex 1) concludes that the costs of implementing our proposed remedy package may be justified given the potential harm reduction which may be realised following their introduction.
- 3.48** In Chapters 4 to 7, we therefore seek to identify design features for remedies that are effective in achieving the aims identified in Chapter 2.

⁷⁷ See MR22/1.11 Summary of stakeholder roundtables for remedies (April 2025) paragraph 42 [3].

⁷⁸ [3].

Interim remedies

3.49 Alongside our proposed remedies, in the interim report we considered that it may be necessary or appropriate, in line with our statutory objectives, to put in place interim remedies (by which we mean interim remedies to mitigate the issues we have identified in the short-term) whilst developing our enduring remedies.

Stakeholder feedback

3.50 Two stakeholders [3] argued that a price rebalancing remedy could be implemented on an interim basis, while a price cap is developed.⁷⁹ We have set out our views on a price rebalancing remedy further at paragraphs 3.60 to 3.64.

Our response

3.51 After careful consideration, we have decided that we will not progress with any interim remedies following our market review.

Update on remedies that were previously ruled out

3.52 In this section, we confirm that we will not be proceeding with remedies that we previously ruled out in the interim report (paragraphs 8.35 to 8.46), including a summary of the reasons why we have decided not to proceed with these.

3.53 We have previously said that:

- Boosting competition is an important part of the PSR's strategy and to promote competition in alternative payment methods, there are ongoing efforts that are aligned with our strategy, for example, our work on developing account-to-account payments via Open Banking. These efforts form part of the wider work PSR is doing so any additional actions within this review are not being considered.
- Encouraging UK merchant steering could theoretically allow merchants to avoid higher scheme and processing fees. However, the constraint steering can impose upon Mastercard and Visa is limited by the small number of effective alternatives. Steering often has limited impact and can result in costs to merchants, especially in the form of increased friction in the payment process and a consequent reduction in sales conversion. It is therefore unappealing to most merchants. Against this backdrop, our current view is that remedies requiring merchants to actively steer their customers to choose a payment method beneficial for the merchant would not be effective in addressing the issues identified in this market review.
- Price caps are not currently being considered. The complexity of the schemes' fee structures and an insufficient evidential basis, as well as complications in designing any fair price cap that reflects the nature of operations means it is not appropriate, at this stage, to consider further. However, this may be reviewed in the future, in particular with access to better data or evidence, or should we observe unexpected changes in prices.

⁷⁹ [3].

Stakeholder feedback

The card schemes

3.54 The schemes provided their view of a price cap, which was overwhelmingly negative, as part of their submissions on the RFR remedy.⁸⁰ This is set out in paragraph 3.24.

Other stakeholders

3.55 We received feedback from eight stakeholders:

- Two stakeholders [X] acknowledged the scope for other PSR programmes of work e.g. account-to-account services would offer alternatives but considered the delivery timescales too long to provide an effective boost to the competition,⁸¹ while a third stakeholder [X] felt that there were limited benefits.⁸² One stakeholder [X] considered that account-to-account will offer limited alternatives because of commercial considerations, for example not always possible or practical in a retail context.⁸³ Similarly, another [X] viewed open banking and A2A payment methods as an additional choice and a complement for specific use cases, not a competitor to cards.⁸⁴
- One acquirer [X] agreed that surcharging and steering are unlikely to remove the need for regulatory intervention.⁸⁵
- One issuer [X] agreed with our rationale that implementing a price cap will be challenging based on findings to date.⁸⁶ Another issuer [X] noted that the PSR is right not to pursue price caps at this stage given limited information, the high risk of unintended consequences and the potential for other remedies and market developments to address any concerns.⁸⁷ However, others [X] disagreed and considered that a price cap can be readily implemented following the market review.⁸⁸ [X] went on to suggest that collecting reliable data should not be an obstacle given the PSR's statutory powers and objectives.⁸⁹ Another [X] said that although a price cap may not be the best market remedy, it could still be implemented notwithstanding issues identified in the interim review.⁹⁰

Our response

3.56 We confirm our approach as set out in the interim report. We are not considering price caps at this stage. The proposed remedies set out in this consultation seek to gather suitable data from the schemes, which we would expect to factor into a future decision-making process – where a price cap would be one of the options available, if appropriate.

80 Visa Europe, Response to MR22/1.9 Interim Report, 30 July 2024, Technical Annex 6, paragraphs 6.28 and 6.51-6.57; Mastercard, Response to MR22/1.9 Interim Report, 30 July 2024, pages 86-7 and [X].

81 [X].

82 [X].

83 [X].

84 [X].

85 [X].

86 [X].

87 [X].

88 [X].

89 [X].

90 [X].

Remedies proposed by stakeholders that we are not minded to pursue

3.57 In this section, we summarise why we will not be proceeding with other remedies that stakeholders have suggested as part of their submissions.

Stakeholder feedback

3.58 We sought views from stakeholders on alternative remedy proposals. Two responded:

- One [redacted] put forward price rebalancing/non-discrimination and least-cost routing/prohibition of network exclusivity as potential alternative approaches, which could be implemented both on an interim and long-term basis.⁹¹
- Both [redacted] also put forward alternatives focused on making use of the PSR's powers under interchange fee regulations, competition and commercial law.⁹²

Our view

3.59 Proposals to limit fee increases, similar to a price cap, face the same challenges – there needs to be a more robust evidence base to determine any potential future regulatory action of that nature.

Price rebalancing/non-discrimination remedy

3.60 This remedy would require the schemes to ensure that their average net pricing to acquirers (e.g., their average scheme and processing fees net of rebates and any incentives) must not be greater than its corresponding average net pricing to issuers, and would apply to all merchants on a non-discriminatory basis regardless of the size of the merchant, type of card (e.g., consumer or commercial) or type of transaction (for example, card present or not-present, domestic or inter-regional).

3.61 This proposal is a way of limiting fees for the acquiring side by leveraging competition on the issuing side, akin to a price cap. Similar to determining the price cap, this exercise would still require a more robust evidence basis – including which fees are to be included and which are not. Based on the evidence we currently have; we consider it appropriate at this stage not pursue a price cap remedy to the potential harm we have identified.

3.62 Furthermore, we consider that we have insufficient evidence to indicate that an equal split between issuers and acquirers represents an appropriate fee structure (that is the structure that maximises the benefit of merchants and cardholders). There are significant evidential barriers to be able to determine an appropriate fee structure and at this stage we do not have sufficient data, of sufficient quality, to conduct this analysis.

3.63 Finally, we are alive to the potential unintended consequences of such a remedy, for example the potential for reduced rebates on the issuer not to result in lower prices for acquirers but solely to reduce competition on the issuing side and create higher scheme profits.

91 [redacted].

92 [redacted].

3.64 Therefore, we do not consider there to be sufficient data to propose interventions on limiting fees. The approach that we propose in this consultation, particularly RFR and pricing governance, will help to develop a more robust evidence base which could, if necessary, enable decision-making for potential future regulatory intervention.

Least-cost routing/prohibition of network exclusivity

3.65 Known as least-cost routing in Australia and referred to as prohibition of network exclusivity in the US, this mechanism aims to promote competition by ensuring merchants can choose between at least two unaffiliated schemes when routing debit transactions.

3.66 This remedy aims to prevent card issuers and card schemes from restricting debit transactions being processed over unaffiliated networks. In the US, this has given rise to card ‘dual-badging (or co-badging)’ (for example, card issuers must issue dual network cards) and in practice means that card issuers must multi-home between either Mastercard, Visa or a domestic debit card scheme.

3.67 In the UK, this remedy is not currently feasible as only two four-party card systems are present. In this context, such a remedy would simply shift competition from one side of the market (issuers) to another (acquirers) – a difference from the US, where many regional networks also operate. However, we will continue to develop our thinking on this approach and whether there are any practices applicable to the UK market.

Other proposals

3.68 Other proposals from stakeholders included an Interchange Fee Regulation Enforcement remedy, competition law enforcement remedies and a commercial card interchange fee market review remedy.⁹³ These currently sit outside the scope of this market review whose findings our potential remedies aim to address. However, as the PSR continues to build its evidence base, we will ensure all viable options remain on the table to inform any necessary future regulatory interventions.

Potential future work

3.69 As part of the proposal in Chapter 7 to publish the schemes’ UK information, we also considered whether it is possible to publish fees per transaction. This will enable stakeholders, such as merchants, to effectively consider fees incurred using cards versus alternative and emerging payment methods, for example, account-to-account.

3.70 However, we are mindful that there are practical implications we need to consider, such as:

- defining a ‘single fee per transaction’, given that there are many variations on the types of transaction, which would incur different types of fees
- needing to impose a requirement on acquirers

3.71 Therefore, this piece of work does not form part of our approach at this stage because of the practical implications. However, given there is alignment with the PSR’s card acquiring market review (CAMR) remedies, which focus on merchants’ decision-making in choosing acquiring services, we may explore taking this forward at a later stage.

93 [3-].

Questions

Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?

Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?

Question 3: Do you have any views on our update regarding remedies that were previously ruled out?

Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?

4 Remedies under consideration – information transparency and complexity

We are proposing remedies to address the complexity and transparency issues we found in our final report. This set of outcomes-based remedies aim to ensure that the schemes provide acquirers with sufficient information to access, assess and act on relevant pricing information, as well as improve the ability for merchants to understand information about fees and make decisions based on this information.

We are proposing four information transparency and complexity (ITC) remedies:

- **ITC Proposal 1:** Schemes should provide acquirers with sufficient information to understand existing fees.
- **ITC Proposal 2:** Schemes should provide acquirers with sufficient information to understand changed and new fees.
- **ITC Proposal 3:** Schemes should respond meaningfully and promptly to acquirers on their fee-related queries in appropriate timeframes.
- **ITC Proposal 4:** Schemes should provide merchants with information on fees charged to acquirers.

We are asking for further views on whether reducing the volume of fees is desirable and appropriate and, how we can do this while minimising unintended consequences. We will take these views into account when we decide whether to introduce a remedy to reduce the number of fees.

Introduction

- 4.1** In Chapter 7 of the final report, we concluded that the overall quality of the information that acquirers (and ultimately merchants) receive can be insufficient to understand the fees they are charged and, as such, below the standard that would serve the interests of service users well. We considered the issues are sufficiently material to create poor outcomes for acquirers and merchants, in particular by raising acquirers' costs and distorting acquirers' ability to respond to the schemes' price signals.⁹⁴
- 4.2** This chapter sets out our proposed ITC remedies. These aim to ensure acquirers and merchants receive better information to understand the fees they are charged in order to ultimately reduce costs to acquirers and merchants, and improve pricing outcomes over time.

⁹⁴ PSR MR22/1.10 *Final report*, March 2025, Chapter 7, paragraph 7.115.

Remedy purpose

Final Report Findings

- 4.3** The final report concluded that the information that acquirers receive from Mastercard and Visa can be insufficient to understand the fees they are charged. The poor outcomes we observed include:⁹⁵
- The quality of information that acquirers receive from the schemes is often insufficient for them to understand behavioural fees (which in turn impacts the quality of the information that merchants receive).
 - Many acquirers face difficulties understanding mandatory and optional scheme and processing fees, due to the complexity of the fees and the insufficiency of the information provided by the schemes.
 - Many acquirers face difficulties in obtaining, in a timely and adequate manner, responses to their requests for clarifying information from the schemes (that is via account managers or support teams).
 - Some acquirers experience difficulties accessing information through the schemes' portals.
- 4.4** We considered that these outcomes are significantly below the standard expected in a well-functioning market. This is also the case in relation to our objective of ensuring that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them. In particular, in the context of complex fee structures, the overall quality of the information that acquirers (and ultimately merchants) receive can be insufficient to understand the fees they are charged and as such below the standard that would serve the interests of service users well. This affects acquirers' ability to act on this information and can impact their merchants. For example, acquirers can find it difficult or impossible to accurately price their offerings to merchants.⁹⁶
- 4.5** For these reasons, we found that the issues relating to the provision of information by Mastercard and Visa to acquirers are sufficiently material to warrant intervention under our service user objective.⁹⁷

95 PSR MR22/1.10 *Final report*, March 2025, Chapter 7, paragraph 7.115.

96 PSR MR22/1.10 *Final report*, March 2025, Chapter 7, paragraph 7.121.

97 PSR MR22/1.10 *Final report*, March 2025, Chapter 7, paragraph 7.122. The PSR's service user objective, set out in FSBRA (section 52), is to 'ensure that payment systems are operated and developed in a way that takes account of, and promotes, the interests of those who use, or are likely to use, services provided by different payment systems'.

Outcomes we are seeking to achieve

4.6 Following the information transparency and complexity issues identified in our final report, we consider that the remedies in this area should achieve the following outcomes:

- Acquirers should have sufficient understanding of the existing scheme and processing fees that are charged so they can access, assess, and act on relevant pricing information.⁹⁸ This should reduce the cost to acquirers in understanding and forecasting fees, allocating fees to merchants, and making appropriate changes to which services they buy.
- Acquirers should have sufficient understanding of new and changed scheme and processing fees charged by schemes so they can access, assess, and act on relevant pricing information. This should reduce the cost to acquirers in understanding the impact of new fees, forecasting new fees, allocating new fees to merchants, and making appropriate choices about which new services to buy.
- Schemes should meaningfully and promptly resolve acquirer queries. This should lead to lower costs for acquirers in understanding fees and acting upon fee information.
- Merchants can access and understand information on how schemes charge fees to acquirers. This should improve the ability for merchants to understand information about fees and make decisions based on this information.

4.7 We consider that addressing how acquirers understand fees will also have positive impacts in reducing harm to merchants. We expect that acquirers will be able to price their products more efficiently because they can better forecast how fees will be charged, reconcile charges to transactions, prepare for new and changed fees, and have their queries resolved quickly. We also expect this will benefit merchants on the Interchange ++ (IC++) pricing model directly by giving them more knowledge about the fees that schemes charge to acquirers and that are passed through.⁹⁹ This means these merchants will be better equipped to forecast fees, reduce related costs, understand how to avoid behavioural fees and choose optional services more effectively. Further, we expect that small and medium-sized merchants will benefit from schemes providing better information about the fees and services these merchants may purchase and use.

4.8 We propose a set of remedies that aim to achieve the outcomes outlined above. This outcome-based approach focuses on ensuring that acquirers and merchants are provided with access to the necessary information for scheme fees both now and in the future. This means that, if business practices change, the remedies would not become outdated.

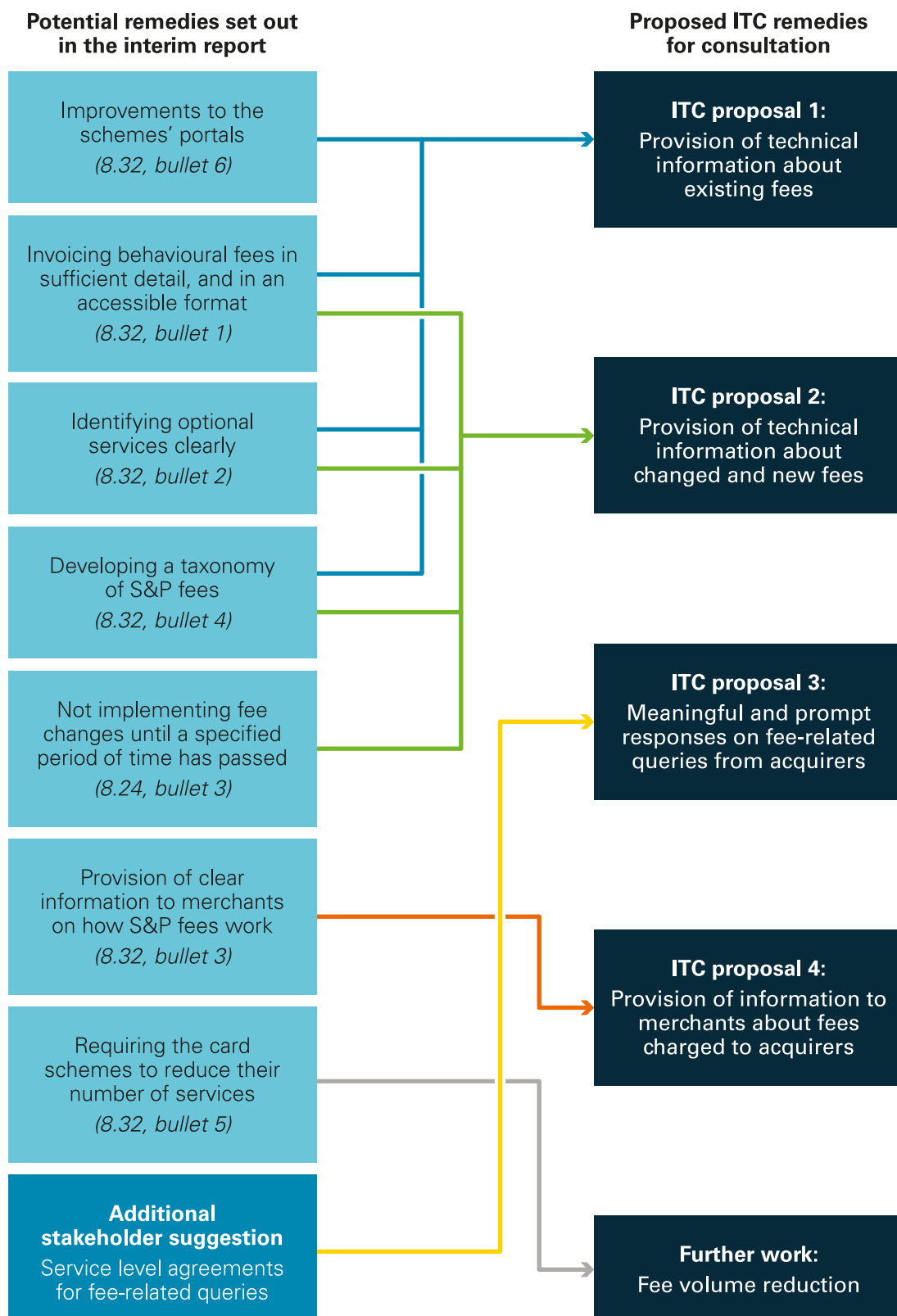
98 'Existing fees' means fees that are charged at a moment in time, rather than fees that are charged at the time of this publication. Once a fee is implemented by the schemes it becomes an existing fee.

99 IC++ (interchange ++) pricing is a pricing method offered by acquirers to merchants for card-acquiring services, whereby for any given transaction the acquirer automatically passes on at cost the interchange fee and scheme and processing fees applicable to the transaction. Merchants on IC++ pricing are typically the largest merchants, generally with an annual turnover above £50 million (see [MR18/1.8, Market review into card-acquiring services: final report](#) (November 2021), page 7, paragraph 1.15).

Remedy design

- 4.9** As set out in Chapter 3, following our interim report we engaged with stakeholders from across the market on these remedies. As part of this engagement, we spoke with 11 acquirers on a bilateral basis, to gather more information about the specific issues acquirers were having when dealing with scheme and processing fees.
- 4.10** When considering the feedback received, and our internal thinking, we considered that the formulation of the remedies as set out in the interim report may not have been effective in achieving the outcomes we want and may not have been flexible enough to adapt to changes in the schemes' business practices. We have therefore updated the proposals to ensure the outcomes are achieved and the remedies' formulation is sufficiently flexible even if industry practices evolve.
- 4.11** We set out the following four proposals for consultation:
- **ITC proposal 1:** Schemes should provide acquirers with sufficient information to understand existing fees.
 - **ITC proposal 2:** Schemes should provide acquirers with sufficient information to understand changed and new fees.
 - **ITC proposal 3:** Schemes should respond meaningfully and promptly to acquirers on their fee-related queries in appropriate timeframes.
 - **ITC proposal 4:** Schemes should provide merchants with information on fees charged to acquirers.
- 4.12** We also set out the further work we propose to do regarding the volume of scheme and processing fees.
- 4.13** ITC proposals 1, 2, 3, and 4 are consistent with the remedies we proposed in the interim report. The remedies in this document are designed to work even if processes in the industry develop. Figure 1 shows where the remedies we proposed in the interim report are covered within the new proposals in this document.

Figure 1: Changes in the ITC remedies since the interim report



ITC proposal 1: Schemes should provide acquirers with sufficient information to understand existing fees

- 4.14** We consider that acquirers should have access to the information that is needed to understand existing fees imposed by the schemes. Acquirers should be able to access this information easily, free of charge and in a user-friendly way.
- 4.15** In order for this outcome to be achieved, schemes should provide certain information that will enable acquirers to understand existing scheme and processing fees. We consider that, as a minimum, this information includes:
- the necessary data for acquirers to understand the nature of a fee and how it is triggered (as detailed in Box 1)
 - the necessary transaction-level data for each billing code to provide relevant detail on the fees schemes charge (as detailed in Box 2)
- 4.16** This will enable acquirers to access, assess, and act on relevant pricing information for their existing fees. This includes acquirers being able to accurately forecast all scheme and processing fees invoiced by schemes. It also means that acquirers will be able to choose effectively which optional fees they and their clients purchase and avoid incurring behavioural fees.

