

**Payment Systems Regulator - Market review of card scheme and processing fees remedies consultation**  
**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 50,387 local shops and petrol forecourt sites including Co-op, BP, Rontec 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 in secondary shopping areas close to where people live and work.

Convenience retailers are consumer-led businesses, continually evolving to reflect changing customer preferences, including how people choose to pay. Retailers in the sector offer a wide range of payment options to ensure that all customers can make purchases easily and securely. ACS therefore advocates for consumer choice in payment methods and does not favour one method over another.

The majority of convenience retailers accept multiple forms of payment: 99% accept cash, 98% accept debit cards, 97% accept credit cards, and 90% accept contactless and mobile payments<sup>1</sup>. While there has been a notable shift toward card and digital payments in recent years, cash remains essential for many customers, particularly for lower-value purchases, and still accounts for around half of all transactions in the sector<sup>2</sup>.

We welcome the findings of the Market Review of Scheme and Processing Fees and agree with the conclusion that Mastercard and Visa face weak competitive constraints on the acquiring side of the market, have raised fees significantly over recent years, and provide insufficient transparency around their fee structures. The opacity and complexity of these fees make it extremely difficult for businesses – particularly smaller independent retailers – to understand, anticipate, or challenge the costs they are charged for accepting card payments.

We support the four proposed remedies aimed at addressing these market failures: improving information transparency and reducing complexity; introducing regulatory financial reporting; enhancing pricing governance; and increasing the publication of scheme information. For these interventions to be effective, it is critical that they are robust, mandatory, and subject to rigorous enforcement. We would particularly highlight that small retailers, who typically do not have in-house finance departments or resources to negotiate card fees, are disproportionately impacted by the current lack of transparency. The rising costs associated with card acceptance directly erode their margins and ability to invest in their businesses.

Additionally, while the proposed remedies on transparency, governance, and reporting are positive steps, they do not address the underlying market failure: the ability of Mastercard and Visa to unilaterally increase fees in a market where merchants have no realistic alternatives. Retailers continue to bear the cost of unchecked fee increases without the power to negotiate or switch providers. Without direct price intervention, the fundamental imbalance in the market will persist. Regulators must now move toward bolder, structural

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<sup>1</sup> ACS Local Shop Report 2024

<sup>2</sup> Retail Data Partnership: Evolution of Payments in the UK's Independent Convenience Stores 2025

reform - including the introduction of price caps - to deliver meaningful, long-term protection for merchants and drive down excessive costs.

ACS' recommendations are:

- Make transparency requirements mandatory, specific and enforceable so that merchants can understand all fees, including the rationale for new and changed fees.
- Require Visa and Mastercard to provide at least three months notice before any new fees are introduced to allow merchants to prepare and budget. Also require that acquirers provide merchants with clear, advanced notice before passing any fees from Visa/Mastercard, and clearly itemise and explain the impact of fee changes on merchant charges.
- Consider the specific challenges faced by small retailers, who often lack financial expertise or resources, when designing information standards, reporting formats and dispute resolution processes.
- Introduce price interventions to directly reduce excessive scheme and processing fees, with a view to implementing a price cap in the longer term to deliver lasting reform and protect merchants from unjustified cost increases.

Answers to the consultation questions can be found below.

**If you have any questions about this submission, please contact**  
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### **Interim Report Proposals and Stakeholder Feedback**

**Question 1: Do you have any views on our proposed approach of not progressing the mandatory consultation requirement?**

We agree that mandatory consultation would create unnecessary complexity. Clear, early, and detailed information about scheme and processing fee changes is a far more important and practical safeguard for small businesses.

**Question 2: Do you have any views on our proposed approach of not progressing with any interim remedies?**

No.

**Question 3: Do you have any views on our update regarding remedies that were previously ruled out?**

We agree with the PSR's current focus on transparency, governance, and regulatory reporting. However, if the proposed measures do not address the key issue, which is rising costs, then stronger action – including price caps – may need to be reconsidered in the future.

**Question 4: Do you have any views on our approach to remedies proposed by stakeholders that we are not minded to pursue?**

As with the answer to Q3, if meaningful change is not achieved, then stronger interventions, including price regulation and fee unbundling, must be considered.

### **Remedies under consideration - information transparency and complexity**

**Question 10: Do you have any views on the scope of Proposal 2? Do you think it supports acquirers in having sufficient information and a timely notice period to understand changes to existing fees or new fees?**

While primarily aimed at acquirers, we support Proposal 2 as should also ensure merchants ultimately receive clear, timely information about fee changes that affect their costs.

**Question 13: Do you have any views regarding our requirement for meaningful and prompt responses to queries? Do you consider the suggested time period of three working days for a resolution or a meaningful response to be appropriate?**

We support the proposed requirements for meaningful and prompt responses to fee-related queries, as poor communication from schemes is a concern for retailers. While the requirement is directed at scheme-acquirer interactions, it should benefit retailers indirectly by improving the clarity and quality of the information being passed down.

