

Payment Systems Regulator - Market review of card scheme and processing fees – consultation on proposed directions
Submission from the Association of Convenience Stores

Overview

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Payment Systems Regulator consultation on proposed remedies to the issues. ACS represents 50,487 local shops and petrol forecourt sites including Co-op, BP, One Stop and thousands of independent retailers, many of which trade under brands such as Spar, Budgens and Nisa. These retailers operate in all locations, such as neighbourhoods, villages, on petrol forecourts and in city centres, but our primary trading location is in secondary shopping areas close to where people live and work.

Convenience retailers are consumer-led businesses that continually evolve to reflect changing customer preferences, including how people choose to pay. Retailers therefore typically try to ensure that payment options are accessible, reliable and appropriate for the customers they serve. As a result, the range of payment methods offered by convenience stores continues to diversify, with retailers exploring new and innovative solutions alongside established methods, including developments in digital payments and open banking. ACS supports consumer choice in payment methods and does not favour one form of payment over another. This principle is central to ensuring that customers can continue to shop conveniently and inclusively, regardless of how they choose to pay.

Evidence from across the sector demonstrates the importance of maintaining a balanced payments landscape. 92% of the UK's independent convenience stores (including symbol and unaffiliated independents) offer both cash and card payment options, reflecting the need to cater to different customer needs and circumstances¹. Purchases in the sector are characterised by frequent, low-value transactions, with an average basket size of 2.7 items and an average spend of £7.81². Despite continued growth in card and digital payments, cash remains essential, accounting for nearly half (46%) of all transactions in the sector³.

ACS welcomes the PSR's proposed Information, Transparency and Complexity and Pricing Governance remedies as important steps toward addressing long-standing concerns around the opacity and escalation of card scheme and processing fees. Improved access to clear, consistent information and stronger governance around pricing decisions should help ensure that fee changes are better understood, more predictable, and subject to appropriate regulatory scrutiny. It is important that these remedies are implemented in a way that delivers consistent outcomes across the market, avoids unnecessary complexity, and does not dilute their effectiveness through overly broad exemptions or materiality thresholds.

However, while greater transparency and governance are necessary, they are not sufficient on their own to address the underlying market failure identified by the PSR. Convenience retailers continue to operate in a market where card schemes are effectively "must-take", leaving merchants with limited ability to challenge or avoid fee increases. For small and independent retailers in particular, incremental increases in scheme and processing fees directly erode already tight margins, given the high-volume, low-value nature of transactions in the sector. ACS therefore continues to believe that, alongside these remedies, the PSR must keep under active consideration more direct interventions, including a cap on scheme

¹ Shopmate: Evolution of Payments in the UK's Independent Convenience Stores, December 2025

² ACS Local Shop Report 2025

³ Shopmate: Evolution of Payments in the UK's Independent Convenience Stores, December 2025

and processing fees, to deliver meaningful and lasting protection for merchants and ensure that the payments market works in the interests of all service users.

ACS recommendations

- Implement the proposed Information, Transparency and Complexity and Pricing Governance remedies in a way that delivers consistent, meaningful improvements in fee transparency and accountability, without dilution through overly broad exemptions or materiality thresholds.
- Ensure that information and reconciliation requirements provide a clear and reliable basis for understanding how fees are triggered and applied, so that costs can be accurately passed through and explained to merchants, particularly smaller retailers.
- Commit to keeping the introduction of a cap on scheme and processing fees under active consideration, recognising that transparency and governance alone will not address the underlying lack of effective competition in a “must-take” market.
- Ensure that the PSR, and the FCA as it assumes responsibility for payment systems regulation, is adequately resourced to monitor, analyse and act on the data collected, so that further interventions can be implemented swiftly where harm to merchants persists.

Answers to the consultation questions are below:

Question 1: Do you consider that, as an alternative to the approach set out in the proposed ITC Direction, reconciliation could also take place in an effective manner only on the basis of the information outlined in paragraph 2.24? If so, should the ITC direction explicitly provide for optionality between two effective approaches?

No. The PSR’s market review already identified that existing tools, fee schedules and reporting mechanisms provided by the schemes are “insufficient” to enable acquirers to accurately reconcile fees on a routine basis⁴. Relying on existing mechanisms risks perpetuating the same information gaps and inefficiencies that the remedy is trying to address.

For retailers, effective reconciliation at the acquiring level should ensure that fees are passed on to merchants in an accurately transparently and in a timely manner. Where reconciliation is incomplete or unreliable, errors and delays are more likely to be felt by merchants, particularly smaller retailers who lack the resources or bargaining power to challenge unexpected charges. Transaction-level or event-level identifiers, as proposed in the ITC Direction, are therefore an essential component of delivering meaningful improvements in transparency and accuracy.

Also, introducing optionality between compliance approaches would likely weaken the effectiveness of the remedy and lead to inconsistent outcomes across the market, with schemes likely to default to less robust options. In the absence of compelling evidence that alternative approaches can deliver the same outcomes, ACS supports the PSR’s proposed approach as the most reliable and proportionate means of addressing the identified harms.

Question 2: Do you agree with the scope of the materiality threshold included in the proposed ITC Direction, including limiting it to ITC2 (mandatory and optional fees) and its level? Are there any likely unintended consequences we should consider?

⁴ [CP25-3 Market review of card scheme and processing fees, paragraph 2.23](#)

ACS understands the rationale for introducing a materiality threshold within the ITC Direction in order to ensure proportionality and focus requirements where they are likely to deliver the greatest benefit. We recognise the value of avoiding unnecessary burdens where fees have a genuinely limited impact.

However, it is important that the threshold does not undermine the overall objective of improving transparency and reducing complexity. For convenience retailers, fees that may appear immaterial in aggregate can still have a meaningful impact at store level. There is also a risk that excluding certain fees from enhanced notice and information requirements could reduce consistency across fee types and make it harder for acquirers and merchants to fully understand the costs they face. If a materiality threshold is retained, it should therefore be set conservatively, kept under review, and designed to minimise the risk of increased complexity or unintended behavioural responses from schemes.

Question 3: Do you agree with the scope of the materiality threshold included in the proposed Pricing Governance Direction? Are there any likely unintended consequences we should consider?

ACS recognises the PSR's intention to ensure that the Pricing Governance remedy is proportionate and targeted. We agree that excluding fee decisions with genuinely negligible impact may be appropriate in order to focus regulatory scrutiny where it is most needed.

However, it is important that any materiality threshold does not limit the PSR's ability to identify wider patterns in pricing behaviour over time. For small and independent convenience retailers, incremental or lower-value fee changes can still have a meaningful cumulative impact, particularly given the high-volume, low-margin nature of the sector. The threshold should therefore be set conservatively, kept under regular review, and applied in a way that allows the PSR to retain visibility of trends in fee increases, rather than focusing solely on individual pricing decisions in isolation.