

MIF regulation would benefit businesses and consumers across the EU

Commerce calls on Commission to stand strong on MIF Regulation

The European Commission is expected to publish proposals concerning the fees charged on payments using electronic cards. The card scheme MasterCard has been pursuing an aggressive media campaign against such regulation. EuroCommerce calls on the European Commission not to be pressurized: all European businesses and consumers need and deserve strong regulation against these fees.

Christian Verschuere, Director-General of EuroCommerce said, *"These fees, which only benefit the banks, are wholly hidden from consumers but increase the price of all goods and services whether or not a card is used to pay. Many cards also carry 'free gifts' such as air-miles or money-off coupons. But these gifts are not free. All consumers pay for them through the hidden interchange fees."*

The fees, known as multi-lateral interchange fees (MIFs), are interbank fees charged on most card transactions. They do not correspond to cost and, for some debit and most credit cards, they are charged as a percentage of the price – up to 2% in some countries. They are borne directly by merchants but ultimately increase costs for all consumers.

MasterCard's MIF system has been condemned, by the European Commission, as a price-fixing cartel in breach of European competition law. The European Court upheld the decision against MasterCard, finding that MIFs are not necessary for the card schemes to function and that they distort competition across the whole payment market. Some progress has been made on cross-border fees through the competition cases. But regulation is needed urgently to address domestic MIFs which remain unjustifiably high.

EuroCommerce urges the European public not to be misled by media articles which claim consumers would suffer if the MIF system were subject to regulation: the opposite is true. All consumers would benefit. It is in the nature of the retail business to be highly competitive: this fact alone would dictate that savings made by the sector on MIFs would be passed on to consumers.

"Much consumer complaint has come from the practice of surcharging," commented Christian Verschuere. *"But retailers would rather not surcharge: they are forced into it because of the huge costs associated with payments by credit card. The removal of this cost burden would allow merchants to offer lower prices and better services to all consumers."*

The current MIF system, and associated card scheme rules, also act as barriers to new payment operators entering the market. If these barriers were removed, new providers could offer effective competition with new payment methods. This, in turn, would also reduce costs to the benefit of retailers and consumer alike. The ultimate benefits would be an expansion of cross-border and e-commerce trade which would bring new goods and services to consumers at more competitive prices.

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EuroCommerce and the commerce sector

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 99% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 33 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.