

Proposal for an ERPB Working Group on transparency for retail payments end-users

Version 1.1 (final) – 10 June 2020

Proposal for consideration by the ERPB in their 6 July 2020 meeting

Recommendation

The ERPB is recommended to support this proposal to create a Working Group that addresses enhanced transparency on beneficiary information for retail payments end-users. A twelve month mandate should give the Working Group the appropriate time to deliver recommendations to the industry to address these transparency issues.

Background

In its November 2019 meeting, the ERPB discussed its priorities for 2020 and in this context agreed that volunteer members would prepare a proposal for refining the scope of the workstream on transparency for retail payments end-users for consideration by the ERPB in its June 2020 meeting. The proposal for a workstream on transparency stems from a request from BEUC.

The issue at stake

As digital payment transactions become more common, and as the associated chains of actors become longer and more complex, it is becoming increasingly difficult for consumers to identify to whom, where and when they made payment transactions (both card¹-based payments and account-based payments, regardless of the channel). In other words, there is a transparency issue for the payer in certain scenarios. For consumers this can be confusing, which may lead to uncertainty and loss of trust in digital payments. Solving this transparency issue is also beneficial for banks and retailers, for example as it reduces the number of requests for clarification from consumers.

The issue arises for example when the name of the payment beneficiary is not the commercial name of the company. In addition, the indicated location where the transaction took place is often not the place where the payment instrument was used. Also, when multiple Payment Services Provider (PSPs) and/or marketplaces are stacked, issues may occur. Some examples are elaborated upon in Annex 1 of this paper. The reference information included in a payment transaction, and displayed in payment account² statements is an important element allowing consumers to keep control over their payments and budget.

Adequate references allowing the identification of transactions is a legal obligation³ but even whilst the payments industry is fulfilling these legal obligations by providing the identity of the next beneficiary in

¹ “Card” and “Card-based payments transaction” as defined in Article 2 of the IFR (Regulation (EU) 2015/751 of the European Parliament and of the Council). In the remainder of this document only the word “card” will be used.

² “Payment account” as defined in Article 4 of PSD2 (Directive (EU) 2015/2366 of the European Parliament and of the Council); regardless whether such payment account is held at for example a Bank, a Payment Institution or E-Money Institution.

³ Article 57.1.a of PSD2 requires, *inter alia*, that PSPs, after a payment is debited from the payer’s account, provide the payer with a reference enabling the payer to identify each payment transaction.

the chain, this does not fulfil consumer expectations: they want to receive information, in an understandable manner, to whom they actually paid, where it happened and at what time⁴. Also, in the case of transactions in another currency, the foreign currency and the transaction amount in that foreign currency are expected to be reported back to the consumer. Given the increasing importance of P2P payments, similar issues may arise for that type of payments too.

The issue can (only) be addressed jointly by all stakeholders involved in the payment transaction chain.

Brief assessment of the issue at stake

After a brief analysis it seems that more clarity is required when consumers receive statements of their payment accounts (independent of the channel be it for example on paper or electronically). This clarification is needed for transactions made via credit transfers, direct debits, cards or via e-money transactions, regardless of the channel or the way in which these payments have been initiated. It should aim at assisting consumers in recognising where they spent their money (or actually to whom they paid and where they made that payment and at what time this happened). Clarity on the currency used and the actual amount in the foreign currency is required too. Although legal requirements may be fulfilled, this probably (only) clarifies or identifies the next beneficiary in line (and that could be a PSP), but this does not always necessarily give the full details that consumers expect. Issues about presenting the name of the beneficiary in the case of P2P payments may exist as well.

Solving the issue is a complex exercise as payment value chains are usually composed of lots of actors.

Recommended way forward

In their request to the ERPB, BEUC proposes to set up an ERPB Working Group to:

- Analyse the information chain starting from the initiation of the transaction until the final information provided to the consumer;
- Issue recommendations for achieving clear and easy-to-read payment account statements.

Taking this proposal from BEUC as a starting point, a small group of volunteer members (mentioned in Annex 3) formulated the current proposal for which support from the ERPB is sought. The proposal is outlined in the next section.

