

Banking Automation **BULLETIN**



Is Brexit to blame for Amazon's ban on Visa credit cards in the UK?

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Using open banking to facilitate financial wellness

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Italy

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Is Brexit to blame for Amazon's ban on Visa credit cards in the UK?

From 19th January 2022 Visa credit cards will no longer be accepted by Amazon in the UK. Some commentators have suggested that this is a result of Brexit, but Amazon has denied this, so what is going on?

Since 2015 the EU's Interchange Fee Regulation has set a cap on interchange fees of 0.2% for debit cards and 0.3% for credit cards for transactions where both the issuer and merchant are within the single market. In 2019 the regulation was extended to cover transactions where only one of the parties was based in the EU, although the 0.2%/0.3% rates only apply to in-person transactions, while higher caps of 1.15% for debit and 1.5% for credit apply to e-commerce and other card-not-present transactions.

With the UK's departure from the EU, the Interchange Fee Regulation no longer applies, and the UK government has decided to retain the lower caps for domestic transactions on UK-issued cards, but not the ones for cross-border transactions. Earlier this year both Visa and Mastercard announced they would increase interchange fees on UK-EU card-not-present transactions to the EU cross-border cap level of 1.15%/1.5%.

Whatever Amazon is saying publicly, it is this last point which has caused it to act now – but this is in large part due to the way it operates in the UK. Payments by UK cardholders from Amazon UK are actually processed in the EU, and the lower UK cap does not therefore apply, generating a five-fold increase in interchange fees.

While Brexit may have been the catalyst for Amazon's new policy, Amazon is continuing to accept Mastercard UK credit cards, suggesting that commercial interests are also at play. Amazon has a closer relationship with Mastercard, including issuance of an Amazon UK Mastercard credit card – a partnership which would be strained, to say the least, if Amazon then didn't allow users of these cards to purchase from its own site. More generally, Amazon has taken a number of actions focused on Visa, with the recent introduction of surcharges for customers using Visa credit cards in Singapore and Australia, for example.

Amazon and Visa may yet reach a compromise, possibly before the January implementation date of Amazon's ban. If not, the UK competition authorities may want to take a look – to see if the higher cap for cross-border interchange fees makes sense, and also to make sure that an e-commerce juggernaut is not abusing its position. Whatever happens, this is not the end of the story.

Dominic Hirsch, Editor

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