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## Meddling EU strikes again: Free banking to be scrapped under new plan

**BRITONS face soaring charges for using credit and debit cards under EU plans condemned yesterday as the final “nail in the coffin” for free banking.**

By: Nathan Rao  
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EU plans are 'nail in the coffin' for free banking

Customers also face being charged for using cash machines and their account as banks try to recoup a £2.4billion loss.

The plans, expected to be outlined by the European Commission this month, will scrap or limit the fees that retailers have to pay banks every time they take a card payment.

The banks face losing up to 34p for each credit card transaction.

Richard Wagner, chief executive of Advanced Payment Solutions warned: “These losses will go right to the customer, of that there is no doubt.”

Wealth manager Jonathan Davis said: “We have a classic case of EU interventionists justifying their existence and it sounds as if they are using a hammer to crack an egg.”

Consumers could pay at least £25 a year to use a credit card and £11 a year for their debit card, says a report from Europe Economics with Mastercard.



EU meddling will mean banks recoup directly from customers

It warns that customers lost out when similar changes to the so-called interchange system were imposed in other European countries, such as Spain, and in Australia.

Retailers, who stand to gain around £2.2 billion a year, did not pass their savings on and banks and card issuers recouped their losses through rising credit and debit card charges

Mr Wagner added: “Banks will start to get creative to recoup any losses through charging higher fees for card usage and introducing other charges, and free banking is under threat. The current system is relatively fair. If that changes it be the nail in the coffin of free banking.”

Europe Economics spokesman Dr Andrew Lilico said: “We think a White Paper later this month will outline plans to scrap or cap interchange fees.

“When this happened in other countries we found the money retailers saved was not passed on to customers. It is also plausible that in the UK it could lead to charges being brought in for bank accounts which are currently free.”

Changes to these interchange fees were introduced in Australia in 2003 and Spain in 2005. But Damon Gibbons, director of the Centre for Responsible Credit, said British consumers could be particularly vulnerable to the changes.

He said: “The intention is to reduce the cost of accepting card payments for retailers in the expectation they will pass these savings on to customers.

“However, evidence from Australia, Spain and the US shows retailers often do not do this.

“The European Commission’s proposal is not the way forward. Reducing interchange fees risks increasing the cost of card use for UK consumers, who use cards more than anywhere else in Europe.” Banks typically charge retailers around 8.5p for each debit card transaction and up to 34p to accept payments by credit card.

Matthew Sinclair, chief executive of the TaxPayers' Alliance, said: "We feel EC proposals to regulate interchange are inappropriate, particularly in the UK where the interchange market appears to function relatively well.

"We're deeply concerned that it will lead to a reduction in use of electronic payments, resulting in an increase in tax evasion."

Ukip leader Nigel Farage said: "This is classic interference in the operation of the markets.

"In trying to be populist the consumer as ever loses as bank charges will rise to cover the banks losses."

Mr Davis, managing director of Jonathan Davis Wealth Management, said "There is no way the banks will be able to take a loss of £2.4bn a year, and they will be looking to recoup it."