

PSR - MR22/1.6: Recent changes to scheme and processing fees working paper – Call for views

Sent by E-mail to: cardfees@psr.org.uk

(Link to consultation page: https://www.psr.org.uk/publications/market-reviews/mr22-1-6-recent-changes-to-scheme-and-processing-fees-working-paper/?utm_medium=email&utm_name=&utm_source=govdelivery)

25th July 2023

To whom it may concern,

PSR - MR22/1.6: Recent changes to scheme and processing fees working paper. Call for views.

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector. There are 5,098 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities. In addition, Convenience stores are known to be economic multipliers and an important source of local employment, providing over 49,000 jobs in Scotland ([Scottish Local Shop Report 2022](#) (SLSR22)) .

Convenience stores trade across all locations in Scotland, providing a core grocery offer and expanding range of services in response to changing consumer demands close to where people live. According to our Local Shop Report 2022, the valued services provided by local shops include **free-to-use cash machines (49%), cashback (70%), and charged cash machines (23%)**.

It is also the case that stores offer various payment methods, such as Debit Card (99%), Credit Card (98%), Contactless & Mobile payment (94%) and Card not present transactions

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(48%). All stores also offer cash as a payment method, confirming that cash is still an essential aspect of trade for the convenience sector.

SGF welcomes the opportunity to respond to the review of MR22/1.6: Recent changes to scheme and processing fees working paper.

Consultation

- **Question 3: Do the fee changes considered in our analysis include the most significant changes introduced in the period 2017 to 2021? Are there other fee changes introduced during the period that you think we should have considered? If so, please demonstrate how these changes impacted you.**

While the breakdown of fee changes provided in Annex 1 is helpful to understand the process of fee changes over the period, the month-to-month fee change information available to convenience retailers is more limited. Therefore, it is not possible for SGF to assess whether the fee changes considered represent the 'most significant' changes over the period. Similarly, for the reasons above, it is difficult to assess if there have been other fee changes that ought to have been considered in the review.

SGF and many of our retailer members are concerned, however, by the apparent and significant increase in fees. Largely due to the rise in scheme and processing fees. Adding to the extremely challenging trading environment being experienced by many convenience retailers. Including issues such as the cost-of-living crisis, higher than usual energy prices, increased inflation & interest rates and an additional burden from recent government regulation.

Of the two payment processing models used by retailers, Interchange++ or Blended Pricing, SGF is not aware of either model providing the significant breakdown of information required to carry out this assessment and provide a detailed response to the question.

While the Interchange++ model provides a more detailed understanding of fee categories, including card types and categories such as international vs non-international and contactless payments vs non-contactless, the Blended Pricing Model provides consistency and regularity of fees and is often the preferred model. However, this lack of transparency can increase the

difficulty of understanding and accounting for fee changes. In each case, the understanding of fee changes is limited.

- **Question 4: Do you have any views on our classification of fees as mandatory, optional or behavioural, as shown in Tables 1 and 4 in Annex 1? Are there fees indicated as optional in those tables that you consider cannot be avoided?**

As discussed above, the apparent lack of transparency of the impact and source of fee changes for retailers makes it difficult to assess the usefulness of classifications such as mandatory, optional, or behavioural.

SGF believes that many retailers may not be aware of their options, or the ability and value of being able to 'opt-out' of particular fees.

- **Question 5: Do you consider that the fee levels are commensurate with the value provided by those services?**

SGF does not have the information available to assess whether fee levels are commensurate with the value provided by those services. However, we note that the lack of clarity for retailers may result in excessive and unnecessary fees being applied.

SGF welcomes the opportunity to respond to this consultation and hopes the PSR will find the information provided in this response useful.

Yours sincerely,

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- SGF gives permission to PSR to publish its consultation response in full (name and organisation included) and to share this response internally as required.

SGF

Scottish Grocers' Federation

www.scottishshop.org.uk

Promoting Responsible Community Retailing Since 1918
to ensure a sustainable and prosperous convenience industry in Scotland



- SGF is also content to be contacted again in the future, in relation to this consultation exercise.

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