Box 1: The minimum data we consider necessary for acquirers to understand the nature of a fee and how it has been triggered

We consider that the below information is the minimum information acquirers need to be able to understand fees:

- detailed definition of the fee
- appropriate PSR defined fee categorisation (such as scheme/processing, mandatory/optional/behavioural, and issuer/acquirer, as well as own classification system, if applicable)
- clear justification for the fee (for example network development, behaviour modification, fraud reduction, incentive, network maintenance, etc.)
- rate of billing
- units of billing (transaction applicability, pricing structure, tiering, etc.)
- the history of the fee level over time with links to creation and change event documentation
- detailed technical specifications (that is, precise data elements and network logic)

- 4.17** We want to ensure acquirers can reconcile any differences between invoiced fees and the fees they have forecasted. To support this outcome, we consider that for each billing code, acquirers should be able to see and download transaction-level data that provides relevant details, as listed in Box 2. This information should be available for a reasonable time period.¹⁰⁰

¹⁰⁰ This is mostly based on Mastercard's systems, where for some fees this information is already available. We consider that this remedy should cover all fees. See: Mastercard, *What's new: pricing + billing resource center*, page 12: https://www.mastercardpaymentservices.com/norway/_Documents/KundeMigrering/PBRC%20Oppl%C3%A6ring.pdf

Box 2: The minimum transaction-level data for each billing code we consider necessary for acquirers to understand the fees that schemes charge.

We consider the below transaction-level information is the minimum information acquirers need to be able to understand the fees schemes charge:

- billing date
- billing identifier (for example, unique billing code)
- merchant identifier
- payment service provider (PSP) identifier (Visa – BIN, Mastercard – ICA)
- billing event identifier (if the billing event is more complicated than being one event then this should also be identified)
- relevant quantity
- relevant billing amount (including in relevant transaction and billing currency)
- billing geography type (whether the transaction is domestic/interregional/intraregional)
- countries of transaction
- rate of billing
- units of billing (transaction applicability, pricing structure, tiering, etc.)

ITC proposal 2: Schemes should provide acquirers with sufficient information to understand changed and new fees

- 4.18** We consider that acquirers should have access to the information that is needed to understand changes to existing fees, as well as any new fees, so that they are able to forecast the impact of fee changes and the introduction of new fees.
- 4.19** In order to achieve this outcome, we consider that schemes should provide acquirers with:
- technical information for acquirers to be able to forecast how each fee change will impact each acquirer (as set out in paragraph 4.23 and Box 1)
 - a sample of how the acquirer's historic transactions would have been impacted (as set out in paragraph 4.24 and Box 3)
- 4.20** Additionally, we propose that schemes should be required to provide this information with 6 months' notice prior to implementation.
- 4.21** We consider that this requirement will be beneficial for acquirers to have enough information and time to understand new fees and changes to existing fees and time to ensure acquirers can raise queries with the schemes.
- 4.22** We want to ensure acquirers can easily and accurately forecast the impact of all changes to scheme and processing fees, and can prioritise resources to fee changes based on information from the schemes. To support this outcome, we propose requiring the schemes to provide acquirers with technical information to be able to forecast how each fee change will impact them.

4.23 We consider that the technical information should include, as a minimum, the information detailed in Box 1 above. We consider that it should be provided to acquirers six months in advance of fee changes or fees being introduced.

4.24 To support acquirers being able to accurately forecast and prioritise in response to fee changes, we consider that the schemes should provide acquirers with a sample of how the acquirer's historic transactions would have been impacted.

Box 3: Sample of how the acquirer's historic transactions would be impacted

Acquirers should be able to access the following:

- at least one month of transaction-level data for the fee changes which indicate the transactions or activities that would have triggered this fee, including the hypothetical cost to acquirers
- the expected financial impact to acquirers over a period based on historic usage

4.25 We understand that for new optional services, schemes may not be able to provide sample transaction data because it may be impossible to calculate take-up (especially for opt-in services). Therefore, we expect that Box 3 would apply to the following:

- **New fees:** Mandatory fees, behavioural fees.
- **Changed fees:** Mandatory fees, behavioural fees, optional fees.

ITC proposal 3: Schemes should respond meaningfully and promptly to acquirers on their fee-related queries in appropriate timeframes

4.26 We consider that responses from schemes on acquirers' queries contribute to acquirers' overall understanding of the fees they are charged. As set out in Chapter 7 of our final report, when there are delays in receiving accurate responses to fee-related queries, this can negatively impact acquirers' ability to access, assess and act upon the information the schemes provide. We therefore consider that meaningful and prompt responses to queries are required to address this.

4.27 We recognise that some processes that schemes use have been working well, for example, acquirers may have account managers that respond more quickly than a centralised system. We do not propose changing processes that have been working well. Rather, we consider this remedy to complement the current processes to ensure that fee-related queries are resolved promptly to give acquirers certainty, where the information provided under Proposals 1 and 2 requires any clarification. We currently consider that three working days is a reasonable timeframe for the schemes to provide such clarification.

4.28 In order for this outcome to be effectively achieved, we consider that, as a minimum:

- schemes should offer acquirers an option of raising fee-related queries through a centralised method, ensuring a single port-of-call for these
- schemes should provide a resolution or (for more complex queries) a meaningful response, within three working days
- schemes should not close query tickets without acquirer agreement

ITC proposal 4: Schemes should provide merchants with information on fees charged to acquirers

- 4.29** We concluded in our final report that poor outcomes experienced by acquirers (in relation to information transparency and complexity) are likely to have consequential impacts for merchants.
- 4.30** We consider that large merchants are likely to have the resources to understand the fees they are charged. Larger merchants are also more likely to be charged using pass-through pricing (called IC++), where acquirers bill the merchant exactly what schemes charge acquirers (plus an acquirer mark-up). We therefore consider that the transparency and complexity remedies identified to improve transparency and reduce complexity for acquirers (ITC proposals 1, 2, 3) will sufficiently benefit these merchants. Merchants will benefit in two main ways from ITC proposals 1 to 3:
- all merchants will benefit from acquirers being able to price their offering more efficiently
 - merchants on IC++ will be able to make better decisions about the services they purchase
- 4.31** Small and medium-sized merchants, however, are more likely to be on blended-rate contracts, where acquirers simplify the scheme charges into a single rate or a limited number of rates for all merchant transactions. Small and medium-sized merchants are also less likely to understand fees or to allocate resources to understanding fees. We consider that a remedy that improves the understanding of small and medium merchants regarding fees that the schemes charge acquirers could help these merchants make more informed decisions about the services they purchase from their acquirer and/or the schemes. Improved knowledge could also help merchants avoid actions that trigger fees.
- 4.32** We consider that the schemes should be required to develop a website for small and medium sized merchants that includes information about what fees are charged for and the rationale behind fees.

Further work: Fee volume reduction

- 4.33** We are not currently proposing a remedy to reduce the volume of fees schemes charge acquirers. We are asking for further views on whether fee volume reduction is appropriate and, if so, how a remedy can be designed to deliver this while minimising unintended consequences.
- 4.34** In our final report, we observed that submissions from some acquirers indicate that the volume of fees charged by Mastercard and Visa may be a significant factor contributing to acquirers' difficulty understanding fees.¹⁰¹ In particular, in response to the interim report, one acquirer told us that the high volume of fee changes causes difficulty in understanding new fees and changed fees, while two acquirers said the number of fees should be reduced.¹⁰²
- 4.35** However, we also noted that views on this point are mixed and that some acquirers have highlighted potential detriment to acquirers if schemes were required to reduce the number of fees.¹⁰³

101 PSR MR22/1.10 *Final report*, March 2025, paragraph 7.83.

102 PSR MR22/1.10 *Final report*, March 2025, paragraph 7.70.

103 PSR MR22/1.10 *Final report*, March 2025, paragraph 7.83.

- 4.36** Both schemes said that reducing the number of separate services and fees could cause schemes to bundle services (and fees) together.¹⁰⁴
- Mastercard said this bundling could raise barriers to entry and expansion.¹⁰⁵
 - Visa said providers of alternative services could be less inclined to compete for non-core services if they are included within bundles of services that scheme-clients buy.¹⁰⁶ Non-price competition among scheme-clients and other ecosystem participants could be reduced as if it is necessary to reduce the overall number of services to clients, this is likely to lead to a situation where clients are required to choose between fewer, ready-made packages of services (i.e. bundled services) that are fundamentally less tailored and more similar to each other.¹⁰⁷ Visa pointed out that broader regulatory and competition policy is generally sceptical of bundling as it tends to reduce users' choices and runs the risk of users having to purchase products they do not want.¹⁰⁸ The remedy could reduce schemes' incentives to innovate and develop new solutions to meet the needs of clients.¹⁰⁹
- 4.37** Visa said this remedy is not aligned with the general approach to bundling in the UK and EU which tends to aim to reduce cross-selling and bundling and increasing transparency where such practices occur.¹¹⁰ Visa said broader regulatory and competition policy is generally sceptical of bundling, given that it tends to reduce users' choices and runs the risk of users having to purchase services they do not want. It gave the example of the FCA and European rules where investment firms offer an investment service together with another service or product as part of a package or as a condition for the same agreement or package. In such instances, the investment firms are required to inform the client whether it is possible to purchase the different components separately, and they must provide separate evidence of the costs and charges of each component.
- 4.38** We want to further understand the impact any reduction in the number of fees would have on different acquirers and merchants. We understand that in some cases very similar fees are differentiated due to factors such as acquirer or customer location or method of payment. This granular differentiation may result in significantly different fees being levied in different circumstances. A reduction in the number of fees may therefore result in significant changes to fee levels for certain categories of transactions, which could impact different types of merchants and acquirers differently.
- 4.39** Therefore, in this consultation we ask for views regarding whether fee volume reduction is appropriate and, if so, how a remedy can be designed to deliver this while minimising unintended consequences.
- 4.40** We are also considering whether the most appropriate way to proceed with the fee volume reduction concerns would be to use our powers under s.82 FSBRA. These empower us to either appoint a skilled person to provide us with a report on the matter concerned or require the schemes to provide us with that report.

104 Mastercard, *Response to PSR MR22/1.9 Interim Report*, 30 July 2024, paragraph 5D; Visa Europe, *Response to PSR MR22/1.9 Interim Report*, 30 July 2024, paragraph 6.18.

105 Mastercard, *Response to PSR MR22/1.9 Interim Report*, 30 July 2024, paragraph 5D.

106 Visa Europe, *Response to MR22/1.9 Interim Report*, 30 July 2024, paragraphs 6.18 and 6.20.

107 Visa Europe, *Response to MR22/1.9 Interim Report*, 30 July 2024, paragraph 6.20.

108 Visa Europe, *Response to MR22/1.9 Interim Report*, 30 July 2024, paragraph 6.20.

109 Visa Europe, *Response to MR22/1.9 Interim Report*, 30 July 2024, paragraph 6.22.

110 Visa Europe, *Response to MR22/1.9 Interim Report*, 30 July 2024, paragraph 6.20-6.21.

4.41 We note that the feedback we have received to date has shown the complexities with introducing and designing a remedy in this area. As noted above, we consider that further work is needed to better understand all the different parameters prior to introducing any remedy. A report by a skilled person could help us better understand the concerns and the impact of any potential remedy, by considering factors such as the following:

- the total number of scheme fees and assessment of each fee and fee category
- the benefits of each fee or of the current level of granularity within each fee category
- the extent to which the current granularity of fees within each category creates or contributes to complexity
- the potential impact of remedies which reduces the number of fees

4.42 The report by a skilled person would in turn inform our next steps on the fee volume reduction concerns.

Implementation and timelines

ITC reporting requirement

4.43 To ensure we achieve the outcomes set out in paragraph 4.6, we propose introducing a reporting requirement. This reporting requirement would be to ensure that schemes have implemented the remedies to a sufficient standard that acquirers get the outcomes we want to see. We expect the schemes to report to the PSR every twelve months regarding compliance with these remedies.

4.44 We also expect ongoing assurance that schemes are regularly engaging with acquirers and acting upon this engagement to ensure transparency and complexity issues are addressed promptly and effectively so acquirers have what they need to understand the fees they are charged.

4.45 Our current thinking is that the appropriate bodies for approval of the reporting requirements could be a UK-based executive and/or executives with responsibility for the schemes' respective UK and/or UK & Ireland divisions. We consider that the inclusion of non-executive directors in the approval process will provide additional assurance concerning the governance process.

4.46 We expect the schemes to implement policies and procedures (including assurance arrangements) to ensure these outcomes are achieved. The reporting would include the assurance of whether schemes are providing enough information as well as the process or methodology that schemes used to come to this conclusion. The process or methodology should include the person responsible for approval at each scheme and whether or not the outcomes are being achieved. For example, schemes may use methods such as assessments of acquirer satisfaction with these outcomes, or system tests which show whether acquirers have access to the necessary information to achieve these outcomes.

- 4.47** Compliance reporting would consist of a letter to the PSR confirming that the schemes are providing acquirers with enough information to achieve the outcomes we want to see and providing their basis of assurance in making this confirmation to us. This letter should also set out the basis on which the schemes have satisfied themselves that the outcomes have been achieved. We expect schemes to assure us that the outcomes are being achieved on an ongoing basis and that steps are taken to ensure that these outcomes are achieved.
- 4.48** Where the schemes are not acting in accordance with our ITC proposals, the schemes would be required to proactively report this, via a letter or email to the PSR. This report should explain:
- how the scheme has failed to act in accordance with our ITC proposals, i.e. what information it did not provide to acquirers
 - what the scheme has done to ensure this information is provided going forwards, to ensure it is compliant
- 4.49** We may review the schemes' reports to ensure the outcomes we want to see are being realised. If outcomes are below the level, we set out in ITC proposals 1 – 4, we would consider taking further action to ensure the outcomes are met.

Timelines

- 4.50** We expect acquirers and merchants to be provided with enough information to understand fees as described in the ITC proposals within six months of the final decision on remedies. We will assess whether acquirers have the outcomes we want to see through the scheme reporting requirement and engagement with stakeholders.

Reporting period

- 4.51** We propose aligning the reporting period with RFR remedy reporting periods. We propose that the schemes report audited RFR information to the PSR six months after each scheme's financial year ends.
- 4.52** We propose schemes report to us regarding information we require from the previous financial year.
- 4.53** We are mindful that our remedy proposals would require the schemes to provide separate compliance reports to us in relation to RFR, pricing governance and ITC. We are therefore keen to seek views on whether:
- we should seek all of these reports by no later than six months after the year end.
 - we should stagger these reports, to manage workflows, at the schemes and the PSR
 - we should adopt a different reporting period for the ITC compliance report – for example, 1 July to 30 June

Questions for consultation

Understanding existing fees

Question 5: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand existing fees? Is there anything else that acquirers need to achieve stated outcomes? Is any of the information listed in Box 1 not necessary?

Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve stated outcomes? Is any data in our proposal not necessary?

Question 7: What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.

Understanding changes to fees and new fees

Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?

Question 11: How far back should the historical data provided by the schemes stretch? Please explain your answer.

Question 12: Do you have any views on whether schemes should send this information to all acquirers or only a certain set (for example to exclude international acquirers without direct scheme relationships in the UK)?

Meaningful and prompt responses to queries

Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?

Fee volume reduction

Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?

Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?

Question 16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?

Information provision to merchants

Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?

Implementation and timelines

Question 20: Do you have views on whether our reporting requirement is an appropriate way to measure whether good outcomes are being realised? Is there a better way to monitor the outcomes?

Question 21: Should any of this information be publicly released by the PSR?

Question 22: Do you have any views on our proposals for the timeline by which schemes should implement the remedies set out in Chapter 6?

Question 23: Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?

5 Remedies under consideration – regulatory financial reporting

We are proposing to introduce regulatory financial reporting (RFR) as we are currently unable to effectively monitor and understand Mastercard's and Visa's financial performance in the UK. This will allow us to assess the impact and effectiveness of our regulatory interventions and make informed decisions on future regulatory interventions, if any. In order to understand the schemes' financial performance, we consider it necessary to answer three key questions:

1. What is the level of profitability of their relevant UK operations?
2. Which activities drive this level of profitability?
3. What trends can be identified?

To answer these three questions, our current view is that this remedy should encompass profit and loss (P&L) accounts and balance sheets for the schemes' UK business, with relevant levels of disaggregation. It should also cover contextual information and detailed fee information.

Introduction

- 5.1** The final report highlighted that the PSR is unable to reach a firm conclusion on profitability, as we do not have access to suitable information in order to confirm the presence and level of economic profits.
- 5.2** We stated that to reach firm conclusions on the level of economic profits we would need to collect more robust data that would also provide an enduring basis on which to monitor the schemes' UK profitability and, if appropriate, to assess the effectiveness and proportionality of any regulatory intervention.¹¹¹
- 5.3** As part of the PSR's wider supervisory role we are considering whether a RFR remedy, that gives the PSR access to suitable data in order to reach firm conclusions on the profitability of the schemes, could address the specific concerns identified in the final report. The financial statements prepared pursuant to this remedy will enable us to understand Mastercard's and Visa's level of profitability and the products, services and customers that drive this level of profitability in the UK, which in turn will enable us to make well-informed decisions in the best interests of competition, innovation and service users.

111 See PSR MR22/1.10 *Final report*, March 2025, Chapter 6, paragraphs 6.134 to 6.136.

- 5.4** We set out below our current proposal that a RFR remedy that answers the questions we have regarding the schemes' profitability would entail the schemes preparing a P&L account and a balance sheet for their UK business (as well as contextual factors¹¹² and information about fee changes). We set this out below for consultation, along with a number of questions about how our proposals might operate in practice.

Remedy purpose

Final report findings

- 5.5** As set out in Chapter 6 and Annex 10 of the final report,¹¹³ the financial data that we were able to obtain in the course of our market review did not allow us to reach firm conclusions on the profitability of the schemes. This was because Mastercard and Visa do not report financial performance for their respective UK businesses, and because there are large discrepancies in the schemes' financial performances across the different datasets we have looked at to estimate their UK profitability.
- 5.6** This in turn means that, on the basis of the data currently available, we are not in a position to effectively assess the schemes' financial performance in the UK.
- 5.7** We also said in the final report that the evidence we had gathered is consistent with a finding that Mastercard's and Visa's margins are higher than would be expected in competitive markets.¹¹⁴
- 5.8** We have stated in the final report that we would need to collect more robust data in order to reach firm conclusions on the profitability of the schemes. We also said that obtaining such data on a continuous basis could strengthen our ability to monitor the schemes' UK financial performance over time (and, if appropriate, consider whether further action may be warranted).¹¹⁵ It would also, if appropriate, provide an enduring basis to assess the effectiveness and proportionality of any regulatory intervention.¹¹⁶

¹¹² Contextual factors is information that will help us to better understand the financial performance of the schemes, including information that will provide relevant context for the financial performance of the schemes shown in the profit and loss account and the balance sheet. This can, for example, include input and output measures (like staff numbers and transaction growth), information about new products (e.g., expenditure on R&D) and the schemes' internal view of their performance (e.g., in board reports). See paragraph 5 and 5 for more details.

¹¹³ See PSR: MR22/1.10 *Final Report*, March 2025, Chapter 6, paragraph 6.135 and Annex 10: Profitability, paragraph 7.27.

¹¹⁴ See PSR: MR22/1.10 *Final Report*, March 2025, Chapter 6, paragraph 6.192.

¹¹⁵ See PSR: MR22/1.10 *Final Report*, March 2025, Chapter 6, paragraph 6.192.

¹¹⁶ See PSR: MR22/1.10 *Final Report*, March 2025, Chapter 6, paragraph 6.137 and 6.192.

- 5.9** The specific challenges encountered in assessing Mastercard’s and Visa’s profitability are summarised in the table below.¹¹⁷

Scheme	Challenges assessing profitability in the UK P&L accounts ¹¹⁸
Mastercard	Mastercard’s fully loaded UK P&L accounts do not include all relevant income (e.g., they do not include FX conversion income). Furthermore, different cost allocation choices can result in significantly different margins in the fully loaded UK P&L accounts. We have concluded in the final report that the cost allocation choices by Mastercard result in margins which may not fully reflect the economic benefits that Mastercard receives from its UK operations.
Visa	Visa’s fully loaded UK P&L accounts include costs that constitute intercompany profits for the wider Visa group. Furthermore, different cost allocation choices can result in significantly different margins in the fully loaded UK P&L accounts. We have concluded in the final report that the cost allocation choices by Visa may not fully reflect the economic benefits that Visa receives from its UK operations.