A three working day timeframe is reasonable and necessary to reduce delays and uncertainty in understanding new or unexpected charges.

**Question 14: Do you have any views on whether a reduction in the current number of fees levied by the schemes is desirable?**

Yes – a reduction in the number of fees levied by Mastercard and Visa would help simplify what is currently an unmanageable system for small retailers.

Many fees that exist are poorly explained or bundled, which leads to confusion, unexpected cost increases, and difficulty budgeting. Fee volume reduction should be a priority to help restore fairness and transparency for merchants who lack the resources to interpret complex pricing structures

**Question 15: Do you consider that a remedy can be designed to achieve this while minimising unintended consequences?**

Yes - any simplification should include clear definitions of core versus optional services, protections against bundling and requirements that optional services be clearly itemised and opt-out.

**Question 17: Do you have any views on our proposal that schemes should provide merchants with increased information about the fees schemes charge acquirers?**

Yes we support the proposal that schemes should provide merchants with clearer, more detailed information about the fees charged to acquirers. Merchants are ultimately the end-users of these services, yet many currently lack sufficient transparency on the cost structures they are subjected to.

**Question 18: What are your views on the proposals put forward by the schemes?**

While they may represent progress, any measures should be mandatory to ensure consistency and effectiveness. Regulators must implement robust, enforceable transparency and governance rules to ensure that merchants benefit from clear, timely, and actionable fee information.

**Question 19: What more, if any, detail should be included in the information provided to merchants?**

Merchants should be able to obtain a clear breakdown of all fees, including the nature of each fee (e.g. service vs traditional costs), and how these relate to the core services

provided. Merchants should be able to easily identify what each fee is for, how frequently it is applied, and any changes over time.

Additionally, the information should be presented in a standardised format that allows merchants to compare costs across different acquirers and schemes. This will help merchants make more informed decisions and improve their ability to challenge unjustified or opaque charges.

### **Remedies under consideration - regulatory financial reporting**

#### **Question 24: Do you have views on the questions a RFR remedy must answer and whether there are there any other questions that you think we should consider?**

We welcome the RFR remedy – but it’s important for the PSR/other regulators to ensure that RFR captures how fee structures impact downstream service users – particularly small retailers/merchants. This should help understand if fee increases are proportionate to the cost of providing services to merchants and acquirers.

#### **Question 25: Do you have views on whether, and how, the proposed scope of the RFR can be improved to allow the PSR to fully understand and assess the schemes’ UK operations?**

We agree with the proposed scope and we encourage the PSR to collect information that enables assessment of the impact of different types of merchant sectors – such as small retailers – which are more exposed to fee increases due to lower bargaining power. Greater transparency over UK-specific revenue, fee types, and customer segmentation will strengthen the PSR’s ability to monitor harm.

### **Remedies under consideration - pricing governance**

#### **Question 33: should this remedy (e.g. the PDR and compliance reporting requirements) apply to all fee changes, or only material fee changes? How might such a qualification be designed? What pricing decisions would be in or out of scope of such a threshold?**

Yes it should apply to all fee changes, not just those deemed “material” by the scheme themselves. Even relatively small changes in fees can have a significant impact on small retailers who operate on tight margins and lack the scale to absorb or negotiate costs. If a threshold is introduced, it must be clearly defined and independently overseen by the regulator to prevent schemes from avoiding scrutiny through narrow interpretations.

#### **Question 35: Do you have any views regarding Principle 2 and how it is defined? Are there any other elements we should be considering from a service user perspective?**

We support the inclusion of Principle 2 and recommend that it reflects the interests of small service users, including independent businesses that lack the in-house expertise or commercial leverage to understand, negotiate, or challenge fee changes. Pricing decisions must consider affordability, clarity, and predictability for small merchants, not just large acquirers or enterprise-scale users.

#### **Question 36: Do you have any views regarding Principle 3 and how it is defined? Are there any other elements we should be considering?**

We welcome Principle 3 and believe that “reasonableness” should be interpreted to include proportionality, transparency, and fairness from the perspective of merchants. Pricing should reflect the cost and value of the service provided, with careful consideration of how

increases are communicated and justified. Sudden or opaque fee changes without clear rationale disproportionately harm small businesses and should not be deemed reasonable.

**Question 37: Do you have any views relating to our proposed application of the principles? For example, the creation of PDR and the factors considered within these records.**

We support the introduction of PDRs as a mechanism to improve transparency and accountability.

**Remedies under consideration - publishing scheme information**

**Question 39: Do you have views on whether publishing scheme information will contribute to our desired outcomes by enabling a wider stakeholder group to hold the schemes to account? Do you have views on how you would envisage using this information?**

Yes – as greater visibility of scheme revenue, fee changes and profitability trends will help merchants understand how fees evolve over time and whether cost increases are justified.

**Question 41: Which information do you think should be included in the Operational Dataset?**

Information should include 1) the total UK scheme and processing fee revenue, 2) average fees charged to acquirers per transaction type, 3) any new or withdrawn fees.

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