

## What is a Surcharge?

- A surcharge is a fee that merchants may assess on credit card transactions to help offset the cost of processing. The customer will pay more than the listed price.
- Merchant surcharging has been permitted since 2013.
- Visa and Mastercard modified their 'No Surcharge Rule' due to a settlement agreement with merchants. Visa and Mastercard now allow merchants to surcharge on credit card transactions; however, merchants must adhere to certain rules and limitations.

## What is Cash Discounting?

- A cash discount is a discount offered on posted prices for customers paying with cash. The customer will pay less than the listed price.
- Merchants are not permitted to post a price for cash and then charge a higher price for cards.
- A merchant may charge either a surcharge or apply a cash discount, but not both.

## Surcharge Fee vs. Convenience Fees

Convenience Fee		Surcharge Fee
<b>Visa General Program</b>	<b>Visa Government and Higher Education</b>	Allowed on CNP and CP transactions
Allowed only for CNP transactions. Fee is flat or fixed amount	Allowed on CNP and CP transactions	Fee is a percentage of the sale, not to exceed the lesser of merchant's historical discount or brand's posted cap.
Included as part of total sale	Fee may be variable on credit or commercial cards	Included in total sale but needs to be a separate line item on receipt
Allowed on credit <b>and</b> signature debit	Processed as a separate transaction	Applies <b>only</b> to consumer and commercial credit cards. <i>Debit and prepaid cards are not eligible.</i>
	Registration required	Competing brands should also be surcharged if contract allows
		Merchant must provide prior notice to Visa and Mastercard prior to implementation

\*Surcharges cannot be applied in addition to convenience fees and vice versa

## Possible Merchant Considerations

- Potential impact on the customer experience
- Ensure credit card processor supports surcharging
- What competitors are doing
- Disclosure requirements to the customer
- Ensure it does not exceed the cost of acceptance brand by brand
- State/local laws supersede card brand rules. A merchant is responsible for determining whether its practices comply with state and local law and should confer with their legal counsel with any questions.

## Additional Merchant Considerations

Merchants should determine whether to charge at a brand (Visa, Mastercard, Discover, etc.) or product/card (Visa Signature, Mastercard Elite) level and the amount to surcharge.

BRAND LEVEL	CARD PRODUCT LEVEL
Amount is the same for all credit card transactions	Amount is the same for all credit card transactions of that card product
Amount is no greater than the merchant's cost of acceptance for credit card transaction for the preceding one or 12 months	Amount is no greater than the merchant's cost of acceptance for credit card transaction for the preceding one or 12 months, minus the regulated debit interchange rate
Amount is applied equitably to all competing credit card brands	Amount is applied equitably to all competing credit card brands
Surcharge must not exceed 4% (Visa - reduced to 3% effective April 15, 2023) (even in cases where the merchant's average discount rate exceeds 4%, Visa - 3% effective April 15, 2023) Canada – 2.4% (Worldpay does not currently support surcharging in Canada)	Surcharge must not exceed 4% (Visa - reduced to 3% effective April 15, 2023) (even in cases where the merchant's average discount rate exceeds 4%, Visa - 3% effective April 15, 2023) Canada – 2.4% (Worldpay does not currently support surcharging in Canada)
Purchase returns refunded to the cardholder: <ul style="list-style-type: none"> <li>- Full purchase return – full surcharge amount</li> <li>- Partial return – Proportional amount of the original surcharge</li> </ul>	Purchase returns refunded to the cardholder: <ul style="list-style-type: none"> <li>- Full purchase return – full surcharge amount</li> <li>- Partial return – Proportional amount of the original surcharge</li> </ul>

## Cost of Acceptance

The cost of acceptance is also known as the Merchant Discount Rate. A merchant may determine their costs by reviewing processing statements. To determine cost of acceptance, the following may be taken into consideration:

- The interchange rate
- Network set fees associated with the processing of a transaction
- Network set fees associated with the acceptance of the network's brand
- Acquirer set fees associated with processing a transaction

\* Merchant calculation may not include fees for POS terminal rental, etc.