Outcomes we are seeking to achieve

- 5.10** We have considered the challenges we faced in assessing Mastercard’s and Visa’s profitability in the development of this RFR remedy. We consider that any RFR remedy must provide the PSR with suitable data to address these challenges and fulfil these requirements.
- 5.11** We note that the need to enable a regulator to assess profitability of the relevant undertakings is not unique to payments. Indeed, regulatory financial reporting is a widely-used tool by economic regulators. Whilst these regimes are each adapted to the relevant legislative framework and sector, they share a common goal: to provide the regulator with access to information that enables it to exercise its functions.
- 5.12** We approach the development of our RFR remedy taking into account the findings referenced above, which are set out more fully in Chapter 6 of the final report (see also Annex 10 of the final report).
- 5.13** Based on our findings, we consider that an effective RFR remedy needs to enable us to answer, over time, the following three questions:
1. What is the level of profitability of Mastercard’s and Visa’s relevant UK operations?
 2. Which activities drive this level of profitability?
 3. What trends can be identified in both of the above?

¹¹⁷ See PSR: MR22/1.10 *Final Report*, March 2025, Chapter 6, paragraph 6.119.

¹¹⁸ The fully loaded UK P&L accounts are UK P&L accounts provided to us by Mastercard and Visa as part of our market review and reflect each scheme’s analysis of their revenues and expenses for the relevant UK operations on a fully allocated cost basis. [3].

5.14 A remedy that answers:

- The first question will enable us to address the challenges we faced in assessing the schemes' profitability. In particular it will enable us to gather information to understand the schemes' profitability, which in turn will allow us to more robustly assess the presence and level of any economic profits that the schemes generate.
- The second question will enable us to better understand the drivers of the financial performance of the schemes. For example, it could enable us to identify whether the presence of economic profits is associated with specific products, services or customers, depending on the level of disaggregation involved.
- The third question will enable us to monitor the schemes' financial performance over time. This will, for example, enable us to assess the impact and effectiveness of regulatory interventions we make and to make informed decisions on future regulatory interventions, if any.

5.15 We recognise it may take time for the schemes to prepare for our RFR remedy and to submit their first set of RFR. Once we have this information, however, we will be able to make decisions that are in the best interests of competition, innovation and service-users, and that align with our strategy.

Remedy design

Product and geographical scope

5.16 For the purposes of the RFR remedy, Mastercard's and Visa's relevant activities are defined as:

- the supply of scheme and processing services in the relevant geographical region (the UK) – ('relevant UK operations')¹¹⁹
- other products and services provided by the schemes in the UK or to, or on behalf of, UK customers ('other UK operations'); this includes products and services provided outside of the UK or to non-UK customers that utilise, as their input, information derived from the relevant UK operations (for example, transaction data)

5.17 We propose that the RFR remedy should apply to the provision of all products and services by Mastercard and Visa set out above. This would encompass both the relevant UK operations and Mastercard's and Visa's remaining business in the UK or related to the UK ('other UK operations'). The relevant UK operations and other UK activity are collectively referred to as Mastercard's and Visa's 'UK business' in this document.¹²⁰

5.18 We consider that a RFR remedy that did not include information for Mastercard's and Visa's UK business would not be effective in addressing the questions at paragraph 5.13.

119 See MR22/1.10 *Final Report*, March 2025, Chapter 2, paragraphs 2.1 to 2.19, for a more detailed description of the aim and scope of our market review.

120 This includes information for both, scheme and processing services that are subject to our market review, as well as other revenues that the schemes generate in the UK or with a UK nexus. The latter will allow us to reconcile and sense check the financial information for scheme and processing services and to ensure all revenues relevant to scheme and processing services are identified and continue to be identified, e.g. as and when the schemes introduce new services.

Gathering information for Mastercard's and Visa's UK business will help to address these questions because it will:

- provide us with relevant context and assurance that financial information reported for Mastercard's and Visa's relevant UK operations has been accurately captured and appropriately allocated within the UK
- enable us to fully understand what trends can be identified in their relevant UK operations by contextualising these figures in relation to their UK business
- allow us to assess whether all revenues that form part of the relevant UK operations are identified and continue to be identified – for example, as and when the schemes introduce new services

Principles underpinning the RFR

Accounting principles

5.19 We propose seven accounting principles that should be followed by Mastercard and Visa in the preparation of the RFR, which will help to meet the aims of the RFR remedy, and in particular to enable us to respond to the questions outlined in paragraph 5.13. In developing these principles, we have drawn upon principles used by Ofcom in its regulatory reporting regimes.¹²¹

Principles	Description
Completeness	The RFR must encompass all revenues, costs, assets and liabilities that relate to Mastercard and Visa's UK businesses, including any activities relating to the UK business that are carried out overseas.
Accuracy	The RFR must maintain an adequate degree of accuracy, such that the information included in the RFR is free from significant errors (i.e., so that it is an appropriate and meaningful reflection of the economic benefits that the schemes derive from their relevant UK operations).
Objectivity	Each element of the RFR, so far as is possible, must take account of all the available financial and operational data that is relevant to that element.
Causality	The RFR must ensure that revenues, costs assets, and liabilities are attributed in accordance with the activities which cause the revenues to be earned, or costs to be incurred, or the assets to be acquired, or liabilities to be incurred, respectively.

¹²¹ Our selection of the accounting principles that we are consulting on in this document has been informed by existing regulatory practice and the nature of the schemes' operations. We note, for example that Ofcom has set out accounting principles for Royal Mail (see: [Annex 2 – Statutory Notification: modifications to the USP Accounting Condition \(USPAC\)](#)) and BT (see [Wholesale Fixed Telecoms Market Review 2021-2026 \(Volume 7: Legal instruments\)](#)). We selected six of the principles that feature in both (Completeness, Accuracy, Objectivity, Causality, Compliance with accounting standards and Consistency) and one principle that features only in Royal Mail's (Materiality). In each instance we have adapted the description of the principle, where appropriate. We have omitted one principle from the principles underpinning Royal Mail's RFS ('Equivalence') as we do not consider it relevant to the current proposals and we have omitted one principle from the BT RFR ('Consistency with Regulatory Decisions') as we consider that this is implicit in the regulation.

Principles	Description
Consistency	Accounting policies and attribution methodologies must be applied consistently to all parts of the financial statements relating to the same period and any material change from the previous period should be explained (and, where appropriate prior year data should be restated).
Compliance with accounting standards	All assets, liabilities, revenues and costs must be measured in accordance with accounting standards used for the preparation of the operator's published group financial statements unless stated or otherwise set out in any rules or guidance provided by the PSR.
Materiality	The accounting principles must be applied to all material items of revenue, costs, assets, liabilities and cash flows, or material changes in those items. An item is material if its omission, misstatement or obscurity could reasonably be expected to influence decisions made by the PSR as the primary user of the RFR.

Approach by which the information should be prepared

- 5.20** We recognise that Mastercard and Visa have access to more information than the PSR. Therefore, akin to the approach used by other economic regulators in the UK, we propose an approach to RFR that is, where appropriate, top-down and principles-based. We will set out the scope of the remedy, the information that must be provided to us and the principles by which the information should be prepared, but it is for Mastercard and Visa to determine how to apply these principles using their understanding of their business operations.
- 5.21** There may be some circumstances in which this approach is not appropriate, and would jeopardise the effectiveness of the RFR in addressing the questions set out at paragraph 5.13. In these cases, we will consider whether it will be appropriate to supplement the principles with guidance and rules. For example, it may be appropriate to specify certain cost allocation rules in the P&L account (which was a key shortcoming of the fully loaded UK P&L accounts provided to us during our market review) and it may be necessary to set out rules for the valuation of intangible assets in the balance sheet (recognising, for example, that accounting standards do not allow the recognition of some internally generated intangible assets).
- 5.22** We propose a regulatory audit of the regulatory financial statements (i.e. the profit and loss account and balance sheet)¹²² in order to ensure that the principles (and where applicable any rules and guidance we provide) have been applied appropriately. We also reserve the right to be more prescriptive if appropriate. This could be, for example (but not limited to), to deliver the purposes of RFR or if we consider that it is preferable to supplement the principles with further guidance and rules.

¹²² We currently do not envisage that contextual factors and fee information would be subject to an audit requirement.

Reportable information

5.23 For the purposes of designing an effective and proportionate RFR remedy, we are considering which of the following elements (and the level of granularity) are necessary for the purposes of enabling the PSR to answer the questions set out in paragraph 5.13:

- a P&L account that covers the costs and revenues of all activities and services that relate to: ¹²³
 - Mastercard's and Visa's UK business; and, separately
 - Mastercard's and Visa's relevant UK operations
- a balance sheet that covers the assets and liabilities attached to: ¹²⁴
 - Mastercard's and Visa's UK business; and separately
 - Mastercard's and Visa's relevant UK operations
- in respect of Mastercard's and Visa's relevant UK operations, there is likely to be a case for some disaggregation of the above by relevant categories, for example by products, service or customer
- information relating to other contextual factors and acquirer fee levels

5.24 In this section we set out our high-level views of how a P&L and balance sheet could be prepared for the RFR remedy to achieve its aims. Where appropriate we provide examples. We welcome views on how these could be prepared.

Profit & Loss Account

5.25 In our final report, we carried out profitability analysis, comparing Mastercard's and Visa's profit (EBIT) margins to those of comparable companies that operate in competitive markets. However, we were not able to reach a firm conclusion due to limitations of the data used to assess the schemes' P&L.

5.26 Gathering information on Mastercard and Visa's P&L accounts for their UK business will ensure that we are able to effectively monitor their financial performance by enabling us to understand the level of the profitability of their relevant UK operations, and as such address most directly the limitations we identified in our final report by enabling us to carry out a margin-based assessment of profitability. ^{125, 126}

123 As set out in the final report, the absence of such information prevented the PSR from reaching a firm conclusion on the schemes' UK profitability.

124 As set out in the final report, a ROCE analysis is one of the methods that competition authorities and regulators use to assess the presence and level of economic profits. A balance sheet is required to undertake a ROCE analysis. We note that even if no ROCE analysis is undertaken, balance sheet information provides relevant insight into the capital intensity of a business, which has an impact on the levels of returns that companies can be expected to achieve in competitive markets.

125 Information in the P&L accounts has informed our margin benchmarking analysis in our final report and is a key input in a ROCE analysis.

126 Gathering P&L accounts including the schemes' other UK operations will help us with reconciling financial performance within the UK business in general and the relevant UK operations specifically. It will also help us to ensure that all relevant revenues are captured in the relevant UK operations, including new products and services that emerge in the future.

- 5.27** Collecting disaggregated information of their relevant UK operations could allow us to understand which products, services or customers drive the level of profitability of their relevant UK operations, although we note that there may be practical challenges in doing so, depending on the level of disaggregation involved. This would enable us to better understand in the future whether the levels of profitability are serving the interests of all users and to make more targeted and proportionate intervention, if necessary.

Revenue and costs

- 5.28** We propose that revenue attribution could be categorised between revenues generated from the relevant UK operations (i.e. the card scheme business) and those from other UK operations (e.g. A2A activities). Revenues in the relevant UK operations could subsequently be further disaggregated by, for example product, service and customers. Such a disaggregation could provide useful insights into the revenue drivers, e.g., across different product, services and customer bases, as well as providing insights into their profitability.
- 5.29** We propose that Mastercard and Visa could develop a multi-level cost attribution model and provide financial information where costs are categorised as either direct costs¹²⁷ or indirect (common) costs.¹²⁸ Both could be disaggregated at the same level as revenues. This could potentially provide useful insights into the cost incurred across different products, services and customer bases, as well as the profitability of different activities with the schemes' UK operations and how this changes over time.

Balance sheet

- 5.30** While in our final report we attempted to assess profitability through a margin-based approach, we note that there are other methodologies to assess profitability. We recognise the limitations of the margin-based approach, which entails a risk that, even with better data to assess the schemes' P&L, we might face difficulties in reaching a firm view on profitability (and on whether and how best to intervene if necessary). This in turn would mean that the RFR remedy could fail to achieve its ultimate aim.
- 5.31** Therefore, our current view is that assessing the financial performance of Mastercard and Visa in the UK would require gathering information on Mastercard's and Visa's balance sheet for their UK business. This would enable us to understand to a greater degree the level of the profitability of their UK business, to potentially overcome some of the challenges of a margin-based approach to profitability analysis, and to more firmly assess the presence and magnitude of any economic profits. In particular, a balance sheet would enable us to undertake a ROCE analysis.¹²⁹ There are two important advantages to being able to do this:
- First, it would enable us to take a more rounded view of Mastercard's and Visa's financial performance, alongside margin-based measures, including taking into account capital intensity and being able to compare each scheme's ROCE to its weighted average cost of capital (WACC).

127 Direct costs are expenses that can be directly attributed to a specific product, service, or activity. These costs are clearly identifiable and measurable, such as labour costs for workers directly involved in production, or expenses directly tied to a specific project or customer.

128 Indirect (or common) costs are expenses that cannot be directly attributed to a specific product, service, or activity. These costs need to be attributed using appropriate cost drivers.

129 A ROCE analysis would also facilitate benchmarking of the schemes' financial performance against the cost of capital, which in turn will allow us to assess the presence and level of economic profits.

- Second, given the time this market review has taken, and the wider evidence base indicating potential significant harm, we think that it would be proportionate to put in place a RFR remedy that fully addresses our concerns, rather than one that might need to be expanded over time. Other regulators have also, in their RFR regimes, a requirement to include balance sheet reporting.¹³⁰

5.32 One important issue in preparing a balance sheet would be the treatment of intangible assets.¹³¹ Intangible assets may be relevant due to the nature of the card payment scheme businesses of Mastercard and Visa and, insofar as they are present, could be an important element in ensuring an appropriate estimate of the capital employed of these businesses. We therefore propose that an appropriate value for intangible assets should be included on the balance sheet in the RFR. We propose to adopt a cost-based approach to the valuation of intangible assets. i.e., the value of the intangible assets in the RFR is based on the costs that were incurred in the creation of the intangible asset.

5.33 We note that tangible fixed assets¹³² are a small percentage of total assets in the published group accounts of Mastercard and Visa.¹³³ We consider therefore that any adjustments to recognition or valuation of these assets for the purposes of evaluating the schemes' profitability are unlikely to be significant. Thus, we are proposing to base the valuation of other assets and liabilities on the accounting values.

Contextual factors

5.34 We are also proposing that Mastercard and Visa should provide us with additional information relevant to the schemes' financial performance, including information that will provide relevant context for the financial performance of the schemes shown in the profit and loss account and the balance sheet (contextual factors). The purpose of this is to:

- assist us in understanding changes in financial results (e.g., to understand the drivers for changes in revenues or cost) over time by providing context to them
- provide measurable and objective metrics that enable the monitoring and evaluation of performance against specific goals or standards

5.35 Our current thinking is that there could be a rationale for collecting the following contextual factors as they could help build our understanding of the financial performance of the schemes and the drivers of changes therein over time:

- outputs such as the number of transactions to help contextualise revenue changes
- customer type to help contextualise revenue changes and understand the average costs of serving different customer types

130 For example, we note that in the Energy Market investigation, the CMA mandated an expansion of Ofgem's regulatory financial reporting regime to include balance sheet reporting.

131 We note that intangible assets are, with certain exceptions, not recognised as assets under US Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

132 Tangible fixed assets are referred to as 'property, equipment and technology' on the published group balance sheet of Visa: See Visa, *Annual Report*, 30 September 2024, page 64; and 'property, equipment and right-of-use assets' on the published balance sheet of Mastercard: See Mastercard, *Annual Report*, 31 December 2023, page 78.

133 Tangible fixed assets are 8% of the total capital employed (total assets less current liabilities) in the most recent 2023 published group balance sheet for Mastercard: See Mastercard, *Annual Report*, 31 December 2023, page 71; and 6% for Visa: See Visa, *Annual Report*, 30 September 2024, page 57.

- fraud performance metrics to, for example, help to assess the cost of investments in fraud protection
- innovation metrics to, for example, help to assess the cost of innovation
- customer satisfaction to help inform our understanding of whether the level of service quality is changing
- board reports to help inform our understanding of how management is looking at and interpreting financial performance

Overall average acquirer fee levels

- 5.36** We are also proposing that Mastercard and Visa provide us with data to enable us to monitor and understand changes in overall average acquirer fee levels. Gathering information on Mastercard's and Visa's acquirer fee levels, on an ongoing basis, will enable us to understand how far changes in the average fee levels reported by Mastercard and Visa in their RFR are due to changes in pricing or transaction volume, value or mix. This will help build our understanding about what drives the level of profitability of Mastercard and Visa.
- 5.37** Our current thinking is that we could monitor fee levels more effectively if Mastercard and Visa were to provide us with UK level data on the scheme and processing fee revenues, transaction volume and transaction value disaggregated (by transaction mix) for each acquirer.

Implementation and timelines

Reporting period

- 5.38** We note that Mastercard and Visa have different financial year ends (Mastercard in December and Visa in September). We currently do not deem it necessary for both schemes to provide RFR for the same time period. Aligning with the financial year ends of Mastercard and Visa, we therefore propose that the first period of reporting after the formal implementation of RFR will be that of the year ending 30 September 2025 for Visa and 31 December 2025 for Mastercard.
- 5.39** During this first period we are also seeking views on whether to require Mastercard and Visa to provide us with reporting for the two previous financial years.¹³⁴ Doing this would allow us to make a first assessment of trends over time more quickly than without reporting for previous years and allow us to make comparisons to data gathered in the course of the market review. We are seeking views on whether basing the first year of RFR on 2022/23 (Visa) and 2023 (Mastercard) data best balances the need for a sufficiently long observation period with the regulatory burden on the schemes and the relevance of financial information during the COVID period.¹³⁵

134 For Visa, this will be for the years ended 30 September 2023 and 2024; for Mastercard, it will be for the years ended 31 December 2023 and 2024. The 2022/23 (Visa) and 2023 (Mastercard) figures will provide an overlap with the data collected as part of our market review.

135 We recognise that the different year ends used by the schemes may result in different implementations periods, but we consider this to be the most proportionate approach. In particular, should we require Mastercard and Visa to provide us with RFR for three financial years in total for the first period, we are considering whether to set staggered deadlines for the production of the three financial years of data. In reaching a decision on whether to take this approach, we are considering whether doing so would significantly reduce implementation complexity and costs, or if the incremental cost would be relatively low.

- 5.40** For ongoing RFR, we propose that audited statements are delivered to us no later than six months after the year end to which they relate. We consider that this timeline will provide an appropriate balance between the time required to prepare the information and the need for timely information to inform our decision making. For the initial reporting (the financial year ending in 2025) we propose a longer deadline for delivery of the audited (but not draft) RFR. This will be nine months after the date of each schemes' financial year.

Documentation

- 5.41** To help ensure compliance with the RFR remedy, we are considering putting in place appropriate processes to ensure that the information provided to the PSR under the RFR remedy is appropriately certified. We would welcome views on whether:
- the European boards of Mastercard and Visa would be the appropriate bodies for approval of the RFR, as these appear to be the closest level of formal oversight of the UK business
 - an audit of RFR should be carried out by the schemes' auditors and whether such an audit report would be jointly addressed to the PSR and to the directors of Mastercard Europe SA or Visa Europe Limited, as appropriate (that is on a tripartite basis)

Questions for consultation

Outcomes we are seeking to achieve

Question 24: Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?

Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?

Question 26: Are there any alternatives to RFR that would answer the three key questions set out in this chapter?

Principles underpinning the RFR

Question 27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?

Question 28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?

Reportable information

Question 29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?

Question 30: Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?

Documentation

Question 31: Do you consider RFR being based on annual information to be appropriate?

Question 32: Do you have views on the assurance and audit requirements as set in this chapter?

6 Remedies under consideration – pricing governance

We are proposing a pricing governance remedy to address our concerns about the poor evidence for Mastercard and Visa's pricing decisions. We propose:

- three principles that Mastercard and Visa must consider throughout the pricing process
- changes to the schemes' internal governance and record-keeping processes
- compliance reporting and fee notification obligations

The schemes would have to produce pricing decision records, which they would have to give us on demand, so we could clearly understand how and why they reached a pricing decision. The remedy will also build on our General Direction 1, which requires the schemes to notify us of material fee changes.

Introduction

- 6.1** The final report highlighted that the schemes do not have clear records of the factors informing pricing decisions. This limits the PSR's ability to sufficiently investigate or understand the basis on which pricing decisions are taken, and therefore to investigate the concern that prices are being set at an unduly high level and contrary to the interests of service users (specifically, acquirers and merchants).
- 6.2** This chapter sets out our proposed pricing governance remedy, which aims to ensure the schemes' pricing decisions are appropriately evidenced, enabling the PSR to effectively investigate the appropriateness of the level at which fees are set. In addition, it is possible that by setting these requirements, the remedy might also lead to pricing decisions that better align with service users' interests, although we have assumed (both here and in our Initial CBA) that any such impact would be modest, given that this remedy will not result in fees being set as part of an effective competitive process.

Remedy purpose

Final report findings

- 6.3** Our findings in relation to pricing outcomes (set out in Chapter 6 of the final report) were consistent with a lack of effective constraints.¹³⁶ We found that prices are not being set as part of an effective competitive process and that we saw no evidence that competition on one side of the market is constraining pricing on the other side.¹³⁷

¹³⁶ See MR22/1.10 *Final Report*, March 2025, paragraph 6.193.

