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End to card surcharges days away

A European Union law [1] is set to enter into force this Saturday putting an end to the practice of surcharges on card payments, credit transfers and direct debits. Some countries have nevertheless delayed the entry into force of the law until later this year [2].

Until now it has been quite common for consumers to have to pay an extra charge for using a particular debit or credit card, or for a merchant to add a charge because they deemed the amount to be paid by card was too low vis-à-vis the cost of the transaction. This meant the price paid by the consumer was not the one initially advertised [3]. Card surcharges were particularly common with airlines.

Monique Goyens, Director General of the European Consumer Organisation (BEUC), said: "Consumers across Europe will be happy they are rid of these irritating charges. Card surcharges meant you were paying to pay, and you never knew what you were paying until the final stage of the transaction. It's good news for transparency and good news for consumers."

There are exceptions to the ban on surcharges. In some Member States, the ban will not apply to business cards, American Express or PayPal, though applying a full ban is left to the discretion of national governments. Nevertheless, BEUC estimates that in more than 95% of payments, there will no longer be any card surcharges.

The new legislation also contains several measures that protect the consumer against fraud, in particular online. In shops, if a fraudulent transaction is made on the cardholder's behalf before the card is reported as lost or stolen, the consumer is now only liable for the first €50. Previously, this amount was €150. The liability online is zero if the bank has not requested an identity check.

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[1] The EU law is the Payment Services Directive 2. Summary in all EU languages: <http://eur-lex.europa.eu/legal-content/EN/LSU/?uri=CELEX:32015L2366>.

[2] Some countries are lagging behind regarding the entry into force of the law however. We know of delays to Belgium and Slovenia.

[3] 14% of merchants in Ireland and the UK were estimated by the European Commission to apply card surcharges and 10% in the Netherlands. See European Commission, Impact Assessment for the Payment Services Directive 2, http://ec.europa.eu/internal_market/payments/docs/framework/130724_impact-assessment-full-text_en.pdf (p.132).