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Competition: Commission's sector inquiry into the payments cards industry – frequently asked questions

(see also IP/06/496)

Why a sector inquiry into the payment cards industry?

In economic terms, the payment cards industry is an important part of retail banking and the financial services industry in general. In 2004 a total of approx. 23 billion card payments were made in the EU with an overall value of approx. € 1,350 billion. Debit cards are the main device to withdraw and transfer funds from bank accounts in some EU Member States. Moreover, credit cards are an increasingly important means of banks for selling loans to consumers. For instance, credit card lending accounts for approximately 65% of total consumer lending in the UK.

By initiating the sector inquiry the Commission wished to follow up on market information on the existence of possible competition problems in this industry in order to decide whether further investigations and possibly remedies under European competition rules (Articles 81 and 82 of the EC Treaty) are necessary.

In addition, it is hoped that the results of the inquiry will provide a solid basis for discussions with stakeholders on how to design the right policy for the Single Euro Payments Area (SEPA). The relevant question is how competitive markets may help to bring about such a single payments area and how effective competition can lower the cost to businesses and consumers and improve services.

Does the Commission envisage concrete enforcement action on the basis of the inquiry?

Before opening individual investigations under EU competition law, the Commission will consult the general public on the preliminary findings of its sector inquiry. This consultation will last until 21st June 2006. The Commission will then review the results of its inquiry and the public consultation with national competition authorities in order to assess possible options. Finally, the Commission may decide to launch individual investigations in close-co-operation with national competition authorities in the European Competition Network.

How does this sector inquiry feed into Commission and industry initiatives to create an Internal Market for Financial Services?

The sector inquiry into payment cards industry is to provide an empirical basis for identifying concrete structural, technological and behavioural obstacles to the creation of Single Payments Area in the European Union. Results of the interim report suggest that achieving a Single Payments Area simply by removing all national payment card systems may not be an optimal solution.

A loss of inter-system competition may lead to higher prices to the detriment of consumers and businesses. Instead, inter-links between efficient European card payment systems and a common EU-wide standard for communication protocols may allow stakeholders to benefit from best practices while allowing banks to provide their services cross-border in several competing systems.

On 1 December 2005 the European Commission put forward proposals that are intended to bring down existing legal barriers to enable the creation of a "Single Payments Area" (see [IP/05/1514](#)). The proposed Directive, known as the 'New Legal Framework', aims to guarantee fair and open access to payments markets and would increase and standardise consumer protection. The proposed Directive, based on a thorough consultation of market players and consumers, would make the Single Payments Area a reality by 2010. The findings of the Commission's sector inquiry into payment cards have confirmed the basis and aims of the proposed New Legal Framework Directive. To give one example: the sector inquiry has empirically confirmed the high market concentration and lack of competition in some countries in the business of providing payment card services to merchants. One of the measures in the proposed Directive is to open this business to non-bank entities. This step could enhance competition in many Member States.

In its recent Annual Progress Report on the Lisbon Agenda of 25 January 2005 (see IP/06/71), the European Commission emphasised the need for creating a Single Payments Area in the EU to make cross-border payments as easy and affordable as domestic payments. It was highlighted that this step alone could save the EU economy between €50 and €100 billion per year.

What about other aspects of the sector inquiries into the financial sector?

Core Retail Banking: The payment cards sector inquiry forms part of the wider sector inquiry into retail banking. The second part of this sector inquiry is dedicated to current accounts. By focusing on payments cards and current accounts, the inquiry covers two key products of banks and for bank's profits. The Commission intends to publish an interim report on current accounts by July (for public consultation) and a final Report (together with the findings on the sector inquiry into cards) by December 2006.

Business Insurance: The Commission intends to publish an interim report in September (for public consultation) with a final report by December 2006.

What is the empirical basis of the Commission's sector inquiry into the payment cards industry?

The Commission took great care in choosing a representative sample of market players for the purpose of its sector inquiry. The findings of the Commission's interim report on the payment cards industry is based on data of 230 banks and 25 payment card networks as well as on numerous contacts with customers and consumer associations across the European Union. The Commission services were moreover advised by an independent industry expert and supported by the Commission's Joint Research Centre in Ispra, Italy.

Where is the interim report available?

On the Europa website:

http://europa.eu.int/comm/competition/antitrust/others/sector_inquiries/financial_services/