¹³⁷ See PSR MR22/1.10 *Final report*, March 2025, paragraph 6.151.

- 6.4** Our findings in relation to pricing outcomes are linked to most acquirers having a weak bargaining position in respect of core scheme and processing fees. If the market was working well, acquirers and merchants would have sufficient bargaining power to renegotiate any increase in fees from the schemes. They would be able to steer their customers towards cheaper alternative payment methods, and, ultimately, they would be able to refuse accepting a card transaction without fear of losing the sale. However, the schemes' considerations change when competitive constraints on the acquiring side are not effective. That happens when:
- acquirers cannot practically refuse to offer card-acquiring services for a given card-brand
 - merchants cannot practically refuse (or even discourage use of) the same card-brand, since doing so would almost certainly mean losing business
- 6.5** We concluded in Chapter 6 of the final report that in setting their fees the schemes are primarily focused on their own financial performance and acquirers' willingness to pay. We stated that in a well-functioning market the level and structure of scheme and processing fees should take account of and promote the interests of users of the schemes' network on both sides of the market. This includes acquirers, merchants and their customers.
- 6.6** We found in Chapter 6 of the final report that the factors informing pricing decisions are poorly evidenced in the schemes' internal records. Our analysis of a specific set of fee changes broadly indicated that:¹³⁸
- fee increases are often justified in internal documents as 'reflecting the value of the service', although such value is rarely quantified
 - competition is mentioned as a constraint in limited cases and does not appear to have been an impediment to implementing increases to mandatory fees
 - the documents typically do not include data on the costs associated with the scheme and processing services affected by fee changes
- 6.7** However, our understanding of the drivers of fee changes was limited as Mastercard and Visa do not consistently record in writing all the factors considered by decision-makers when approving fee changes.¹³⁹
- 6.8** As a result, the PSR is not currently able to understand the basis on which pricing decisions are taken, as it cannot access sufficiently detailed and accurate contemporaneous records setting out the process and rationale leading to implementation of a UK fee by Mastercard and Visa.
- 6.9** While we found that prices are not being set as part of a competitive process, we must first address our concerns around the schemes' poorly evidenced pricing decisions. Doing so is necessary in order to ensure, going forward, that our policy-making and supervisory approach are both informed by access to reliable, readily available and comprehensive information in relation to the schemes' pricing decisions. This will enable us to reach more precise conclusions in relation to pricing outcomes in these markets, e.g. by investigating:
- whether prices are unduly high

138 See PSR MR22/1.10 *Final report*, March 2025, paragraph 6.95.

139 See PSR MR22/1.10 *Final report*, March 2025, paragraph 6.102.

- whether the way in which Mastercard and Visa are setting prices is detrimentally impacting UK service users
- to what extent fee increases are attributable to cost increases and/or specific improvements in service quality

Outcomes we are seeking to achieve

- 6.10** That Mastercard and Visa put in place effective governance to ensure that pricing decisions are properly evidenced, meaning that: (i) they can be understood fully from contemporaneous documents (without relying on verbal overlay); (ii) they include consideration, contemporaneously, of service user interests and other factors the PSR considers to be relevant to the setting of the schemes' fees; (iii) the PSR will have the ability to request records, meaning that it will be able to investigate the schemes' approach to pricing decisions. This will enable the PSR to investigate the factors set out in paragraph 6.9.
- 6.11** By setting out more explicitly our expectations of how the schemes should approach pricing decisions, it is possible that this remedy might also lead to pricing decisions that better align with service users' interests, although we have assumed (both here and in our Initial CBA) that any such impact would be modest, given that this remedy will not result in fees being set as part of an effective competitive process.

Description of remedies

Requirements on pricing decision records (PDR) and pricing principles

Pricing decision records (PDR)

- 6.12** In light of our finding that Mastercard's and Visa's pricing decisions are poorly evidenced, and do not consistently record in writing all the factors considered by decision-makers when approving fee changes¹⁴⁰, we propose requiring Mastercard and Visa to produce pricing decision records (PDR) for fee change events.¹⁴¹ We are not proposing to require Mastercard and Visa to provide us with the PDRs. Instead, we propose a 'call in' power enabling us to request the PDRs.¹⁴² We envisage the PDR becoming the governance record for UK fee change events, which could be submitted to the PSR, and not simply a PSR-required submission supplementary to actual governance records.
- 6.13** In producing the PDR, the schemes must use a process that is suitable for ensuring decisions are properly recorded in writing (i.e., in a single record for each fee change). This must form a complete record of the considerations relevant to the pricing decision. We will require the PDR to contain information including, but not limited to:
1. **Consideration of the pricing principles:** Further detail is included in paragraph 6.18.
 2. **Decision-makers:** Confirmation of the individual(s) or committee responsible for the pricing decision. Where the decision is taken by a committee, the committee should be formally constituted and, among other details, establish its voting and non-voting members.

140 See PSR MR22/1.10 *Final report*, March 2025, paragraph 6.96.

141 Fee change events refers both to changes to existing fees and to the introduction of a new fee or fees.

142 We discuss this further in the compliance reporting section.

3. **Governance process:** A record of the stages relevant to the development of the fee decision up to and including the point of approval (or refusal).
4. **Impact assessment:** We expect the schemes to quantify the impact of their fee change proposals; for example, the revenue impact (for the scheme) and the financial impact (on acquirers and merchants). There are also guiding questions set out under each principle.
5. **Further records:** A list of documents and records relevant to the pricing decision.

6.14 During the following months, as we work on the draft direction, and during the implementation period for this remedy, we envisage working closely with the schemes to ensure that their PDRs are suitable for our purposes.

Pricing principles

6.15 A well-functioning market for scheme and processing services would deliver competitive pricing outcomes for all users of Mastercard's and Visa's networks. We are proposing these principles as a means of gathering evidence pursuant to the outcomes we want to see in the price-setting process for scheme and processing fees, in line with our competition, innovation and service-user objectives. In coming to a view on the draft principles, we have considered the wide range of evidence gathered as part of this market review.

6.16 We are setting out three pricing principles to provide the schemes with a guide to the PSR's expectations of how each should conduct itself in relation to fee change decisions. The requirements set out in this chapter should, over time, enable the PSR to make more precise conclusions in relation to pricing outcomes in these markets. The pricing principles will also provide the market with clear information about what the PSR expects from Mastercard and Visa in how they approach pricing decisions. This is particularly important given our findings that prices are not being set as part of an effective competitive process, in addition to the weak acquirer bargaining power when it comes to accepting scheme and processing fees.

6.17 We consider that this approach will ensure the PSR has a proactive and consistent way of observing and understanding the rationale for fee change events. This approach may also encourage behavioural changes by Mastercard and Visa. We have assumed that any such impact would be modest, given that this remedy will not result in fees being set as part of an effective competitive process.

6.18 We set out an overview of the principles we are consulting on below.

Pricing principle	PSR direction
Principle 1: System outcomes	Schemes must pay due regard to delivering or improving one or more system outcomes when taking UK pricing decisions.
Principle 2: Service users' interests	Schemes must pay due regard to the interests of service users when taking UK pricing decisions.
Principle 3: Reasonableness	Schemes must pay due regard to the reasonableness of their fees, when considering: (i) the costs incurred in delivering the service, and/or (ii) the specific quality of the service provided, and/or (iii) where the fee is a behavioural fee, whether it effectively and efficiently induces the intended behaviour at lowest cost to users.

6.19 In order to discharge obligations relating to the PDR, each scheme must set out how it has approached each principle, including:

- the considerations that have informed the development and approval of the pricing decision
- whether and why it considers the decision it is taking is in accordance with the principle
- whether it has considered alternative action (including not charging for a service or implementing a price increase) which might be more aligned with the principles (and why it has rejected those alternatives)
- why, if it considers the decision to not be in accordance with one or more of the principles, it has decided to approve the pricing decision

Principle 1 – System outcomes

6.20 The aim of this principle is to encourage Mastercard and Visa to actively consider whether and how specific outcomes are linked to fee changes throughout the decision-making process for fee change events.

6.21 An initial list of outcomes we consider relevant include:

- enabling access / participation in or developing the network (for example, service enhancements)
- protecting users or addressing their needs (for example, implementing user safeguards or responding to user requests)
- coordinating cross-market change (for example, industry standards or regulatory/legislative compliance)

6.22 When considering the application of this principle, decision-makers should consider the following questions:

- Is this proposed fee change linked to one or more of the relevant outcomes? Is it linked to a non-listed outcome or general improvement or broader investment?
- Does this fee change reflect an outcome that has already been achieved (e.g., a service enhancement), or that is expected to be made in future?
- Does the outcome benefit a particular customer or the ecosystem as a whole?

Principle 2 – Service users' interests

6.23 The aim of this principle is to encourage Mastercard and Visa to actively consider the interests of service users as part of the decision-making process for fee change events.

6.24 A well-functioning market for scheme and processing services would ensure that the pricing process gives due consideration to all users' interests. In the absence of an effectively competitive pricing process, the schemes may not always respond effectively to all of their users' needs. Given our concerns relating to the bargaining power of scheme users on the acquiring side¹⁴³, we consider this principle has the potential to improve outcomes for acquirers and merchants.

143 See PSR MR22/1.10 *Final report*, March 2025, paragraph 4.173.

6.25 We are not proposing to specify a process for Mastercard and Visa to follow when considering user interests during fee change events. However, we expect each scheme to record whether and how users' interests have been taken into account when deciding upon a fee change, rather than after the decision has been made. We would ordinarily expect this evidence to include quantitative and qualitative evidence, for example projections of how increases might affect a sample of acquirers, or particular sectors.

6.26 When considering the application of this principle, decision makers should consider the following questions:

- Will this fee change affect one or more categories of users? Will it disproportionately impact one category of users more than another?
- Is the agreed notice period consistent with ITC proposal 2 (schemes should provide acquirers with sufficient information to understand changed and new fees)?
- How has your organisation assessed the impact of the proposed fee change on the users in scope?
- How did your organisation agree that the fee level was appropriate?

Principle 3 – Reasonableness

6.27 The aim of this principle is to encourage the schemes to consider whether the level at which they are setting fees is reasonable in relation to:

- the specific costs incurred in delivering the scheme or processing service
- the quality of the service provided
- for behavioural fees, the intended behaviour that is trying to be encouraged or discouraged (that is, at lowest cost to users)

6.28 In the absence of a competitive pricing process for scheme and processing fees on the acquiring side, it is important for the PSR to be able to examine the extent to which Mastercard and Visa focus on cost increases or quality improvements when setting fee levels.

6.29 Where a fee is a behavioural fee (as defined by the PSR, rather than the schemes), this principle requires an additional consideration, namely that the level of the fee is reasonable in relation to the intended behaviour that is trying to be encouraged or discouraged (i.e., at lowest cost to users). This consideration reflects the specific purpose of behavioural fees as a tool to incentivise or discourage pre-determined behaviours. Mastercard and Visa are the arbiters for every aspect of each behavioural fee, including the fee level, purpose and duration. Our final report sets out a number of specific concerns in relation to the use of behavioural fees; this pricing principle focuses on ensuring that the schemes' governance processes around the setting of behavioural fees include an appropriate consideration of the level at which they are set.¹⁴⁴ We consider that Mastercard and Visa should have defined measurable objectives for behavioural fees and should regularly review the performance of those fees against those objectives. This may be something that is already common practice within each scheme. Nonetheless, there is value in the PSR being able to assess whether there are effective processes in place.

¹⁴⁴ These measures are supplemented by other action we are proposing in relation to behavioural fees, in particular through our package of ITC remedies, see further Chapter 6.

6.30 When considering the application of this principle, decision makers should consider the following questions:

- How has your organisation assessed (qualitatively and quantitatively) whether the fee is reasonable, with reference to the specific cost(s) or the specific quality elements of the service provided? How is this assessment supported by specific and relevant evidence?
- Does this fee change reflect a cost that has already been incurred or that is expected to be incurred in future?
- Does this fee change reflect a service quality element that has already been achieved, or that is expected to be achieved following the fee increase in future?
- Are there alternative mechanisms or differently articulated behavioural fees to provide the same incentives that would impose a lower financial or operational burden on acquirers and merchants?
- What is the impact of the additional behavioural fee, or variation of an existing behavioural fee, against the broader context of all behavioural fees in operation?
- What assessment criteria have you set out for reviewing the fee's impact?

Application of the principles

6.31 The requirement that the schemes 'must pay due regard' (to the principle) will require more than a superficial consideration of the principle. It will not be a mechanistic tick box exercise.

6.32 The requirement for Mastercard and Visa to 'pay due regard' reflects our understanding that the application of the principles may differ depending on the fee change. Mastercard and Visa must document and demonstrate their consideration of the principles in taking pricing decisions, including whether and how pricing decisions meet the principles. The card schemes must provide clear reasons and evidence.

6.33 For example, Principle 3 would require the pricing decision to be taken, and the record to reflect, whether and how the pricing decision considered the reasonableness of the fee by reference to evidence of costs incurred in delivering the service and the quality of the service provided. Given our finding that prices are not set as part of a competitive process, and primarily by reference to the schemes' financial performance and acquirers' willingness to pay, this may be a departure for the schemes. We therefore intend to work with the schemes to help them in the application of the pricing principles.

Interaction with the RFR remedy

6.34 Our pricing governance and RFR remedies both seek to address challenges we have identified in accessing suitable information from the schemes on pricing practices and financial information. We are considering ways in which the impact of the two remedies can be maximised while working with the schemes to determine the most proportionate way to access this information.

6.35 For example, we could seek to require information through RFR in relation to the financial impact of particular fee changes. This would then enable us and the schemes to understand the accuracy of their forecasting. We could also require the schemes to undertake this type of exercise on a less prescriptive basis through the PDRs (described above at paragraphs 6.12 to 6.13) and compliance reports (described below at paragraphs 6.38 to 6.41).

Implementation and timelines

Governance requirements

- 6.36** The main purpose of the pricing governance remedy is to address the schemes' poorly evidenced pricing decisions. As such, we are not seeking to receive detailed information in respect of all pricing decisions, whether on an annual or more frequent basis.
- 6.37** However, it is important that Mastercard and Visa have effective governance, control and oversight of their pricing practices. We therefore propose putting in place the following obligations on the schemes:
- **Appropriate structures:** Governance structures for fee changes should be underpinned by clear lines of accountability and responsibility. There must be a clear and unequivocal commitment to compliance from the top down, demonstrated by senior management.¹⁴⁵
 - **Senior responsible manager:** Appointment of senior managers with overall responsibility for compliance¹⁴⁶, including responsibility for improving decision-making processes and ensuring, in particular, that decisions are properly evidenced. This may entail establishing new, or refreshing existing, decision-making structures, and changing how evidence underpinning pricing decisions is recorded. Each senior manager will be required to sign off on the compliance reports provided on behalf of each scheme to confirm (i) that they are accurate; and (ii) that the scheme has discharged the requirements of the pricing governance remedy. We would also expect these compliance reports to be authorised by a member of the European management committee or relevant governance body of each scheme.
 - **Supervisory engagement:** Engagement with our Supervision team on an ongoing basis relating to our pricing governance remedy. Throughout the development and implementation of this remedy, we would expect the schemes to work with our Supervision team on the content of the PDR, the compliance reports, and the steps they were taking to improve internal decision-making processes and governance.
 - **Provision of relevant documentation:** Following implementation, requirements to provide the PSR with a selection of PDRs within six months (to include some PDRs chosen by the PSR).

Compliance reporting requirements

- 6.38** We are proposing that the schemes must submit compliance reports to the PSR on their UK pricing decisions in a specified template. We expect these reports to be lighter touch than in the PDR, which can be referenced within, and which the PSR can request if further detail is needed. We also expect Mastercard and Visa to self-assess whether governance changes are needed to effectively comply with this remedy, and if so, explain implementation detail and timings for those changes in the report.

¹⁴⁵ FSBRA, section 71. Further information on compliance failures is covered in PSR, *Powers and Procedures Guidance*, September 2024 (PPG).

¹⁴⁶ Note that this will need to be at least two separate senior managers at Mastercard and Visa, owing to the separation between scheme and processing entities.

- 6.39** We consider the compliance reporting element of this remedy will complement and deepen existing co-operation between the schemes and the PSR, while enhancing the evidence the PSR can rely upon when assessing any potential harm to users arising from changes to scheme and processing fees.
- 6.40** During the following months, as we work on the draft direction and the draft template, and during the implementation period for this remedy, we envisage working closely with the schemes to ensure that their reports are suitable for our purposes.
- 6.41** We are consulting on the appropriate frequency of these reports. It may be necessary that during the initial implementation period for this remedy, we would require the schemes to provide compliance reports more frequently. The aim of this would be for the PSR to understand the impact of the remedy package and enhance our understanding of pricing decisions more quickly. We expect to work closely with the schemes in the development of these reports.

Interaction with existing obligations and ongoing engagement with the PSR

Advance notification of fee changes and General Direction 1

- 6.42** As set out in paragraph 4.20, we are putting in place a requirement for the schemes to provide at least 6 months advance notification to acquirers of fee changes.
- 6.43** We propose that each scheme should also provide the PSR with advance notice of fee changes. It may be helpful to group fee changes into one or more updates throughout the financial year or provide updates to the PSR on a regular basis (for example, six-monthly), but we will work through this proposed requirement in further detail with the card schemes. This requirement builds on the schemes' existing obligations for provision of this information in General Direction 1, and our expectations in developing supervisory relationships with the schemes.

Compliance with the requirements

- 6.44** We recognise that our proposed pricing governance remedy will require changes to existing processes, including controls over pricing decisions and the ways in which they are documented, for the schemes to comply with this pricing methodology remedy. The development of the PDR and compliance reports will require close engagement and cooperation between the PSR and the schemes.
- 6.45** In addition to the reasons set out above, we want Mastercard and Visa to report to us on their pricing decision-making process also because it is linked to our evolving supervisory approach to payment systems.¹⁴⁷ Within this, the PSR proposed a set of regulatory principles to describe our expectations of payment systems operators (PSOs), which include Mastercard and Visa. The pricing governance remedy will complement this approach, while also addressing the features of concern identified as part of this market review. Consequently, the principles and their application as part of this remedy relate specifically to the process for setting scheme and processing fees.

¹⁴⁷ PSR, *Our approach to supervision: calls for views*, (April 2024).

Timelines

- 6.46** We expect the schemes to submit the first report on their compliance with these remedies to the PSR six months after implementation. Other elements of this remedy will need to be progressed during this period (for example, implementing the PDR).

Questions for consultation

Scope

Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?

Pricing Principles

Question 34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?

Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?

Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?

Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.

Timelines and implementation

Question 38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.

7 Remedies under consideration – publishing scheme information

We are proposing a two-part remedy to increase transparency and ensure schemes are held to account by all stakeholders. This potential remedy was not considered in our interim report. In the course of our engagement with stakeholders, we formed the view that it would be beneficial to publicise key scheme information. We welcome views on this potential two-part remedy:

- We would publish suitable financial and performance-based metrics relating to the schemes' UK businesses, for example total number of transactions and approximate revenue from scheme and processing fees.
 - We would publish information from our regulatory financial reporting and pricing governance remedies. We also ask if other information may be relevant to increase transparency and accountability.
-

Introduction

7.1 The final report highlighted that Mastercard and Visa are subject to ineffective competitive constraints in the supply of scheme and processing services to acquirers and merchants in the UK and have varying degrees of constraint across their optional services.¹⁴⁸ We also found that the PSR is unable to reach a firm conclusion on whether prices and profits are higher than would be expected in a competitive market (and on the level of any harm arising from it)¹⁴⁹, as:

1. our understanding of the drivers of fee changes was limited, as Mastercard and Visa do not consistently record in writing all the factors considered by decision-makers when approving fee changes¹⁵⁰
2. we do not have access to suitable information in order to confirm the presence and level of economic profits¹⁵¹

7.2 As explained in Chapters 5 and 6, our RFR and pricing governance remedies seek to address the lack of competitive constraints faced by the schemes on the acquiring side, by contributing to addressing the regulatory information gap. However, we recognise that the direct effect of our RFR and pricing governance remedies will not be immediate as they depend on the PSR collecting data over time.

148 See PSR MR22/1.10 *Final Report*, March 2025, Chapter 4, paragraphs 4.208.

149 See PSR MR22/1.10 *Final Report*, March 2025, Chapter 4, paragraphs 6.193.

150 See PSR MR22/1.10 *Final Report*, March 2025, Chapter 4, paragraphs 6.192 (second bullet).

151 See PSR MR22/1.10 *Final Report*, March 2025, Chapter 4, paragraphs 6.192 (sixth bullet).

- 7.3** This chapter sets out our proposed publication remedy. This aims to ensure that there is sufficient information about the schemes in the UK to enable stakeholders, including service users, to scrutinise their financial performance and levels of fees relative to the services they offer, thus helping to counteract or mitigate the lack of effective competitive constraints the schemes face.