## Flat Fee vs Percentage

A flat fee can be charged provided it does not exceed the merchant’s cost of acceptance and never exceeds 4% (Visa - reduced to 3% effective April 15, 2023) of any sale (Visa/MC). Canada – 2.4% % (Worldpay does not currently support surcharging in Canada)

Ensuring these caps are not exceeded might make a flat fee difficult to administer for some merchants and may result in non-compliance.

### Example – Cost of Credit Card Acceptance is 2.25%

Sale Amount	Flat Fee	Percent of Fee	Cost of Acceptance Percentage	Fee Amount
\$5.00	\$0.50	10%	2.25%	\$0.11
\$6.00	\$0.50	8.33%	2.25%	\$0.14
\$22.18	\$0.50	<b>2.25%</b>	2.25%	\$0.50

## The Rules

- Merchants **MUST** register with Visa and Mastercard and notify their processor within a minimum of 30 days prior to assessing a surcharge for any card brand. Discover and American Express do not require registration.
  - Visa Registration website. [merchant-surcharge-notification-form | Visa](#)
    - Note: Effective April 15, 2023, merchants will no longer be required to register with Visa. Visa will recognize passing the surcharge amount in authorization and settlement fields will serve as registration.
    - Merchants must continue to notify their processor
  - Mastercard Registration website [Merchant Surcharge Disclosure Webform | Credit Card Surcharges \(mastercard.us\)](#)
- Merchants are required to disclose their surcharge policy at the **point of store entry** and the **point of sale** prior to the purchase transaction being completed.
- The surcharge amount must be included in the transaction amount. However, the merchant must disclose the amount of the surcharge separately on the customer’s transaction receipt



## The Rules (cont.)

For merchants accepting competing card brands other than Visa and Mastercard, the concept of ‘level playing field’ comes into play.

- Discover has a non-discrimination policy which states it is permissible to surcharge on Discover transactions if all competing **cards** are surcharged as well; hence the level playing field concept. Discover surcharge cannot exceed the Cost of Acceptance for the credit card sale.
- Amex has a non-discrimination policy, but their regulations require imposing equal treatment across **all** Other Payment **products**. A payment product is defined as any charge, credit, **debit**, stored value, **prepaid**, smart card, account access devices or other payment cards, services or products other than the Card. Since the Amex requirement includes debit and prepaid products and it is against Visa and Mastercard rules to surcharge debit and prepaid products, merchants wishing to charge a surcharge would be considered non-compliant (from an Amex rules perspective) in certain scenarios.
- Visa and Mastercard are not subject to the “level playing field” concept since both allow surcharging. A merchant may surcharge either one of the brands or both. The merchant cannot charge more than the cost of acceptance for their card brand and cannot exceed 4% (even in cases where the merchant’s cost of acceptance exceeds 4%) (Visa reduced to 3% effective April 15, 2023). Canada – 2.4%. (Worldpay does not currently support surcharging in Canada)

