

Report to the Tyne and Wear Trading Standards Joint Committee

22 February 2018

Report on the Changes on Charging for the Use of Debit and Credit Cards

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Purpose of the report

To update the Committee on recent legislative changes which affect charges for the use of debit and credit cards.

The Issue

1. On the 13 January 2018 the Consumer Rights (Payment Surcharges) Regulations 2012 were amended and so brought into force the second EU Payment Services Directive.

Background

2. Payment surcharging is when a fee is charged for the use of a particular means of payment, such as a debit card, credit card or e-money account such as PayPal.
3. Merchants and retailers themselves will usually incur a payment processing fee for the use of certain payment methods, such as the merchant service charge for processing debit and credit card transactions.
4. Consumers are often unaware of these surcharges until they come to pay. For some transactions, and online transactions in particular, charges may be only become apparent many steps after a purchase decision has been made, leaving the consumer inconvenienced or unwilling to cancel the transaction.
5. Surcharges were often cited in the airline sector but are also imposed by some retailers in other sectors, including rail, event tickets, cinemas, car dealerships and hotels. The Office of Fair Trading (OFT) estimated that consumers spent around £300 million on payment surcharges in 2010 in the airline sector alone.
6. New rules prohibit traders from levelling a surcharge in relation to a wide variety of transactions, and surcharges are limited in some other circumstances. So, for example, a cinema or theatre can still charge a booking fee and an airline can charge for choosing a seat.

Recommendation

7. The Committee is asked to note the information as contained within the report.

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