Remedy purpose

Final report findings

- 7.4** We found in Chapter 4 of the final report that Mastercard and Visa do not face effective competitive constraints in the supply of core scheme and processing services to acquirers and merchants in the UK and have various degrees of constraint across their optional services.
- 7.5** This finding means that we are concerned with how the market operates, and with overall market outcomes for merchants and consumers. This is because a lack of effective competitive constraints can cause harm to service users through higher prices, lower quality services, or less innovation.

Outcomes we are seeking to achieve

- 7.6** We approach the development of our publication remedy taking into account the findings referenced above (and in Chapters 5 and 6 above, and more fully in our final report) with the aim of developing a remedy that enables services users to understand, over time:
- the size of Mastercard's and Visa's UK relevant businesses, and how is it changing over time
 - the key indicators of the financial performance of Mastercard's and Visa UK relevant businesses, and how it is changing over time
 - the key pricing changes made by the schemes in past financial years, and the basis for these decisions
 - the interrelationships between trends in the above
- 7.7** We expect the information published through this remedy to be of use not only to merchants and acquirers but also to the wider public. Accessible information about the schemes' UK financial performance and key pricing changes in the UK will build public understanding of, and possibly lead to public comment on, the level of the schemes' economic profits and their pricing governance. This could enable service users to scrutinise the schemes' level of fees relative to the services they offer. This remedy may also lead the schemes to consider possible negative public perception when considering future fee increases. The ultimate effect may be to help to counteract or mitigate the lack of effective competitive constraints that the schemes face.
- 7.8** We are also mindful of the need to ensure that any data provided as part of our publication remedy must be suitable for external publication. Thus, we also approach the development of our publication remedy with an understanding that any data or information we publish must:
- **Be accurate:** We will therefore require appropriate internal sign-offs of information provided to us.

- **Be accessible:** Stakeholders will access the data with a very wide range of perspectives and experience. Ideally, the data will be presented in a format that can be widely understood.
- **Be meaningful:** There is no point in providing information that does not give genuine insights into the operational or financial performance of the schemes' UK businesses, or their pricing governance.
- **Be respectful of the schemes' legitimate commercial interests:** The information we would be publishing would, in all instances, be historic information.

7.9 Taking the above considerations into account, our view is that any information published pursuant to our publication remedy should be subject to the following principles:

- If similar information is published in existing statutory accounts (e.g., global or European accounts) it should be published in relation to the relevant UK operations wherever possible (whilst recognising that the format will not be identical, given the nature of RFR and may be at a more aggregated level).
- The publication of the information should contribute to providing greater confidence to service users on the schemes' UK financial performance and pricing in the UK and thus contribute or potentially contribute to countervailing buyer power to the schemes' market power.
- The information is likely to be published if its publication is consistent with our statutory objectives and is likely to support the PSR in discharging our public functions.

7.10 We expect the outputs of this remedy to include factsheets or a dashboard summarising key outputs and trends over time (e.g., year on year comparisons). In order to facilitate understanding of the information being provided, ancillary documents or information may also be provided, for example explanatory notes and supplementary materials in order to understand the context relating to our RFR and pricing governance remedies.

Description of remedies

Scope and sequence of information being published

7.11 We propose a two-phased approach to implementing the publication remedy to ensure information is published in a timely and also a proportionate and effective manner.

Phase 1 – Initial information (Operational Dataset)

7.12 Within 12 months of our final remedies decision, we would seek to publish a dataset of initial information that would help service users answer the questions set out in the outcomes above (the Operational Dataset).

7.13 In order to achieve this timeframe, we are seeking to identify suitable outputs in response to this consultation. However, we envisage that the final text of the direction will provide us with discretion to finalise the precise set of chosen metrics.

7.14 In selecting suitable metrics, we would need to decide:

- Whether to restrict the Operational Dataset to broadly pre-existing or readily accessible factual information that the schemes would be able to provide within a relatively short time period. For example, number of active Mastercard or Visa payment cards with a UK bank identification number (BIN), or total number of transactions acquired by UK merchants in a specified period.
- Whether to include within the Operational Dataset information that could be estimated, for example approximate revenue associated with the schemes' relevant UK operations, while recognising that such information is likely to change, potentially materially, as the schemes progress with developing RFR.

7.15 Our present view is that the Operational Dataset should focus principally on the first of these categories. We think this is preferable as it will help to deliver the Operational Dataset in a proportionate and timely way. We note, for completeness, that there is a possibility that as RFR is developed the information provided in the Operational Dataset may need to be corrected, in order to enable year-on-year comparisons. However, we think that for metrics such as total number of cardholders, such adjustments are likely to be modest.

Phase 2 – RFR information

7.16 As set out in Chapter 4, we expect to receive the schemes' first set of RFR accounts in 2026. Once we have these accounts, we will have the following information about each of the schemes:

- A P&L account showing revenues and costs (and associated profit margins) for 2025 and prior years (disaggregated for the relevant UK operations and aggregated for other UK operations).
- Balance sheet for 2025 and prior years (disaggregated for the relevant UK operations and aggregated for other UK operations).
- Information to provide context to the above financial information and data on average acquirer fee levels to enable us to monitor and understand changes in overall fee levels.

7.17 We recognise that the full dataset of information provided to the PSR will include information that has not been previously published in its current format and that making it public would require the disclosure of commercial information to stakeholders. However, we are also aware that the confidence of stakeholders in the regulatory process is enhanced by the availability of the financial information that supports any regulatory decisions. Moreover, we note that the information will be historic and therefore not forward looking.

7.18 We propose therefore that summaries or extracts of the financial statements should be published, but that there may be redactions or possible use of ranges where appropriate.

7.19 Information that we are minded to publish could include UK revenue and profit margins (and ROCE) and some contextual factors (e.g. transaction numbers and volumes). While this would be incremental to what Mastercard and Visa currently publish, the fact that comparable information is published at a European and/or global level suggests that it is unlikely to be commercially sensitive and that there is likely to be a *prima facie* legitimate interest in its publication.

- 7.20** We recognise that the schemes do not currently publish some of the information we propose to collect through RFR in their global or European accounts. Its publication would therefore need to be considered carefully, as our proposed principles in paragraph 5.19 set out that we recognise, and are respectful of, the schemes' legitimate commercial interests.

Pricing governance information

- 7.21** As set out in Chapter 6, we expect the schemes to provide annual compliance reports on their compliance with our pricing governance remedy. We do not expect these reports to include granular information on the pricing decisions taken by the schemes. However, we would expect these reports to include information such as whether the decision related to a new fee or modified fee. We would also expect the schemes to provide us with a list of affected fees.
- 7.22** Our assessment is that the publication of summary information from these compliance reports, together with summary information from the schemes' RFR, would enhance the effectiveness of our proposed publication remedy.

Level of detail

- 7.23** Notwithstanding any concerns about commercial sensitivity as it relates to financial and potentially sensitive information, we want to ensure that the detail and depth of the information to be published is pitched at an appropriate level. For key stakeholders such as acquirers and merchants, the published information should be sufficiently detailed to allow them to take an informed view on the schemes' financial performance and the direction of fee pricing being set by the schemes.
- 7.24** We are mindful that there are competition law/commercial sensitivity considerations when it comes to publication of this type of information. Therefore, we propose that any publication should be retrospective, to avoid signalling, and commercial information should be limited to appropriate ranges.

Frequency of publication

- 7.25** We propose an annual publication. This would seek to ensure data collection is sufficient, ample and comprehensive to demonstrate the schemes' financial performance in the UK over time, while limiting administrative costs. We consider this a proportionate frequency as less frequent publication would potentially undermine the ability to observe trends in the data and realise our objectives.

Implementation and timelines

- 7.26** Publication of information depends on the delivery timelines of the other remedies. For example, some of the information forms part of the other remedies. Therefore, for that information, we expect publication can only commence once the remedies have been delivered. For information from other sources, we expect that publication can happen relatively soon after our final decision on remedies.
- 7.27** We propose to publish the information on our website and that schemes also be required to publish relevant information. We have taken a similar approach in regard to our authorised push payment (APP) scams requirements, where we have issued Specific Direction 18 (SD18) (Publication of APP Scams information) which requires directed payment service providers (PSPs) to publish APP scams data.

Questions for consultation

Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?

Initial Information

Question 40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?

Question 41: Which information do you think should be included in the Operational Dataset?

Phase 2 Information

Question 42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?

Question 43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?

Question 44: Do you think any other information should be published? If so, please outline which information.

Implementation

Question 45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?

Question 46: Do you have any views in respect of publication frequency?

Question 47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?

8 A summary of our current view of the remedies and remedy package

Introduction

- 8.1** In this chapter, we set out our current views on the effectiveness of our proposed remedies, and our proposed remedy package. We note that the precise scope of our remedy package remains subject to further consultation. We are keen to work with stakeholders (including the schemes, merchants and acquirers) to find the best ways to achieve our outcomes with the least disruption to ensure effective and proportionate remedies. If we proceed with some or all of these remedies, we will undertake a more detailed draft CBA in order to demonstrate the proportionality of our remedies. This assessment would draw upon further evidence we intend to gather in the coming months and would be based upon a draft direction (or directions).
- 8.2** As set out in the Initial CBA, our current view is that the scale of the potential benefits of these remedies are significantly greater than their potential costs, and that the costs of implementing our proposed remedy package are justified given the potential harm reduction which may be realised following their introduction. We intend to further develop our thinking and understanding in this area, in particular with respect to the schemes' likely implementation costs. If we proceed with an RFR remedy, we will undertake a more detailed draft CBA and carry out a fuller proportionality assessment of our package of remedies.
- 8.3** The following parts of this chapter set out:
- our current view that each of our proposed remedies would be effective in achieving their specific aims and would contribute to the overall effectiveness of our remedial actions
 - our current view that, taken together, our remedy package would be effective in achieving its aims

Initial assessment of our proposed remedies

- 8.4** As set out in Chapter 2 (paragraph 2.18), the aims of our remedial action are as follows:
- Ensuring that acquirers and merchants receive better information to understand the fees they are charged, in order to ultimately reduce costs to acquirers and merchants and lead to improved pricing outcomes over time.

- Enabling the PSR to reach a firmer view as to whether, as a result of the lack of competitive constraints they face, the schemes are able to charge prices, or earn profits, above the level that would be expected in a competitive market (taking into account the value of the services and innovation), and as appropriate consider whether and how to intervene to address or mitigate harm to acquirers, merchants and their customers; and, in order to achieve this:
 - ensuring that the PSR has access to suitable data in order to reach firm conclusions on the profitability of the schemes
 - ensuring that pricing decisions are appropriately evidenced, so as to enable the PSR to effectively investigate the appropriateness of the level at which fees are set
- Ensuring that there is sufficient information about the schemes' in the UK in order to enable stakeholders, including service users, to scrutinise their financial performance and levels of fees relative to the services they offer, thus helping to mitigate the lack of effective competitive constraints the schemes face.

8.5 Our current view is that, subject to further work being undertaken, each of our proposed remedies would be effective in achieving their aims and, having considered the regulatory principles set out in Section 53 FSBRA, is capable of being effective and proportionate in achieving our aims. We set out below our current views in respect of each proposed remedy.

Information transparency and complexity (ITC) remedies

8.6 We consider that our proposed ITC remedies would be effective in achieving our aim of ensuring that acquirers and merchants receive better information to understand the fees they are charged, in order to ultimately reduce costs to acquirers and merchants and lead to improved pricing outcomes over time. For example:

- While ITC Proposals 1-3 are focused on provision of information to acquirers, we consider that all merchants will benefit from acquirers being able to price their offering more efficiently, as a result of enhanced understanding of the schemes' services and pricing, and merchants on IC++ will be able to make better decisions about the services they purchase (see paragraph 4.30).
- ITC Proposal 4 may help to increase levels of understanding of scheme and processing fees among small and medium sized merchants, by requiring the provision of dedicated information about the schemes services and how they are priced so that they are able to make more informed decision about the services they purchase from their acquirer and/or the schemes (see paragraph 4.31).

8.7 We note our proposed remedies in this area have been updated since the interim report, to best ensure they are effective over time, for example should requirements and expectations around the minimum information needed to understand existing or new fees change (see paragraphs 4.18 to 4.25).¹⁵²

¹⁵² We note also that we are continuing to consult before whether to incorporate this proposal within our ITC remedy package and are also exploring options such as the appointment of a skilled person to ensure that any action we take is well founded (see paragraphs 4.33 to 4.42).

Regulatory Financial Reporting (RFR) remedy

- 8.8** We consider that our proposed RFR remedy, including the provision of financial statements on an annual basis, would be effective in achieving the specific aim of ensuring the PSR has access to suitable data in order to reach firm conclusions on the profitability of the schemes, thereby contributing (in combination with the pricing governance remedy) to enable the PSR to reach a firmer view as to whether, as a result of the lack of competitive constraints they face, the schemes are able to charge prices, or earn profits, above the level that would be expected in a competitive market (taking into account the value of the services and innovation).
- 8.9** We intend to work closely with the schemes (and other stakeholders) to understand how these aims can best be met. We will thoroughly consider the costs and burdens associated with any potential intervention in order to ensure that any remedy is effective and proportionate.
- 8.10** We note that a number of features of this remedy have been developed with a view to ensuring effectiveness and proportionality. Our intention is to ensure that this remedy is no more onerous than necessary to achieve its aim. For example:
- Our proposed accounting principles provide a framework for the development of financial statements without unnecessary guidance, enabling us to focus our efforts on the development of guidance in areas such as cost allocations, where it is most likely to be needed and of benefit to us and the card schemes. This is likely to facilitate more efficient preparation of the financial statements.
 - We have carefully considered our requirements in scoping this remedy, in particular around requiring a balance sheet and additional disaggregated datasets. At this stage, our view is that we reasonably require this information in order to have a sufficient understanding of the schemes' UK financial performance.

Pricing governance remedy

- 8.11** We consider that our proposed pricing governance remedy would be effective in achieving its specific aim of ensuring pricing decisions are appropriately evidenced, so as enabling the PSR to effectively investigate the appropriateness of the level at which fees are set, thereby contributing (in combination with the Regulatory Financial Reporting remedy) to our broader aim to enable the PSR to reach a firmer view as to whether, as a result of the lack of competitive constraints they face, the schemes are able to charge prices, or earn profits, above the level that would be expected in a competitive market (taking into account the value of the services and innovation).
- 8.12** We note in particular that this remedy would require the schemes to put in place improvements in how pricing decisions are taken and recorded. Over time, through compliance reports and the ability to request PDRs, we would have access to a range of high-quality information about the schemes' pricing decisions, enabling us to understand through contemporaneous evidence and documentation, the drivers that informed a particular fee change.
- 8.13** We note that the proposals set out in this document seek to address some of the schemes' concerns regarding our interim report pricing methodology remedy. We consider that the pricing principles sets out in Chapter 6 are capable of enabling us to achieve our aims in a proportionate way, in particular ensuring we have a clear understanding of whether, and if so how and to what extent, certain considerations have informed the schemes' pricing decisions.

- 8.14** In view of the above, and of the findings we have made in Chapter 6, we consider that as a result of the RFR and the pricing governance remedies, the PSR will be able to reach a firmer view as to whether, as a result of the lack of competitive constraints they face, the schemes are able to charge prices, or earn profits, above the level that would be expected in a competitive market (taking into account the value of the services and innovation), and as appropriate consider whether and how to intervene to address or mitigate harm to acquirers, merchants and their customers.

Publishing scheme information

- 8.15** We consider that this proposed remedy would be effective in achieving our aim of ensuring that there is sufficient information about the schemes' financial information in the UK in order to enable stakeholders, including service users, to scrutinise their levels of fees relative to the services they offer, thus helping to counteract or mitigate the lack of effective competitive constraints the schemes face.
- 8.16** By focusing initially on the delivery of an Operational Dataset, using outputs that can be gathered relatively quickly, we can start publishing relevant information in a relatively short timeframe, whilst recognising it may be some time before we are in position to publish information extracted from our RFR remedy financial statements, or pricing governance remedy compliance reports.
- 8.17** Our current view is that our proposed phased approach is consistent with the principle of proportionality. As a result, the publication remedy will not require the schemes to provide additional data or information besides that which would have been provided pursuant to our other remedies. Accordingly, the incremental impact is relatively limited and limited principally to: (i) the outputs used in the Operational Dataset, and (ii) costs associated with publication of the information in accordance with the requirements of the remedy.

Initial assessment of our proposed remedy package

- 8.18** As set out above, and in the preceding four chapters, we are consulting on a package of remedies comprising four remedy categories: ITC remedies (Chapter 4), RFR (Chapter 5), pricing governance (Chapter 6), and publishing scheme information (Chapter 7). Together, these remedies comprise our 'proposed remedy package'.
- 8.19** At this stage, we are seeking further information to develop further our assessment of effectiveness and proportionality. Consultation responses, alongside further evidence gathering and analysis that we plan to complete, will inform our provisional remedies decision. The provisional remedies decision document will also include a draft CBA and draft directions.
- 8.20** However, our current view is that the proposed remedy package is capable of being effective and proportionate.

8.21 Within this context, we have considered:

- The package of ITC remedies would place the schemes under obligations to make the changes we consider necessary in order to improve merchants' and acquirers' understanding of the fees they are charged. Information we gather from stakeholders, as well as via our RFR and pricing governance remedies, will provide us with evidence to support our understanding of whether or not these remedies are delivering better outcomes for service users.
- Whilst being cognisant that any detriment arising as a result of ineffective competitive constraints on the acquiring side will not be eliminated as a result of these remedies, improving the information we have access to in relation to the schemes' profitability (through our RFR remedy) and pricing (through our pricing governance remedy) would enable the PSR to make informed decisions in the future on whether to take a more interventionist approach and design effective and proportionate interventions (if appropriate). This may, over time, act as a constraint on the schemes, as they each seek, independently, to mitigate the heightened risk of such an intervention.
- The role of our publication remedy, which would enable stakeholders, including service users, to understand information relating to Mastercard's and Visa's operational and business activities, including, over time, their level of profitability and their pricing governance. This will provide service users with access to information that may enable them to scrutinise their levels of fees relative to the services they offer, thus helping to counteract or mitigate the lack of effective competitive constraints the schemes face. As such, this remedy would also anticipate and amplify the impact of our RFR and pricing governance remedies, and make our remedy package more effective overall in helping to counteract or mitigate the lack of effective competitive constraints the schemes face.

Annex 1:

Initial cost benefit analysis

This chapter sets out our initial cost benefit analysis (CBA), which is focused on identifying the main costs and benefits of our potential remedies, based on our current understanding. Consultation responses, alongside further evidence gathering and analysis that we plan to complete, will inform a more detailed draft CBA that we intend to publish alongside any consultation on a provisional remedies decision, which will also include draft directions.

Introduction

- 1.1** We intend to implement our proposed remedies using specific directions; we, therefore, have no statutory requirement to conduct a CBA. However, our practice is to carry out a CBA for all regulatory interventions, regardless of whether they are specific or general directions, or requirements, and publish it alongside provisional directions or requirements, where it would inform decision-making, as long as it does not involve a disproportionate use of resources.¹⁵³ The degree of detail we provide in a CBA document reflects this proportionality criterion. We have, in this case, chosen to undertake and consult on an initial CBA to aid the development of effective and proportionate remedies.¹⁵⁴
- 1.2** This CBA will be developed as we progress work on the remedies and gather further evidence. Information submitted to us in response to this document will be used to develop the CBA together with other evidence sources. We plan to issue information requests where specific information is required which cannot be obtained through responses to the consultation questions in this document – for example, information on likely compliance costs falling on the schemes.
- 1.3** As we are not consulting on provisional directions or requirements in this document, this initial CBA does not include all of the information that we would typically include in a draft CBA alongside a provisional remedies decision. In particular, we have not sought to do a quantitative assessment. Instead, this initial CBA has focused on identifying what we believe are the main costs and benefits of our proposed remedies. We are seeking feedback from stakeholders on whether we have identified all of the main costs and benefits and the likely magnitude of these costs and benefits. We will build on this feedback, collect additional evidence, and publish a more detailed draft CBA alongside any consultation on provisional directions.

¹⁵³ See [PS25/1 Statement of policy on our cost benefit analysis framework](#) (January 2025), paragraph 4.5; see paragraphs 4.9 to 4.16 for circumstances in which we might decide the development of a specific CBA and the publication of a CBA document would be disproportionate.

¹⁵⁴ If we were to decide to implement some or all of the remedies proposed in this document, we would envisage publishing two further CBAs: a draft CBA, in our provisional remedies decision, and a final CBA, in our final remedies decision. Where we refer to the initial, draft or final CBA, we are referring to these respective CBAs. Where we refer to 'the CBA', we are referring to the development of this initial CBA through the remedies consultation process.

