

CARD PROCESSING FEES

GROWTH

NO MORE SURCHARGES ON CARD PROCESSING FEES – THE IMPACT TO UK BUSINESSES

Companies of all shapes and sizes will be impacted by the new changes, from large airlines like Ryanair to your everyday corner shop. In some cases, businesses charge substantial surcharges to offset card processing fees. In theory, businesses were supposed to recoup only the card processing fees they incur from their merchant banks. In practice, many businesses have used card processing fees as a method to increase profits. From January 2018, surcharging will become entirely illegal.

CARD PROCESSING FEES – THE IMPACT ON DIFFERENT BUSINESSES

Surcharging is said to amount to an estimated £473m in card processing fees. Those affected include HMRC, travel, flights operators, and even corner shops. While corner shops typically charge 50p a transaction, surcharges on flights cost as much as £15-£20, therefore, impacting different industries by varying degrees.

But will businesses have to absorb the costs of card processing fees? Or will they simply raise the price of goods and services?

Well, it's likely that the size of the business will be the biggest factor in assessing how people will deal with surcharging on card processing fees. It's highly likely that bigger businesses like Ryanair and Thomas Cook will raise their prices to cover their card processing fees. This is especially likely for companies that have shareholders to answer to. Smaller companies are much more likely to absorb the cost of card surcharges. Competitive environments, where consumers value even the smallest changes in price, leave some retailers with very little choice. Corner shops and food outlets are amongst those likely to be most affected.



BIG CHANGES IN THE CARD PROCESSING MARKET

The removal of card surcharges is not the only major change in the card payments industry in recent years. The UK government has enforced multiple EU laws which, in theory, should limit the costs of card processing by lowering the cost of interchange fees. Interchange is one of the major costs entwined within card processing fees. It was capped at 0.2% for consumer debit and 0.3% for consumer credit in January 2016, which should have led to a significant reduction in overall costs.

TO FIND OUT MORE, CLICK HERE:

What's the best way to choose merchant services?

Why searching for the cheapest card machine can end up costing your business more?

Credit and debit card surcharges to be banned

In practice, many businesses have not received the full benefit of these changes for a variety of reasons. Firstly, many businesses do not know the best way to find a merchant provider. Others simply believe that changing provider is simply too complicated or that costs are set in stone.

HOW CAN COMPANIES LOWER THEIR CARD PROCESSING FEES?

A wide variety of businesses will be affected by the removal of surcharges. This will lead to many having a more detailed look at their card processing costs and merchant provider. We recently wrote about the best way to choose merchant services.

To summarise our findings, to receive the best value services, you need to compare ISOs who offer merchant services.