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## Threat to free banking in EU bid to cap credit card charges for shops

**BRITONS face soaring credit and debit card charges under controversial EU plans that could spell the end to free banking.**

By: Nathan Rao  
July 25, 2013



Consumers could be charged at cash machines and when making payments and transfers

Customers have been warned they could start being charged at cash machines and when making - payments and transfers.

The plans, unveiled last night, aim to cap the fees that banks charge retailers every time shops accept a card payment.

To make up the huge losses in revenue – estimated at about 34p per transaction – banks could pass on the charges to customers.

The European Commission has proposed a 0.2 per cent cap on the value of the transaction for debit cards and 0.3 per cent for credit cards.

Richard Wagner, chief executive of Advanced Payment Solutions, warned that the move could spell the end to free banking.

He said: “This is bad news for consumers and the banks and good news for the retailers although they are businesses and will not just pass on their gains.

“Ultimately the banks will recoup their losses and we could see the gradual end to free banking.”

Under the plans, banks stand to lose £2.4billion a year, which experts say they will recoup by charging their customers for currently free services. Jonathan Davis, managing director of Jonathan Davis Wealth Management, said: “There is no way the banks will be able to take a loss of £2.4billion a year, and they will be looking to recoup it.”

The EU has long sought to limit the card payment fees, arguing that they push up prices in the shops.



Banks customers could end up paying an extra £25 a year for credit card use

The caps will be phased in over two years although they need the backing of EU member states and the European Parliament before they become law.

Bank customers could end up paying an extra £25 a year to use a credit card and £11 a year for their debit card, according to a report from Europe Economics with Mastercard.

Changes to fees were introduced in Australia in 2003 and Spain in 2005. However, savings made by retailers were not passed on to customers, promoting criticism of caps being introduced in the UK.

Europe Economics spokesman Dr Andrew Lilico said: “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.”