- 1.4** In this initial CBA, we begin by outlining the scope of this initial CBA along with the counterfactual against which we will assess the costs and benefits of our proposed remedies. We then provide our rationale for intervention along with an overview of the proposed remedies. The section on expected policy outcomes explains the links between the remedies and the identified benefits to users, while the last section goes through the identified costs and benefits for each of the proposed remedies.

Scope of this CBA and counterfactual

- 1.5** This initial CBA is concerned with the assessment of the likely impacts of the proposed remedies we have set out in Chapters 4 to 7 of this document.
- 1.6** When assessing our proposed remedies, we consider them against a counterfactual scenario where the PSR takes no action. Under this scenario, we do not see any reasons or incentives for the schemes to change their behaviour, in particular:
- Alternative payment methods continue to provide very limited competitive constraints on Mastercard and Visa in the short to medium term at the acquirer, merchant, and wallet levels.
 - Mastercard and Visa face limited competitive constraints in the separate supply of core scheme and processing services.
 - In relation to optional services, on the acquiring side, Mastercard and Visa are subject to varying degrees of constraint, with stronger indications for some of these services that lack of effective alternatives results in Mastercard and Visa not facing effective competitive constraint.
 - The schemes do not consistently provide good quality information to acquirers, resulting in them receiving complex or incomplete information on scheme and processing services and fees, with consequential impacts for merchants.
- 1.7** Under this 'do-nothing' counterfactual scenario, the schemes will continue to have the ability to increase prices and earn profit margins that are higher than would be expected in a competitive market, scheme and processing fees remain complex such that the information that acquirers (and ultimately merchants) receive can be insufficient to understand the fees they are charged, and the PSR does not get the appropriate information it needs to monitor the market and determine where interventions are required.

Rationale for intervention

- 1.8** In Chapter 4 of our final report, we concluded that Mastercard and Visa are subject to ineffective competitive constraints in the supply of core scheme and processing services to acquirers and merchants in the UK, and have varying degrees of constraint across their optional services.¹⁵⁵
- 1.9** This finding means that we are concerned with how the market operates, and with overall market outcomes for merchants and consumers. This is because a lack of effective constraints can cause harm to service users through higher prices, lower quality services, or less innovation. We therefore considered in Chapters 5 and 6 of the final report a range of indicators in order to assess market outcomes, including pricing and profitability, and non-pricing outcomes.

155 PSR MR22/1.10 *Final report*, March 2025, Chapter 4, paragraphs 4.202 to 4.208.

1.10 In Chapter 6 of the final report, we made findings that were consistent with our finding of a lack of competitive constraints, and with harm on the acquiring side of both schemes. For example:¹⁵⁶

- The schemes' revenues from scheme and processing fees have risen substantially in recent years, with the balance falling heavily on the acquiring side.
- In real terms, average acquirer fees for mandatory services (as a proportion of transaction value) have increased at least [X]% for Mastercard between 2017 and 2021, with no evidence that fees fell between 2021 and 2023, and by more than [X]% for Visa between 2019 and 2023. We have seen very limited evidence that the fee changes are set on the basis of detailed cost analysis and the schemes' internal documents show little evidence of competition being considered when implementing fee changes on the acquiring side.
- We compared our range of estimates of the schemes' EBIT (earnings before interest and taxes) margins to those of comparable companies operating in competitive markets (the benchmark comparators) in the years 2018 to 2023. This profitability analysis found a sizeable gap between the EBIT margins of the benchmark comparators, which are in a range of 12-18%, and the upper end of the margin range ([X]-54%) we derived from Mastercard's financial information. There was a sizeable gap for the [X] margin range derived from Visa's financial information ([X]-64%). We considered that this evidence is consistent with a finding that Mastercard's and Visa's margins are higher than would be expected in competitive markets.

1.11 However, we also recognised in Chapter 6 of the final report that, while consistent with our finding of a lack of competitive constraints, and with harm to customers on the acquiring side of both schemes, our findings in relation to drivers of scheme pricing and levels of schemes' UK profitability suffered from the limitations of the available evidence. In particular:

- As noted in paragraph 6.1, our understanding of the drivers of fee changes was limited as Mastercard and Visa do not consistently record in writing all the factors considered by decision-makers when approving fee changes.
- As noted in paragraph 5.5, we have not been able to obtain, as part of our analysis, a sufficiently clear picture of the schemes' UK profitability. This is because Mastercard and Visa do not report financial performance for their respective UK businesses, and because there are large discrepancies in the schemes' financial performances across the datasets we have looked at. As a result, we were not able to reach firm conclusions on the schemes' profitability. This, in turn, means that, on the basis of the data currently available, we are not in a position to effectively assess the schemes' financial performance in the UK. We concluded that a more robust estimate of the level of economic profits would require the collection of more suitable data.

156 PSR MR22/1.10 *Final report*, March 2025, Chapter 6, paragraphs 6.192.

1.12 Notwithstanding the above limitations, we also found in our final report that the potential harm that may be occurring in the market could be significant. In 2023, the total amount of gross fees paid by acquirers for Mastercard S&P services was £[3-], while the equivalent figure for Visa was £[3-].¹⁵⁷ It follows that, applied to such revenues, the difference between the schemes' margins and those of comparable firms in competitive markets could represent tens or even a few hundred million pounds per year. For example, if we were to assume that the schemes had generated margins of 18% (the upper end of the margin range for comparable firms in more competitive markets), the schemes' yearly net revenues in the UK would have been at least £[3-] million lower on average between 2019 and 2023.¹⁵⁸ As set out in Chapter 6 of the final report, we expect that any adverse effect of high prices and profits would be, to some material extent, borne by UK merchants (in the form of reduced margins), and part of it may be passed on to their consumers in the form of higher retail prices.¹⁵⁹

1.13 We also looked at non-pricing outcomes, focusing in particular on the ways in which acquirers can obtain information about fees, and their experiences as customers of the schemes. We have found that Mastercard and Visa do not consistently provide sufficiently detailed and clear information to acquirers, resulting in acquirers receiving complex or incomplete information on core and optional scheme and processing services and fees. As set out in Chapter 7 of the final report, the poor outcomes for firms and consumers on the acquiring side we have observed include that:¹⁶⁰

- Acquirers accounting for over 90% of the acquiring market consider that the quality of information acquirers receive from the schemes is often insufficient for them to understand behavioural fees (which in turn impacts the quality of the information that merchants receive). Evidence shows that these issues may have a varying impact on acquirers' costs, some estimating an impact in the hundreds of thousands. In addition, the submissions indicate that these issues may be distorting the behaviour and responses of acquirers and merchants, and limiting the efficacy of behavioural fees (that is, even where they can access the relevant information, they cannot always assess and act on it effectively).
- Acquirers accounting for over 65% of the acquiring market face difficulties relating to understanding mandatory and optional scheme and processing fees, due to the complexity of the fees and the insufficiency of the information provided by the schemes. Although the severity of impact varies across acquirers, some reported substantial impact.

157 PSR, PSR MR22/1.10 *Final report*, March 2025, Chapter 6, paragraph 6.47.

158 Under the assumption that Mastercard and Visa generate margins of 18% (the upper end of the margin range for comparable firms in more competitive markets), Mastercard would have generated circa £[3-] in yearly net revenue from scheme and processing services across acquirers and issuers on average between 2019 and 2023, with the equivalent figure for Visa being £[3-]. On this basis, we estimate that Mastercard generated an additional £[3-] in yearly net revenue and Visa £[3-] compared to what they would make if they had margins similar to those of comparable firms in more competitive markets. This calculation assumes that Mastercard and Visa generate margins of [3-]% and [3-]% respectively, which are the lower bounds of the margin ranges we have calculated for the two schemes during the 2019-2023 period. We note that there may be a degree of uncertainty around these estimates. Nevertheless, we consider this to be a conservative estimate since: (i) we have used the lower end of the schemes' margin ranges; (ii) we have used the upper end of the margin range for comparable firms; and (iii) we have assumed all of the schemes' costs remain constant.

159 PSR, MR22/1.10 *Final report*, March 2025, Chapter 6, paragraphs 6.109 to 6.110.

160 PSR MR22/1.10 *Final report*, March 2025, Chapter 7, paragraph 7.116.

- Acquirers accounting for over 65% of the acquiring market face difficulties in obtaining in a timely and adequate manner responses to their requests for clarifying information from the schemes (that is, via account managers or support teams). Although the severity of impact varies across acquirers, some of them reported significant financial and non-financial consequences.
- Acquirers accounting for around 45% of the acquiring market experience difficulties accessing information through the schemes' portals, with severe financial and non-financial impact reported by at least some of the affected acquirers.

1.14 Based on these findings, we consider that two market failures¹⁶¹ exist which we seek to address through our remedies:

- A lack of effective competitive constraints faced by Mastercard and Visa on the acquiring side, which can lead to poor pricing outcomes for acquirers and merchants.
- Imperfect information provided by the schemes to acquirers (and ultimately merchants) on fees and services, which can lead to higher than necessary costs on the acquiring side of the market.

1.15 In addition, we consider that a regulatory information gap exists as the PSR has been unable to obtain, as part of our analysis, a sufficiently clear picture of the schemes' UK profitability or pricing governance to inform regulation. In view of the aforementioned market failures and regulatory information gap, the three key aims of our remedial action are:

- Ensuring that acquirers and merchants receive better information to understand the fees they are charged, in order to ultimately reduce costs to acquirers and merchants and lead to improved pricing outcomes over time.
- Enabling the PSR to reach a firmer view as to whether, as a result of the lack of competitive constraints they face, the schemes are able to charge prices, or earn profits, above the level that would be expected in a competitive market (taking into account the value of the services and innovation), and as appropriate consider whether and how to intervene to address or mitigate harm to acquirers, merchants and their customers; and, in order to achieve this:
 - ensuring that the PSR has access to suitable data in order to reach firm conclusions on the profitability of the schemes
 - ensuring that pricing decisions are appropriately evidenced, so as enabling the PSR to effectively investigate the appropriateness of the level at which fees are set
- Ensuring that there is sufficient information about the schemes in the UK in order to enable stakeholders, including service users, to scrutinise their financial performance and levels of fees relative to the services they offer, thus helping to mitigate the lack of effective competitive constraints the schemes face.

¹⁶¹ A market failure occurs where the characteristics of a market lead to outcomes that the PSR would not expect from a well-functioning competitive market.

Policy options

1.16 The policy options available to us have been presented in chapters 4 to 7. The policy options we are considering are summarised in Table 1 below.

Table 1: Policy options

Remedy (chapter)	Description
Information transparency and complexity (Chapter 4)	<p>A set of remedies designed to address issues with the transparency and complexity of information provided by Mastercard and Visa to acquirers on their scheme and processing fees, including:</p> <ul style="list-style-type: none"> • requiring schemes to provide acquirers with enough information to understand existing fees • requiring schemes to provide acquirers with enough information to understand changes to existing fees and new fees • requiring schemes to provide acquirers with meaningful and prompt responses to acquirers on their fee-related queries • requiring schemes to provide merchants with increased information about the fees schemes charge to acquirers
Regulatory financial reporting (Chapter 5)	Requiring Mastercard and Visa to provide the PSR with regulatory financial reporting (RFR) for their relevant UK operations.
Pricing governance (Chapter 6)	Requiring Mastercard and Visa to pay regard to a set of pricing principles when setting scheme and processing fees, with governance and recording arrangements to support this, a requirement to report to the PSR on their compliance with these principles, and the PSR to have a discretionary power to request pricing decision records (PDRs).
Publishing scheme information (Chapter 7)	Requiring the regular publication of information on the schemes' UK financial performance and pricing governance. This information would be published by the PSR and on the schemes' own websites.

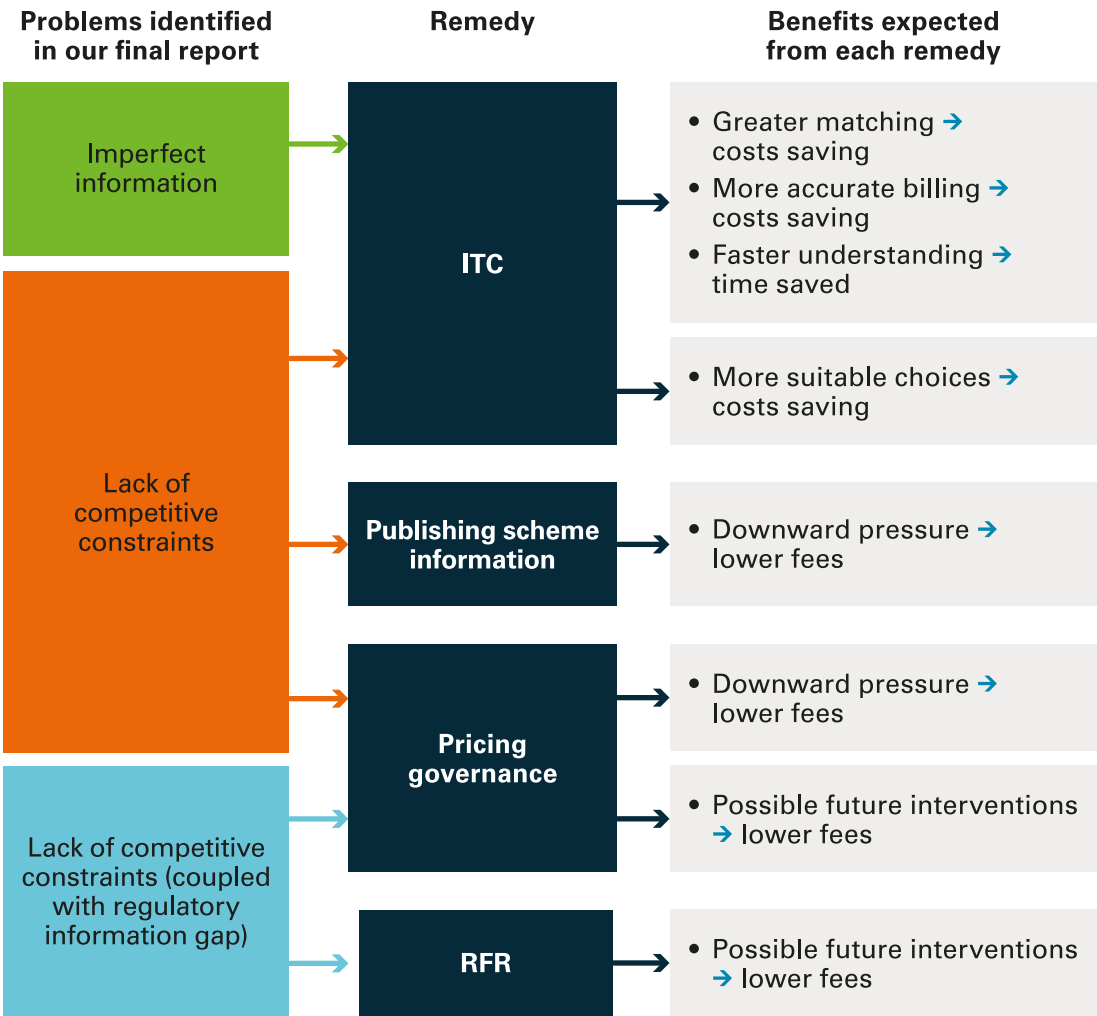
1.17 This consultation will inform whether and how these remedies should be taken forward. This consultation will be followed by a provisional remedies decision, which will include a draft remedies notice setting out draft legal instruments and a draft CBA.

1.18 In addition, Chapter 3 outlines in detail other remedies which we have considered but ultimately chosen not to pursue at this stage and the reasons why we are not pursuing them at present. As noted in this chapter, we have chosen not to pursue a remedy which directly addresses the lack of competitive constraints through a price cap. The complexity of the schemes' fee structures and an insufficient evidence basis, as well as complications in designing any fair price cap that reflects the nature of operations means it is not appropriate, at this stage, to consider further. However, this may be reviewed in the future, in particular with access to be better data or evidence, or should we observe unexpected changes in prices.

Expected policy outcomes

1.19 The primary aim of our potential remedies package is to address the concerns we have found in the course of our market review into card scheme and processing fees. Figure 2 shows how we propose remedying the problems identified in the final report, and the benefits we expect the remedies to bring.

Figure 2: Links between problems identified in the final report, remedies, and benefits



1.20 Table 2 below sets out in more detail which of the market failures each remedy seeks to address and what benefits we expect to see. While the table explains each remedy individually, as Figure 2 shows there are some complementarities between the remedies; for example, RFR and pricing governance work in combination with the publication remedy in seeking to mitigate the lack of competitive constraints.

Table 2: Our package of remedies

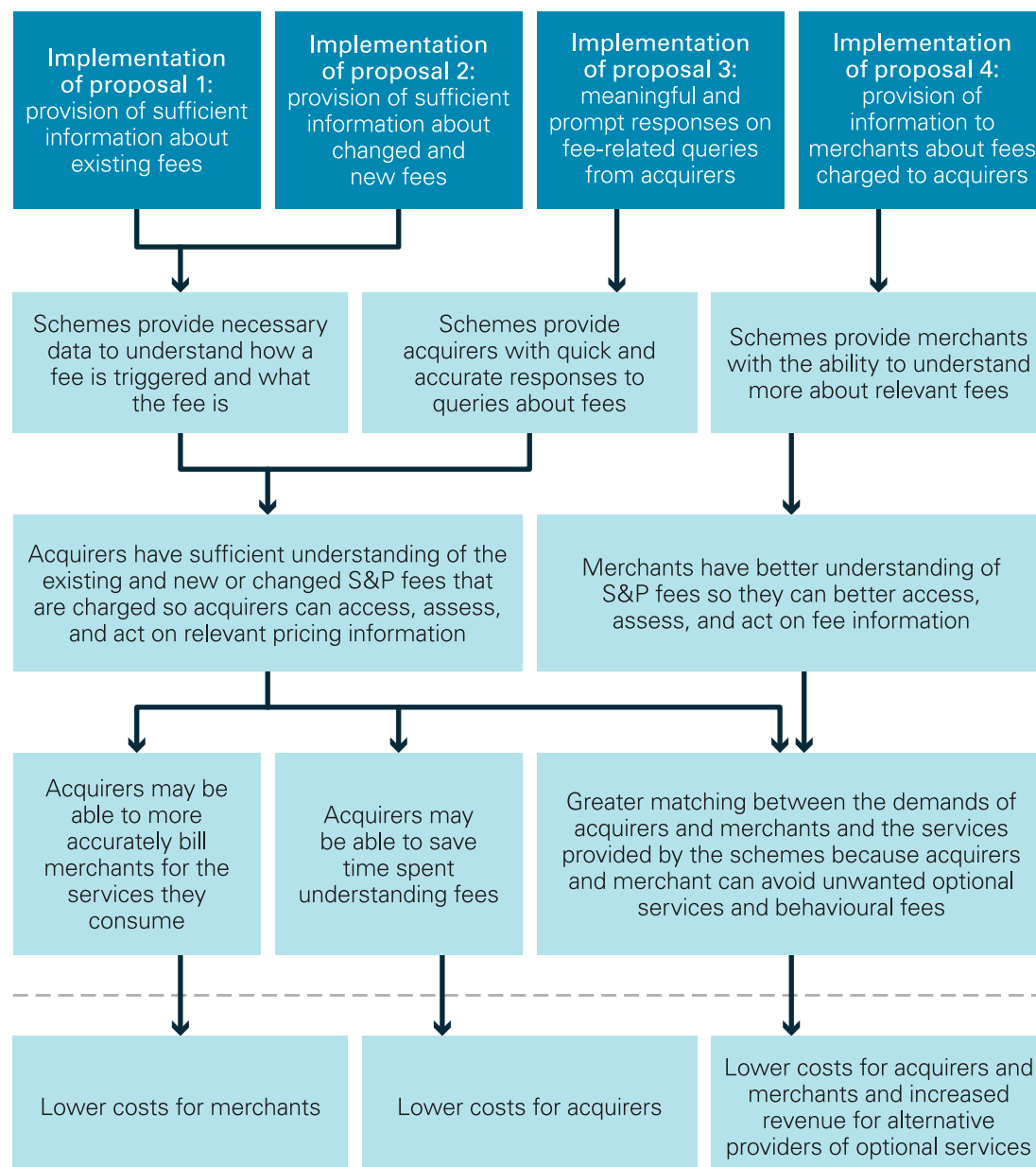
Remedy	Market failure(s) it addresses	Explanation	Benefits
ITC	<p>Imperfect information. Lack of competitive constraints, which can lead to poor pricing outcomes.</p>	<p>The final report concluded that the overall quality of information that acquirers (and ultimately merchants) receive can be insufficient to understand the fees they are charged, and, as such, it is below the standard that would serve the interests of service users well. This remedy directly addresses imperfect information.</p> <p>For those optional services where alternatives to Visa and Mastercard do exist, the remedy also mitigates the effects of a lack of competitive constraints on the acquiring side as acquirers and merchants have more understanding of how the schemes' products compare with these potential alternatives.</p>	<p>There are several potential benefits which accrue to acquirers and merchants through addressing imperfect information:</p> <ul style="list-style-type: none"> Improved information should lead to a greater matching between the demands of acquirers and merchants and the services provided by the schemes. This is because acquirers and merchants can avoid unwanted optional services and behavioural fees. Acquirers may be able to more accurately bill merchants for the services they consume. Acquirers may be able to save time spent understanding fees. <p>There are benefits from the mitigation of the lack of competitive constraints through acquirers making more suitable choices and thus saving costs.</p>
RFR	<p>Lack of competitive constraints, which can lead to poor pricing outcomes, via:</p> <ul style="list-style-type: none"> contributing to addressing regulatory information gap (in combination with pricing governance) mitigating the effects of that market failure, in combination with publication remedy 	<p>The final report found that the PSR is unable to reach a firm conclusion on profitability, as schemes do not report financial performance for their UK businesses.</p> <p>Requiring regulatory financial reporting (RFR) in the form we have proposed directly addresses a regulatory information gap by ensuring the PSR can collect more robust data from the schemes that would also provide an enduring basis on which to monitor the schemes' UK profitability. This, in turn, will contribute to the PSR's ability to reach firmer conclusions on profitability and to use this information to assess the impact and effectiveness of our regulatory interventions and make informed decisions on future regulatory interventions, if any.</p> <p>A subset of the information collected will be used for the purpose of publishing scheme information (see below), to mitigate any pricing effect that might arise from the lack of competitive constraints on the acquiring side.</p>	<p>There are potential benefits from RFR and pricing governance in case of future effective intervention made possible by these remedies. The PSR has not reached a firm conclusion on the profitability of the schemes, but the lack of effective constraints and the evidence set out in Chapter 6 of the final report suggests that the potential harm could be significant. If intervention is warranted in future, acquirers could benefit from lower scheme and processing fees (which would ultimately be passed on to merchants). Acquirers may also benefit from the mitigation of the lack of competitive constraints through the 'must pay due regard' components of the pricing governance remedy, which could lead to lower scheme and processing fees than may otherwise prevail (which would ultimately be passed on to merchants).</p>