## Merchant Brand Acceptance and Surcharge Examples

Card Brands Accepted at Merchant Location	Surcharge Assessment
<p><b>1. Visa and Mastercard only</b> Cost of acceptance: Visa: 3% Mastercard: 2%</p>	<p>May charge surcharge up to the Visa and/or Mastercard credit card cost of acceptance and cannot exceed 4% (Visa - reduced to 3% effective April 15, 2023). Level playing field concept does not apply. You may charge a 3% surcharge for Visa and 2% for Mastercard</p>
<p><b>2. Visa, Mastercard, and Discover</b> Cost of acceptance: Visa/MC: 3% Discover: 2%</p>	<p>V/MC rules state, if charging surcharge, the merchant may charge V/MC without surcharging the competing brand when the competing brand's cost of acceptance is <b>less than</b> V/MC, but merchants may charge the competing brand if they wish.</p> <p>If the merchant chooses to surcharge on Visa, Mastercard and Discover, the surcharge should be charged at 2%. Visa, MC and Discover have rules stating the fee amount cannot be more than each brand's cost of acceptance.</p> <p>If the merchant chooses not to surcharge Discover, Visa and Mastercard may be charged 3%.</p>
<p><b>3. Visa, Mastercard, and Amex</b> Cost of acceptance: Visa/MC: 3% Amex: 2%</p>	<p>V/MC rules state, if charging surcharge, the merchant may charge V/MC without surcharging the competing brand when the competing brand's cost of acceptance is <b>less than</b> V/MC, but merchants may charge the competing brand if they wish.</p> <p>Based on Amex rules requiring equal treatment across <b>all</b> Other Payment Products, a merchant would be out of compliance if they charged a surcharge on credit products only; therefore, if charging a surcharge is a priority, merchant cannot surcharge Amex cards.</p>
<p><b>4. Visa, Mastercard, Discover and Amex</b> Cost of acceptance: Visa/MC: 3% Discover: 2% Amex: 2%</p>	<p>V/MC rules state, if charging surcharge, the merchant may charge V/MC without surcharging the competing brand when the competing brand's cost of acceptance is <b>less than</b> V/MC, but merchants may charge the competing brand if they wish. Merchant may charge a Visa and Mastercard surcharge of 3%.</p> <p>Based on Amex rules, requiring equal treatment across <b>all</b> Other Payment Products, a merchant would be out of compliance if they charged a surcharge on credit products only; therefore, merchant cannot surcharge Amex cards.</p> <p>Based on Discover rules, it is permissible to surcharge Discover if all competing cards are surcharged. Since Amex is not being charged, Discover cannot be charged.</p>
<p><b>5. Visa, Mastercard, and Discover</b> Cost of acceptance: Visa/MC: 2% Discover: 4%</p>	<p>V/MC rules state, if charging surcharge, the merchant may charge V/MC only if they also charge the competing card brand when the competing brand's cost of acceptance is <b>equal to or greater than</b> V/MC.</p> <p>Discover rules state it is permissible to charge a surcharge if all competing cards are surcharged.</p> <p>The lower fee must be charged on all three card brands. Visa, MC and Discover have rules stating the fee amount cannot be more than each brand's cost of acceptance.</p>
<p><b>6. Visa, Mastercard, Discover and Amex</b> Cost of acceptance: Visa/MC: 3% Discover: 3% Amex: 3.5%</p>	<p>V/MC rules state, if charging surcharge, the merchant may charge V/MC only if they also charge the competing card brand when the competing brand's cost of acceptance is <b>equal to or greater than</b> V/MC.</p> <p>Based on Amex regulations requiring equal treatment across <b>all</b> Other Payment Products, a merchant would be out of compliance if they charged a surcharge on credit products only if they accept credit, debit and prepaid.</p> <p>Merchant must make a business decision to determine if their priority is surcharging or Amex card brand acceptance.</p>

## Disclosure Requirements

A merchant must disclose its surcharge policy in a manner that does not disparage the brand, network, issuing bank or payment card product being used and **must state**:

- The surcharge is being imposed by the merchant
- The surcharge is not greater than the applicable merchant discount rate at the merchant location
- Consumers must be given the opportunity to opt out of the sale or pay by other means before the surcharge is added to the sale.

### Disclosure Examples

<p>We impose a surcharge of \$ _____ on the transaction amount on credit card products, which is not greater than our cost of acceptance. We do not surcharge debit cards.</p>	<p>We impose a surcharge on credit cards that is not greater than our cost of acceptance</p>	<p>We impose a surcharge of _____ % on the transaction amount on credit card products, which is not greater than our cost of acceptance. We do not surcharge debit cards.</p>
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The requirement for clear, consistent, and prominent disclosure is required. In all cases, the minimum font size is reflected below and can be no smaller or less prominent than surrounding text.

Transaction Type	Point-of-Entry	Point-of-Transaction
<b>Face-to-Face</b>	Main entrance(s) of the Merchant Outlet – 32-point Arial font	Every customer checkout or payment location – 16-point Arial font
<b>Electronic Commerce</b>	The first page that references credit card brands accepted – 10-point Arial font	Check-out page – 10-point Arial font
<b>Mail Order</b>	The first page of the catalog that references credit card brands accepted – 8-point Arial font	Mail order form – 10-point Arial font
<b>Telephone Order</b>	The first page of the catalog that references credit card brands accepted – 8-point Arial font	Verbal notice from the telephone order clerk, including US Credit Card Surcharge amount
<b>Unattended Cardholder-Activated Terminal</b>	Main entrance(s) of the Merchant Outlet (if applicable) (for example: gas station store) – 32-point Arial font	On the Unattended Cardholder-Activated Terminal or virtual disclosure on the payment terminal screen – 16-point Arial font