



**CONSULTATION ON GREEN PAPER
"TOWARDS AN INTEGRATED EUROPEAN MARKET
FOR CARD, INTERNET AND MOBILE PAYMENTS"
– UGAL COMMENTS –**

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UGAL COMMENTS

UGAL welcomes the launch of the public consultation on the Green Paper “*Towards an integrated European market for card, internet and mobile payments*”.

UGAL fully supports the Commission’s aim to promote secure, efficient, competitive and innovative electronic payments as long as such payment systems are cheap to implement, and easy to use, both from a retail and consumer perspective. This point is particularly important for our constituents. As an independent retailer is a local entrepreneur, often well-known in the local community, he/she is particularly keen to ensure that his/her local customers can shop, and pay, in a manner of their choosing.

Consequences of SEPA

The introduction of the SEPA regime has significantly raised the costs involved for groups of independent retailers in certain Member States when offering card payments.

In some Member States, common national payment card settlement systems previously existed. In these systems, payments made with debit cards were free. They incurred no processing charges. Following the introduction of SEPA, international Visa/MasterCard debit card regimes were introduced. The introduction of these new debit card regimes has led to fees being charged for Visa/MasterCard debit card payments. This has resulted in vastly increased costs due to the introduction of transaction charges levied on retailers for processing these debit card payments.

Whilst it was always the case that credit card payments incurred such transaction charges, the fact that debit card transactions are now subject to such charges, in certain Member States, is a worrying development. Indeed, the use of debit cards is much more common than the use of credit cards, in particular for smaller purchases such as grocery shopping. This being the case, the negative financial impact of debit card charges on retailers (and indirectly consumers) cannot be underestimated.

Fee ceilings

The ceilings established by the European Commission to ensure that fees for debit card transactions would not be excessive have been abused. Rather than viewing the ceiling as a guideline figure, the ceiling has become *de facto* the floor price at which the prices are fixed and therefore forms a barrier to entry for new service providers, especially the acquirers that do not have their own card issuing on the market in question. This notably is the case in some Nordic markets.

Debit cards

In an ideal world, debit card payments should be low-cost. One way to make such transactions low-cost would be to ensure that the transaction fees charged to retailers are proportional to the actual transaction costs incurred.

→ These fees should only be based on the costs incurred by the service providers, card acquirers and issuers. Fees for debit card payments should not be based upon a percentage of the purchase price.

This would enhance competition as service providers will realise that they need to be more efficient to remain competitive. A competitive situation would be a vast improvement on today's situation where in certain countries fees are based on arbitrary percentages of the sale price, with no clear link to the real costs of a transaction, such as the percentage based interchange fee for the issuers. This is due to the existing duopoly.

Challenges facing card and mobile payments

The shift away from cash payments

A shift away from cash payments is underway. Card payments are becoming more popular and mobile payments are expected to grow in popularity. The move to a cashless society has certain cost benefits, particularly due to the cost implications of issuing and handling cash. As such, the shift away from cash payments is to be cautiously welcomed.

UGAL members wholeheartedly believe that consumers should have a “low-cost”, if not free, method of payment. If retailers are forced to pay transaction charges for card or mobile payments, the shift away from cash payments will be delayed. **This is because charges for these payments are likely to be passed on to consumers.** As such, consumers would be more likely to use the only low-cost method of payment i.e. cash payments.

That said, the shift away from cash payments does also entail setting up new, physical payments infrastructures in retail outlets. This can be costly.

→ UGAL underlines the fact that the costs involved in developing in-store infrastructures must be minimised.

Use of ISO standards

SEPA implementation involves the use of various standards. SEPA implementing standards have been developed at both national level and international level. UGAL supports the use of sensible, cost-efficient standards in the European payment market.

The application of standards can be expensive. For example, the application of the above-mentioned national and international standards has resulted in substantial costs for retailers. One way to minimise the cost burdens involved in standards compliance is to ensure the full participation of the users of standards in the standard development process. This will ensure simple, cost-effective standards that are fit for purpose and cheaper to implement/use.

UGAL does not believe that the EU institutions should lead the standard setting process. SEPA related standards provide us with a cautionary tale in this respect. These standards only focus on a few EU-wide (political) issues. The industry and retail sectors were afforded little input into the process, which resulted in their concerns not being taken into account.

→ If further standards are developed in the future, it should be done through an impartial, inclusive body such as ISO.

Data security

Data security is key for the companies represented by UGAL. Security of data ensures peace of mind for consumers and has cost benefits, ensured through loss prevention, by companies using secure data systems.

SEPA has been successful in facilitating data security in payments transactions. However, the main driver of data security has been the implementation of more global standards such as the EMV (the Europay, MasterCard and Visa global standard).

Bank secrecy and mobile payments

As innovative payment methods have developed, efforts have been made to develop alternative payment processing systems independent of the card industry. To date, such efforts have been unsuccessful, partly due to rules on bank secrecy.

Financial institutions, strongly linked to the card industry, refuse to provide retailers, and retail service providers, with access to the basic bank account information needed to process a payment made through an alternative “non-card” payment method. This is despite the fact that consumers have given their prior consent to a retailer/retail service provider to have such access.

→ UGAL supports the idea that elements of bank secrecy are waived to the extent needed to process alternative payments, subject to consumer consent. Retailers and their service providers should have the right to carry out verification, and funds provision, on consumers' bank accounts subject to their consent.

Co-badging

Co-badging is a well-established concept. The consumer should always be able to choose which payment function he/she wishes to use.

→ This situation should remain when novel payments methods are used.

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*Established in 1963, **UGAL – the Union of groups of independent retailers of Europe** – is the European association that acts as an umbrella organisation for the main groups of independent retailers in the food and non-food sector. These groups are set up like wholesale businesses by independent retailers and craftsmen. Their aim is not only to provide their members with the best purchasing conditions. What they are also seeking is to jointly contribute technical and material resources, together with all the services and the human capacity required to guarantee the operation and development of modern commercial and distribution enterprises for retailers to effectively respond to consumer expectations.*

To achieve this, these groups seek economic performance through networks of points of sale – consisting of SMEs usually working under a common brand name.

UGAL represents nearly 300.000 independent retailers, who manage more than 540.000 sales outlets. This represents a total employment of more than 5.000.000 persons.

More information about UGAL under www.ugal.eu