Remedy	Market failure(s) it addresses	Explanation	Benefits
Pricing governance	<p>Lack of competitive constraints, which can lead to poor pricing outcomes, via:</p> <ul style="list-style-type: none"> contributing to address a regulatory information gap (in combination with RFR) mitigating the effects of that market failure 	<p>The final report found that factors informing pricing decisions are not consistently evidenced in the schemes' internal records, which contributes to the inability of the PSR to reach a firm conclusion on profitability (see above).</p> <p>Requiring pricing decision records (PDR) in the form we have proposed directly addresses a regulatory information gap by ensuring the PSR receives access to more robust information from the schemes. This, in turn, will contribute to the PSR's ability to reach firmer conclusions on profitability in the future. This is because the PSR will receive access to more robust information on the schemes' pricing and can use it to consider whether to intervene and mitigate any pricing effects arising from a lack of competitive constraint.</p> <p>In addition, the 'must pay due regard' components of the pricing principles may mitigate the effects of the lack of competitive constraints on the acquiring side, by putting some downward pressure on schemes' fees - because the PSR can use this information to take action. The potential threat of PSR action may lead the schemes to be more cautious when taking decisions over fee increases.</p>	<p>Benefits considered together with RFR above.</p>
Publishing scheme information	<p>Lack of competitive constraints which can lead to poor pricing outcomes.</p>	<p>Bringing schemes' margins and revenues information into the public eye increases stakeholders' awareness and scrutiny of the schemes' financial performance. This may lead schemes to consider negative public perception before determining future fee increases, mitigating the effects of a lack of competitive constraints on the acquiring side.</p> <p>This remedy will be complementary to the RFR remedy since the information we are proposing to publish has significant overlap with the information the schemes are required to submit as part of the RFR obligations.</p>	<p>The potential benefits of this remedy are lower fees for acquirers and, ultimately, merchants compared to a do-nothing counterfactual scenario.</p> <p>RFR will enable us to monitor the effectiveness of this remedy. If effective, this remedy may avoid the need to introduce more interventionist remedies in the future, saving costs to schemes and PSR.</p>

1.21 The outcomes we are seeking to achieve are aligned with our service user objective, which requires us to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them.¹⁶² In addition, the information we are planning to collect from the schemes is ultimately intended to help the PSR in promoting effective competition in the markets for payment systems and services.

1.22 In Figures 3 to 6, we set out how we expect each remedy, if implemented, to lead to a reduction in harm and the desired final outcomes.

Figure 3: Causal chain for ITC remedies



¹⁶² FSBRA, section 52.

Figure 4: Causal chain for RFR remedy

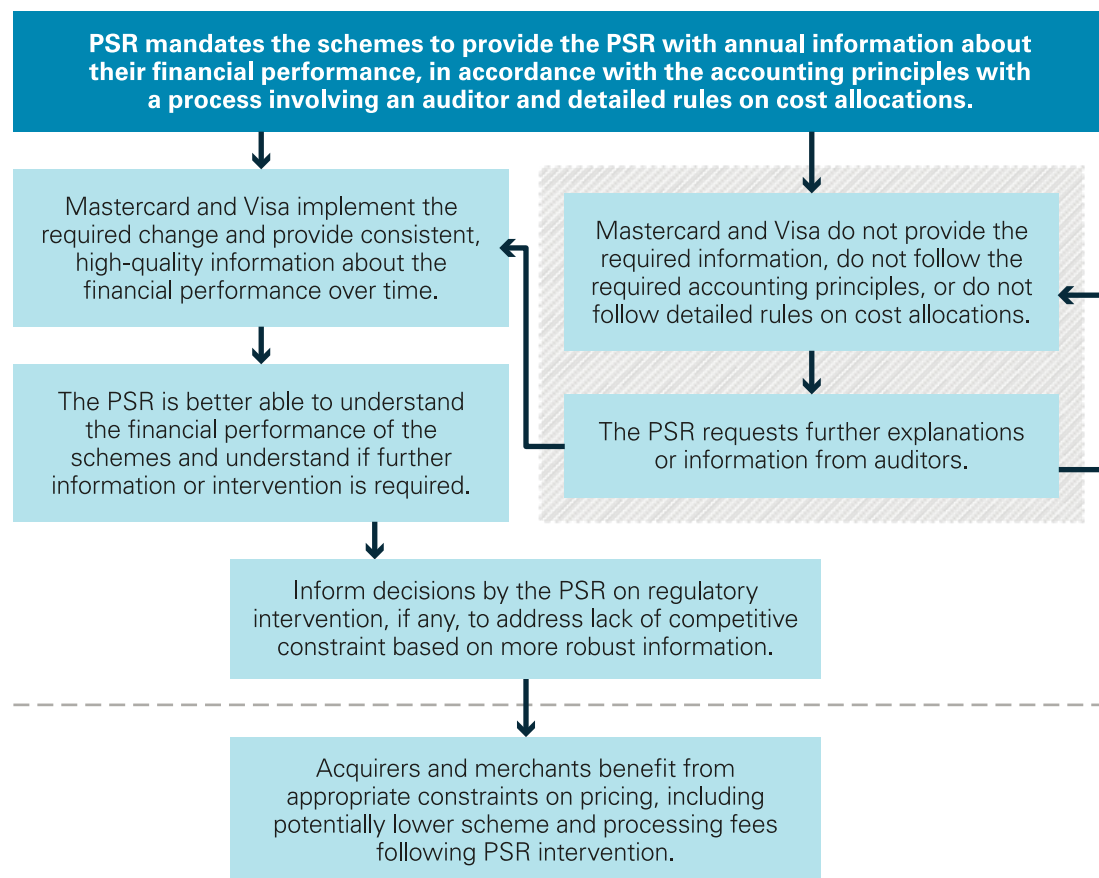


Figure 5: Causal chain for pricing governance remedy

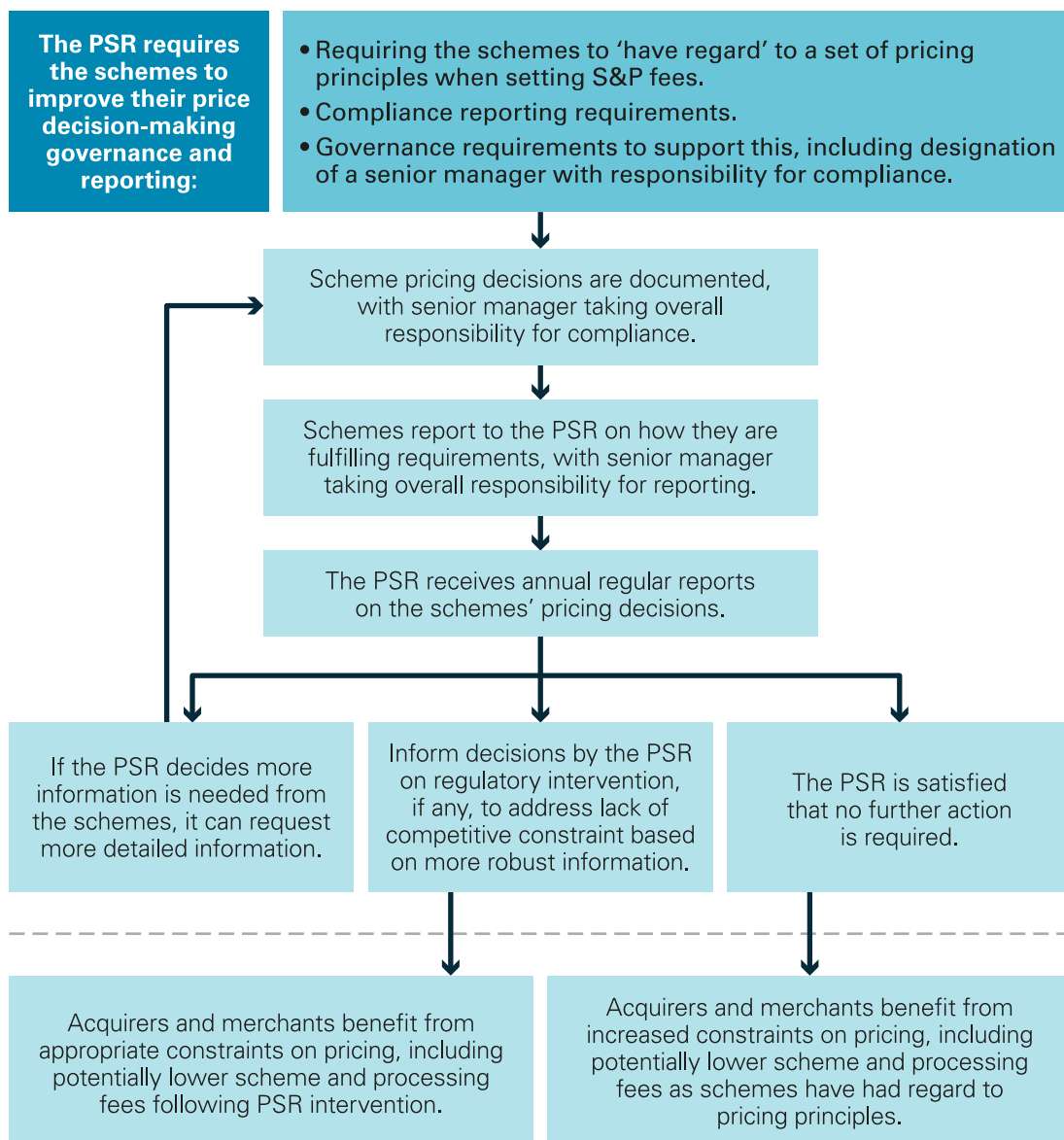
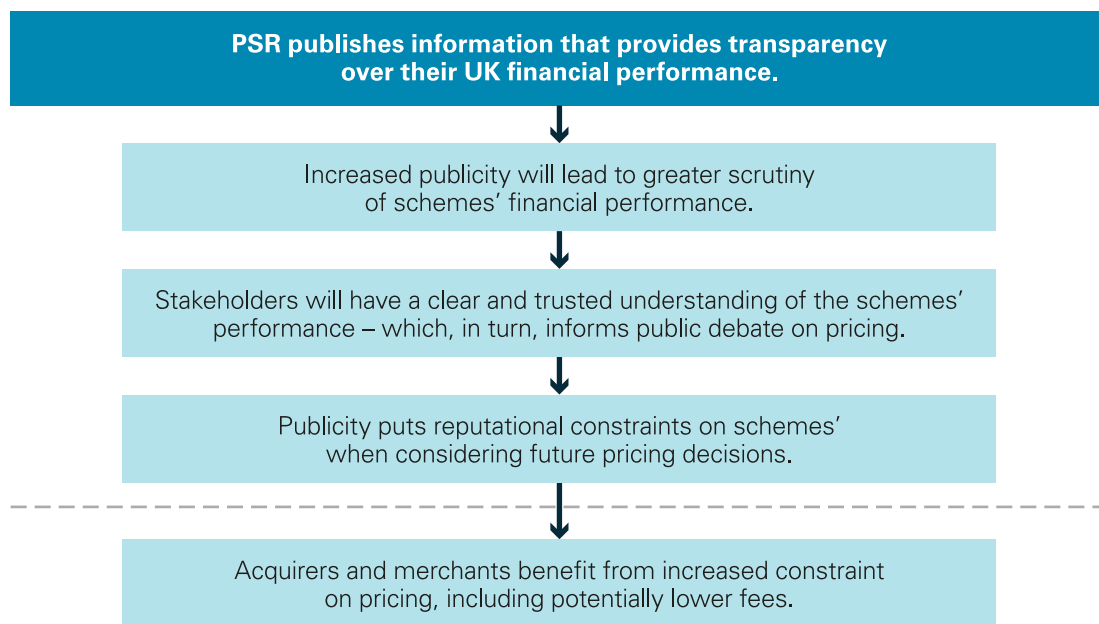


Figure 6: Causal chain for publication of schemes' financial performance information



Costs and benefits – economic impacts

- 1.23** In this section, we provide our initial thinking, based on the evidence available to us, of the likely impacts and the uncertainties of our proposed remedies against the 'do-nothing' counterfactual scenario.
- 1.24** At this stage, we have not attempted to quantify the costs and benefits. In our provisional decision on remedies, we would expect to update this thinking with, where appropriate and subject to FSBRA s.104(8)(b),¹⁶³ quantitative and further qualitative information regarding impact. Given the informational nature of our proposed remedies, we think that quantifying benefits would likely be subject to significant uncertainties and seeking to achieve a precise quantification is unlikely to be possible or reasonably practicable. However, a more precise quantification of the likely costs of the remedies will enable us to form a clearer view of whether the remedy package is likely to be proportionate to the likely magnitude of the benefits arising from our remedies (taking into account the likely effectiveness of these remedies in addressing the market failures we have identified and the fact that the harm and potential harm, as set out in the final report, is or could be significant).
- 1.25** We have provided an initial assessment of the costs and benefits for each of our remedies proposals. These are presented in the sub-sections below.

¹⁶³ FSBRA Section 104(8)(b) provides that 'if it is not reasonably practicable to produce an estimate [of costs and benefits] the cost benefit analysis need not estimate them, but must include a statement of the Payment Systems Regulator's opinion and an explanation of it'.

Information transparency and complexity

1.26 In this section, we have outlined the identified costs and benefits for the four proposals within the ITC remedies package set out in Chapter 4: (i) provision of sufficient information about existing fees; (ii) provision of sufficient information about changes or new fees; (iii) meaningful and prompt responses on fee-related queries from acquirers; and (iv) provision of information to merchants about fees charged to acquirers.

1.27 We have not identified the costs and benefits for the potential remedy to reduce fee volume as we are gathering more views in this area. Therefore, we have not designed these remedies in more detail or fully considered how they may be implemented. We will include any potential costs and benefits in subsequent remedies consultation, if we take this remedy forward, once we have gathered and considered the consultation feedback.

Costs

1.28 Table 3 below summarises the main identified costs of the information transparency and complexity remedies against the 'do nothing' counterfactual.

Table 3: Main identified costs of the ITC remedies

Type of cost	Affected party
Administrative implementation: Direct compliance costs, for example arising from the need to update acquirer portals.	<ul style="list-style-type: none"> Card schemes
Loss of S&P fee revenue for reports and data: Schemes would be required to provide data and reports to acquirers, some of which they currently charge a fee for, for free.	<ul style="list-style-type: none"> Card schemes
Indirect loss of revenue due to acquirers and merchants using alternative providers for optional services: As a result of these remedies, acquirers and merchants should be able to make more informed decisions based on fee information, enabling them to use alternative providers to the schemes where this option is available.	<ul style="list-style-type: none"> Card schemes

Administrative implementation costs

1.29 We expect that our proposed remedies will place implementation costs on the schemes. In particular, we expect that changes will need to be made to the schemes' acquirer portals to make the data and information expected from the remedy available to acquirers. In this remedies consultation, we are consulting with the relevant stakeholders on the time required and other costs associated with making these changes.

Loss of S&P revenue from data services

1.30 This remedy requires that the schemes provide acquirers with the ability to see and download transaction-level data for each billing code. Following our consultations with stakeholders, we understand that it is often the case that transaction-level data is only accessible by purchasing reports for the schemes which command a fee.

- 1.31** To comply with this remedy, the schemes will be obliged to make this previously chargeable data available to acquirers free of charge. This will present a cost to the schemes due to the reduction in fee revenue they will receive from this data. We are not aware of the size of this revenue loss to the schemes, but it is something we will consult on with stakeholders.

Indirect loss of revenue due to acquirers and merchants using alternative providers for optional services

- 1.32** One of the intended outcomes from this remedy is that the greater level of information and transparency and reduced complexity will allow acquirers, and in turn merchants, to make more informed decisions around services. For example, acquirers and merchants will have a greater ability to assess the value provided to them by the schemes' optional services. Some acquirers and merchants may stop purchasing these optional services if they believe they do not constitute good value, or they may seek to use lower-cost alternatives, where such alternatives exist.
- 1.33** The remedy could, therefore, lead to changes in purchasing decisions by acquirers and merchants, which could lead to a reduction in the revenue generated by the schemes for some services. We are currently not aware of the size of these potential reductions in revenue, but it is something we will consult on with stakeholders.

Benefits

- 1.34** Table 4 below summarises the main benefits of the ITC remedies against the 'do nothing' scenario.

Table 4: Main identified benefits of ITC remedies

Type of benefit	Affected party
Scheme ecosystem benefits: Greater matching between the demands of acquirers and merchants and the services provided by the schemes because acquirers and merchants can avoid unwanted optional services and behavioural fees. Behavioural fees have been designed to incentivise scheme participants into using some scheme services over others, or limit certain behaviours, to the benefit of the wider scheme ecosystem. Greater awareness and understanding of behavioural fees and their triggers among acquirers and merchants should lead to greater realisation of these benefits.	<ul style="list-style-type: none"> • Card schemes • Acquirers • Merchants • Consumers
Improved billing by acquirers: As a result of these remedies, acquirers should have an easier and better understanding of costs they are likely to incur and, therefore, a greater ability to forecast and control costs. This may improve the pricing they offer to merchants which may subsequently be passed on to end consumers.	<ul style="list-style-type: none"> • Acquirers • Merchants • Consumers

Type of benefit	Affected party
Costs saved for acquirers and merchants: As a result of the mitigation of the lack of competitive constraints, acquirers and merchants can make more informed decisions and use any cheaper or better/more suitable services from alternative providers to the schemes where this option is available. These cost savings may subsequently be passed on to end consumers.	<ul style="list-style-type: none"> • Acquirers • Merchants • Consumers
Increased revenue for alternative providers of optional services: Where acquirers and merchants have alternatives to the schemes' optional services available to them, these suppliers will benefit from increased revenue.	<ul style="list-style-type: none"> • Alternative providers of optional services

Scheme ecosystem benefits

- 1.35** One of the intentions of this remedy is to provide more information and transparency on the fees charged by Mastercard and Visa, including the behavioural fees they charge and optional services they offer to acquirers and merchants. Currently, some acquirers or merchants may be paying behavioural fees which they may otherwise avoid if they had more information regarding the triggers for these fees and how they can be avoided. Similarly, acquirers and merchants may be paying for optional services, which they may otherwise not pay for, if they had more information about the service.
- 1.36** The justification for behavioural fees is often to disincentivise certain behaviours or actions in favour of others for the benefit of the wider scheme ecosystem. For example, we have heard that behavioural fees have been put in place to help foster the wider use of tokenisation, which has benefits for all users of cards in terms of helping to reduce fraud.
- 1.37** Therefore, greater transparency around behavioural fees should help acquirers and merchants respond to the intended incentives, which in turn should allow the wider benefits to the ecosystem from these changes in behaviour to be realised.
- Improved billing by acquirers**
- 1.38** Acquirers have told us that being able to understand scheme and processing fees is important for internal budgeting and forecasting, which affects prices charged to merchants. If acquirers cannot effectively assess scheme and processing fees, it is harder to provide competitive prices to merchants. We have been told that IC++ pricing requires acquirers to attribute scheme and processing fees to the appropriate merchant, and having a lack of transparency and understanding of these fees can impact the competitiveness of acquirer pricing.
- 1.39** Being able to forecast fees is also important for those merchants on standard or fixed pricing contracts. With these contracts, acquirers do not automatically pass through the scheme and processing fees at cost. If acquirers are unable to accurately forecast the fees they are likely to face from the schemes, they will implicitly add a buffer to the fees they charge to merchants to account for any volatility in fees charged by the schemes. Conversely, if acquirers have greater transparency and information over the fees they are charged by the schemes, they will have a greater ability to reduce this buffer, which should lead to a reduction in the fees merchants on those contracts pay compared with the 'do nothing' counterfactual.

1.40 The increased transparency over scheme and processing fees should, therefore, save acquirers' time (and hence costs) in understanding the fees charged by the schemes, allow acquirers to more accurately forecast and budget these fees and the degree to which they are applicable to individual merchants. If acquirers are better able to accurately price their services, the competition between acquirers will result in them offering better pricing to merchants.

1.41 The magnitude of this benefit will depend on the degree of competition that already exists between acquirers. The greater the degree of competition between acquirers, the more merchants will realise these benefits. This is because, in a competitive market, acquirers will feel pressure to pass through these cost reductions to merchants in order to win business, whereas in an uncompetitive market acquirers will not feel this competitive pressure and cost reductions will be absorbed into higher profit margins.

Cost savings for acquirers and merchants

1.42 As a result of these remedies, acquirers can make more informed decisions and use more suitable services from alternative providers to the schemes, where this option is available. Any resulting cost savings may subsequently be passed down to end consumers.

1.43 This benefit mirrors the above costs to the schemes, namely their loss of revenue. As this is a transfer from the schemes to acquirers, merchants, and alternative providers of optional services, these costs and benefits equate to each other. However, a potential reduction in fees is aligned with our statutory service-user objective and resulting welfare objective, which applies to acquirers, merchants and consumers.

1.44 These cost savings (and related reduction in revenue from scheme and processing fees) could happen in two ways. First, through schemes supplying acquirers with previously chargeable transaction-level data for free. Second, through acquirers and merchants making behavioural changes and more informed choices, such as using potential alternative providers to optional services. The greater transparency and information available to acquirers and merchants may result in them deciding not to purchase optional services which they do not require or may result in them using lower cost alternatives where such alternatives exist.

1.45 As set out in Chapter 4 of the final report¹⁶⁴, fee increases to acquirers are automatically passed on to merchants on IC++ pricing contracts, which account for the largest proportion of transactions by value. Even under other contract types, acquirers told us they would still pass most fee increases on to merchants at some point, although possibly with a lag. In our market review of card-acquiring services, we found that scheme and processing fees were passed through by acquirers in full to merchants of any size, irrespective of the contract type.¹⁶⁵ On this basis, we consider that the reverse is likely to apply with fee decreases passed through from acquirers to merchants.

1.46 Economic theory and empirical evidence from several studies suggest that, over time, merchant cost changes will be passed through, at least to some extent, to consumer prices.¹⁶⁶ The extent to which cost reductions can be passed through to consumers depends on a range of factors that characterise the affected industries and firms.

164 PSR, MR22/1.10 Final report, March 2025, Chapter 6, paragraph 4.150.

165 See [MR18/1.8. Card-Acquiring Market Review: Final report](#) (November 2021), paragraph 5.66.

166 See [MR22/2.6: Market review of UK-EEA consumer cross-border interchange fees interim report](#) (December 2023), paragraphs 6.19 and 6.20.

These include intensity of competition, responsiveness of merchant demand, relevant marginal costs and whether the cost changes are industry-wide or affect only some firms. Given the differences in cost pass-through rates between industries and even between firms within the same industry, we have not sought to estimate the proportion of any pricing changes that may be passed through to consumers. We expect that the reduction will be, to some material extent, shared between UK merchants (in the form of higher margins) and part of it may be passed on to their consumers in the form of lower retail prices. As mentioned, our service user objective applies to acquirers, merchants and consumers. The degree to which we expect any potential benefits to merchants to be passed on to consumers is therefore not of immediate consequence for that objective.

- 1.47** There might also be some allocative efficiency benefits that may arise as we transfer welfare from the schemes, which have market power, to acquirers and merchants, who suffer detriment as a result of this market power. In addition, this remedy will impose compliance costs on the two schemes, while the benefits will be realised by several acquirers, as well as a large number of merchants. More formally, there is a reduction in the deadweight loss experienced in this market as welfare is transferred from the schemes, which face limited competitive constraints (and thus fewer incentives to operate efficiently), to acquirers and merchants, who face greater competitive pressure (and thus have more incentives to operate efficiently).

Increased revenue for alternative providers of optional services

- 1.48** As a result of these remedies, acquirers and merchants can make more informed decisions and use cheaper or more suitable services from alternative providers to the schemes where this option is available. Where this is the case, alternative providers to the schemes will benefit from increased revenues following the introduction of this remedy.

Regulatory financial reporting

Costs

- 1.49** Table 5 summarises the main identified costs of a RFR remedy against a 'do nothing' counterfactual.

Table 5: Main identified costs of RFR remedy

Type of cost	Affected party
Costs to the schemes: The card schemes will bear some costs in providing separate financial accounts for their UK businesses.	<ul style="list-style-type: none"> Card schemes
Costs to the PSR: The PSR will bear resource costs in collecting and analysing these accounts to understand the schemes' profitability as well as ensuring the schemes remain compliant with our remedy.	<ul style="list-style-type: none"> The PSR

Costs to the schemes

- 1.50** A RFR remedy would require the schemes to provide the PSR with financial reports for their UK businesses. Specifically, it could request information on the schemes' P&L and balance sheet, along with a disaggregation of these by relevant categories (for example, products, services, or customers), and information relating to other contextual factors and acquirer fee levels. This would create a cost burden on the schemes to provide the relevant information to the PSR.
- 1.51** We have not yet estimated the costs that the schemes would likely incur, but we are aware that businesses in other regulated sectors are subject to RFR requirements, such as those in the telecoms industry. We acknowledge that the schemes would incur substantial one-off costs, mainly in terms of staff costs and potential IT systems changes, in order to comply with the RFR requirements – for example, compiling UK-specific accounting information and submitting this to the PSR. We expect the costs would significantly reduce after the initial set-up costs as some submissions may be automated but there will still be some non-trivial ongoing costs.
- 1.52** We are keen to work with the schemes to find the best ways to achieve our outcomes with the least disruption to ensure effective and proportionate remedies.

Costs to the PSR

- 1.53** The PSR would be responsible for collecting and analysing the RFR submissions from the schemes, ensuring compliance with the remedy and updating the requirements of the RFR from time to time. This would require set-up costs, though we consider these costs are likely to be small relative to the benefits of improving our regulatory effectiveness and related outcomes for service users. Ongoing costs are expected to taper down somewhat over time.

Benefits

- 1.54** Table 6 summarises the main identified benefits of a RFR remedy against a 'do nothing' counterfactual.

Table 6: Main identified benefits of RFR remedy

Type of benefit	Affected party
Prevention of potential user detriment: RFR would allow the PSR to be in a position to effectively monitor the financial performance of the schemes' UK businesses, this would allow the PSR to make informed decisions on regulatory intervention, if any, to address potential user detriment.	<ul style="list-style-type: none"> • Acquirers • Merchants

Prevention of potential user detriment

- 1.55** The main benefit of RFR would be that it would provide the PSR with more robust information on the schemes' financial performance in the UK. The schemes will be required to prepare and provide this information in accordance with a regulatory framework that addresses the lack of suitable information which has prevented us from reaching a firm conclusion on the schemes' profitability. This will be achieved through the preparation of the P&L accounts and balance sheets and through providing principles on cost allocations, so that the cost allocations set out in the P&L accounts and balance sheet are consistent and reliable.
- 1.56** As set out in the causal chain for this remedy (see Figure 4 above), depending on the information gathered pursuant to our RFR remedy, supplemented by other information we have or gather, we would be able to make informed decisions on regulatory interventions, if any, in respect of one or both schemes. Any such intervention would be based on more robust (and detailed) information than we have had access to for the purpose of our market review. As a result, we would be able to consider a broader range of options and make a better-informed decision, with greater confidence in the evidential basis for that decision.
- 1.57** These benefits are difficult to quantify as it is not possible to estimate the costs that would be caused in the future in the absence of RFR and the related effects of subsequent regulatory intervention. However, the collection of RFR information by the PSR would provide reassurance to stakeholders that the PSR has information to monitor, and if necessary, take action, against harm arising as a result of the ineffective competitive constraints faced by the schemes. Further, where future disputes or investigations into the schemes rely on regulatory financial information, such matters will be resolved more quickly and efficiently using more reliable information.

Pricing governance

Costs

- 1.58** Table 7 summarises the main identified costs of the pricing governance remedy against the 'do nothing' counterfactual.

Table 7: Main identified costs of pricing governance remedy

Type of cost	Affected party
Administrative implementation: Direct compliance costs arising from the need to record how the schemes have considered our pricing principles, report these to the PSR and any related governance changes. Additional costs will vary depending on the extent schemes are already having regard to the principles.	<ul style="list-style-type: none">• Card schemes
Costs to the PSR: The PSR will bear resource costs in collecting and analysing the pricing governance submissions to understand the schemes' justifications for fee changes as well as ensuring the schemes remain compliant with our remedy.	<ul style="list-style-type: none">• The PSR

Administrative implementation

- 1.59** Under our current remedy proposal, we are minded to place a requirement on the card schemes that they must pay due regard to pricing principles (set out in Chapter 6) when making decisions on fee change events. We expect there will be initial and ongoing implementation costs associated with this remedy.
- 1.60** In terms of ongoing costs, we are currently of the view that ‘must pay due regard’ should mean the schemes must approach their pricing decisions by recording how they have considered each principle when making a scheme and processing fee change. We propose to require the schemes to maintain detailed records of the decision taken, including both qualitative and quantitative evidence of the considerations relevant to the decision. We also propose that: (i) the schemes must report to the PSR on their compliance with these pricing principles; and (ii) that the PSR may request records maintained for individual pricing decisions.

Costs to the PSR

- 1.61** The PSR will be responsible for collecting and analysing pricing governance submissions from the schemes, ensuring compliance with the remedy. This will require set-up costs, though we consider these costs are likely to be small relative to the benefits of improving our regulatory effectiveness and related outcomes for service users. Ongoing costs are expected to taper down somewhat over time.

Benefits

- 1.62** Table 8 below summarises the main identified benefits of the pricing governance remedy against the ‘do nothing’ counterfactual.

Table 8: Main identified benefits of the pricing governance remedy

Type of benefit	Affected party
Prevention of potential user detriment: This remedy will enable the PSR to effectively monitor the pricing governance and decision-making of the schemes’ UK businesses, this would allow the PSR to make informed decisions on regulatory intervention, if any, to mitigate user detriment. If intervention is warranted in future, acquirers could benefit from lower scheme and processing fees (which would ultimately be passed on to merchants).	<ul style="list-style-type: none"> • Acquirers • Merchants
Lower scheme and processing fees from the ‘must pay due regard’ components of the remedy: Users may benefit from lower scheme and processing fees from the ‘must pay due regard’ components of the remedy.	<ul style="list-style-type: none"> • Acquirers • Merchants

Prevention of potential user detriment

- 1.63** This remedy prescribes that the schemes must pay due regard to a set of pricing principles in their decision-making processes for fee change events (for example, the schemes must pay due regard to the interests of service users when taking UK pricing decisions). In addition, the remedy prescribes that the schemes make appropriate governance changes and report to the PSR on their compliance with these principles.

- 1.64** As set out in the causal chain for this remedy (see Figure 5 above), depending on the information gathered pursuant to our pricing governance remedy, which may or may not need to be supplemented by other information, we may decide to intervene in respect of one or both of the schemes. Any such intervention would be based on more robust (and detailed) information than we have had access to for the purposes of our market review. As a result, we would be able to consider a broader range of options and take better-informed decisions, with greater confidence in the evidential basis for that decision.
- 1.65** These benefits are difficult to quantify as it is not possible to identify the costs that would be incurred in the future in the absence of this remedy and the related effects of subsequent regulatory intervention. However, the collection of pricing governance information by the PSR could provide reassurance to stakeholders that the PSR has information to monitor, and, if necessary, take action against harm arising as a result of the ineffective competitive constraints faced by the schemes. Further, where future disputes or investigations into the schemes rely on pricing information, such matters would be capable of being resolved more quickly and efficiently, due to access to better quality records.

Lower scheme and processing fees from the pricing principles components of the remedy

- 1.66** This remedy prescribes that the schemes pay due regard to pricing principles set out by the PSR in their decision-making processes for fee change events. These pricing principles include requiring the schemes to pay due regard to the interests of service users and 'reasonableness' of the fees when taking pricing decisions. This may mitigate the effects of the lack of competitive constraints on the acquiring side, by putting some downward pressure on the schemes' fees. This would be through the introduction of more structured decision-making and because the PSR can use this information to take action. For example, the potential threat of PSR action may lead the schemes to be more cautious when taking decisions over fee increases.
- 1.67** It is not reasonably practicable to quantify such benefits, as it is not possible to estimate the user costs that would emerge in the absence of this remedy. However, the compliance reports would provide the PSR with the information to monitor effectively and make informed decisions on regulatory intervention, if any, to address scheme practices which could lead to user detriment.

Publishing scheme information

Costs

- 1.68** Table 9 below summarises the main costs of publishing scheme information against a 'do nothing' scenario.

Table 9: Main identified costs of publishing scheme information

Type of cost	Affected party
Implementation costs: There would be a cost to the PSR and the schemes to implement this remedy in terms of publishing this information.	<ul style="list-style-type: none"> • The PSR • Card schemes

Implementation costs

- 1.69** The PSR will be responsible for collecting the information contained in the publication produced as the output of this remedy. We believe the costs associated with this remedy are likely to be small in terms of resource and governance time, as much of the costs associated with collecting the information required already fall under the RFR and pricing governance remedies.

Benefits

- 1.70** Table 10 below summarises the main benefits of publishing scheme information against a 'do nothing' counterfactual.

Table 10: Main identified benefits of publishing scheme information

Type of benefit	Affected party
Lower fee increases: The publication of schemes' financial performance may act as a deterrent in future pricing decisions, leading to lower fees for acquirers and, ultimately, merchants compared to a do-nothing counterfactual scenario.	<ul style="list-style-type: none"> • Acquirers • Merchants • End consumers

Lower fee increases

- 1.71** We expect this remedy to provide some deterrent in future pricing decisions, leading to lower fees for acquirers and merchants compared to a do-nothing counterfactual scenario. This may mitigate some of the effects of the lack of competitive constraints the schemes face. The publication of the schemes' financial performance may act as a deterrent to the schemes when making decisions about changes to scheme and processing fees. These factors should lead to fewer or lower fee increases. It is not reasonably practicable to quantify these benefits as it is not possible to identify the fee increases that would arise in the absence of this remedy.

Estimation of costs

- 1.72** While we have not been able to quantify the costs of our proposed remedies, we will be using our consultation period to enhance our understanding of these. In particular, we plan to engage with the schemes to understand the magnitude of the costs they are likely to face when implementing these remedies. Such costs may include: any staff time required to understand and implement the requirements, the cost of any IT systems changes that may be needed, and the costs of change to schemes' internal processes or governance arrangements.
- 1.73** We will use the results of our engagement and our own analysis to provide estimates of the likely costs the schemes will incur as a result of these remedies in our updated CBA, to be published alongside our provisional remedies package.

Questions for consultation

Question 48: Do you have any comments on how we envisage the interaction between individual remedies with one another in the proposed package?

Question 49: Do you have any comments on the causal chains we have set out for each individual remedy? How likely do you think it is that the expected changes will take place? Please include any supporting evidence.

Question 50: Have we identified all the relevant costs and benefits associated with our proposed remedies?

Question 51: Please provide any views or evidence available to you on: (i) the magnitude of the costs and benefits outlined in this CBA, or (ii) the magnitude of the costs and benefits which you believe are missing from this CBA.

Question 52: Please provide any views or evidence available to you on: (i) how we could estimate the costs and benefits outlined in this CBA, or (ii) how we could estimate the costs and benefits which you believe are missing from this CBA.

Annex 2:

Consultation Questions

Our interim report proposals, stakeholder feedback and our response

Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?

Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?

Question 3: Do you have any views on our update regarding remedies that were previously ruled out?

Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?

Information transparency and complexity (ITC)

Question 5: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand existing fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any of the information listed in Box 1 not necessary?

Question 6: Do you have any views on whether access to the data in Box 2 will be beneficial to acquirers? Is there any other data that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

Question 7: What would be a reasonable time period for the transaction-level data to be made available by the schemes? Please provide reasons for your answer.

Question 8: Do you have any views on whether the information in Box 1 will support acquirers' ability to understand the upcoming changes being made to fees, including any new fees? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

Question 9: Do you have any views on whether the information in Box 3 will support acquirers' ability to understand the impact of fee changes? Is there anything else that acquirers need to achieve the stated outcomes? Is any data in our proposal not necessary?

Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?

Question 11: How far back should the historical data provided by the schemes stretch? Please explain your answer.

Question 12: Do you have any views on whether schemes should send this information to all acquirers or only a certain set (for example to exclude international acquirers without direct scheme relationships in the UK)?

Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?

Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?

Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?

Question 16: Do you have any views on whether the use of our powers under section 82 FSBRA to appoint a skilled person is an appropriate way to further understand the impact any reduction in the number of fees would have on acquirers and merchants?

Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?

Question 20: Do you have views on whether our reporting requirement is an appropriate way to measure whether good outcomes are being realised? Is there a better way to monitor the outcomes?

Question 21: Should any of this information be publicly released by the PSR?

Question 22: Do you have any views on our proposals for the timeline by which schemes should implement the remedies set out in Chapter 6?

Question 23: Do you have any views on proposals that schemes should demonstrate how they have complied with the remedy every twelve months and should continuously consider acquirer feedback? Are there more effective ways to ensure compliance and to achieve the outcomes? Should the reporting period be aligned with other remedy reporting periods?

Regulatory Financial Reporting (RFR)

Question 24: Do you have views on the questions a RFR remedy must answer and whether there are any other questions that you think we should consider?

Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes' UK operations?

Question 26: Are there any alternatives to RFR that would answer the three key questions set out in this chapter?

Question 27: Do you have views on our proposal of a principles-based approach to the preparation of RFR and whether there are areas where we should be more prescriptive?

Question 28: Do you have views on the list of proposed accounting principles set out in this chapter and whether these should be weighted or treated equally?

Question 29: Do you have views on the reportable information that we have set out in this chapter, including whether there is any information we have missed or which is not appropriate?

Question 30: Do you have views on whether calculating a ROCE is needed to enable us to meet the objectives of the RFR remedy, and what information should we collect?

Question 31: Do you consider RFR being based on annual information to be appropriate?

Question 32: Do you have views on the assurance and audit requirements as set in this chapter?

Pricing Governance

Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?

Question 34: Do you have any views regarding Principle 1 and how it is defined? Are there any other system outcomes we should be considering?

Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?

Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?

Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.

Question 38: Do you have any views relating to our approach to implementation and timelines? For example, the content and cadence of the compliance report and/or proposed governance changes.

Publishing scheme information

Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?

Question 40: Do you have views on whether the Operational Dataset should be restricted to broadly pre-existing or readily accessible factual information or should it be expanded to include information that could be estimated?

Question 41: Which information do you think should be included in the Operational Dataset?

Question 42: Do you have views on whether information collected through RFR should be published and, if so, which information? Are there any specific types of information that should be redacted or replaced with ranges?

Question 43: Do you have views on whether information from the schemes' annual compliance reports should be published and, if so, which information?

Question 44: Do you think any other information should be published? If so, please outline which information.

Question 45: Do you have a view on the appropriate level of detail in the publication? Do you have a view whether publishing information will benefit stakeholders?

Question 46: Do you have any views in respect of publication frequency?

Question 47: Do you have any views on whether there should be a time lag between when the information first becomes available and the publication of information?

Initial cost benefit analysis (CBA)

Question 48: Do you have any comments on how we envisage the interaction between the individual remedies with one another in the proposed package?

Question 49: Do you have any comments on the causal chains we have set out for each individual remedy? How likely do you think it is that the expected changes will take place? Please include any supporting evidence.

Question 50: Have we identified all the relevant costs and benefits associated with our proposed remedies?

Question 51: Please provide any views or evidence available to you on: (i) the magnitude of the costs and benefits outlined in this CBA, or (ii) the magnitude of the costs and benefits which you believe are missing from this CBA.

Question 52: Please provide any views or evidence available to you on: (i) how we could estimate the costs and benefits outlined in this CBA, or (ii) how we could estimate the costs and benefits which you believe are missing from this CBA.

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© The Payment Systems Regulator Limited 2025

12 Endeavour Square

London E20 1JN

Telephone: 0300 456 3677

Website: www.psr.org.uk

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