Proposal for an ERPB Working Group

It is envisioned that ultimately quick wins with a proper cost/benefit ratio are being identified that can be recommended to be applied by all actors in the payments industry so that consumers are able to recognise to whom, where, when and in what other currency they made their cashless payments, regardless of the channel.

Initial Scope

The work should be limited to consumer payment transactions, regardless of the channel or the way in which these payments have been initiated, made via credit transfer (regular and instant), direct debit,

⁴ The question “what” the payment was actually made for, i.e. which goods or services were bought, is out of scope since such information usually is not part of the information accompanying the payment. For example, the account statement information regarding a debit card payment to a supermarket does not include information on which goods were actually in the shopping basket. Such information is provided separately to the consumer by the seller of the good or service.

card or e-money that are posted against their payment account and that are subsequently visible to consumers, regardless of the channel, be it for example on paper or electronically. The work is limited to provide clarity about the commercial name and the location of the beneficiary, about the moment that the payment was made (date and time) as well as about the transaction amount in a foreign currency if that is the case. In case of P2P payments this is limited to the actual name of the beneficiary. Hence, the work does not take B2B transactions in scope nor transparency in charges and fees⁵. Also, the work should be limited to addressing these four issues only – who, where, when and the currency and hence the work does not take into account the what (what the consumer actually paid for). Important to note further is that the work focuses on *ex-post* transaction reporting only; hence for the sake of doubt the work is not about checking the identity of the beneficiary before a transaction (*confirmation of payee*) and should not be seen as a fraud prevention measure.

Recommended activities

- The Working Group should agree on the scope of the work.
- The Working Group should define a planning towards delivering a final report to the June 2021 ERPB meeting and delivering an interim report to the November 2020 ERPB meeting.
- The Working Group should prioritise what payment products/types should be covered (out of: credit transfer (regular/instant), direct debit, card or e-money that are posted against a payments account and that are subsequently visible to consumers, for example on paper or electronically).
- The Working Group should prioritise which use cases should be covered (out of: doing-business-as name does not match legal name, reported location does not match actual location, stacking of PSPs).
- For each prioritised combination (payment product – use case) of the above the Working Group should provide a detailed description of the issue.
- The Working Group should reach out to all relevant stakeholders, inside and outside the ERPB, for information gathering purposes and to ensure that all stakeholders involved in the payment transaction chain can provide their input.
- The Working Group's findings should be translated into a detailed proposal with concrete recommendations, to be presented to the ERPB for endorsement.

Envisioned deliverable

The Working Group should deliver an interim report to the November 2020 ERPB meeting, and their final report to the June 2021 ERPB meeting. This report should contain recommendations to the industry containing quick wins with a proper cost/benefit ratio that can be applied by all actors in the payments industry that assists consumers in recognise to whom, where, when and in what other currency they made their cashless payments.

Annex 1: examples of scenarios with lack of transparency

Below is a non-exhaustive list of examples where the transparency to consumers on to whom, where and when they actually paid could be improved.

Individual entrepreneurs under franchise agreements or international brands

What consumers often don't know (and don't need to know) is that the actual *McDonalds* where they are eating or the actual *Hilton* they are staying is not operated by those large brands but in fact by

⁵ Both PSD2 as well as the CBPR2 (Regulation (EU) 2019/518 of the European Parliament and of the Council) provide obligations around transparency on charges and fees.

individual companies with separate trade names like *Brussels Fast Food sprl* or *Brussels Property Management sprl*⁶. When these separate trade names show up on consumer statements, although probably legally correct, it is confusing consumers as they only recall having visited the McDonalds or the Hilton. These situations can happen across various other industries like retail and fuel as well.

Use of payment facilitators or master merchants

For smaller merchants it can be bothersome to sign a contract with an acquiring bank. Some solution providers have entered this space, having signed an agreement with an acquiring bank on the one hand and having the possibility to underwrite merchants on the other hand. Legally speaking, these payment facilitators or master merchants are the merchant of record and as a result their name may appear on consumer statements instead of (or next to) that of the actual merchant. Similar issues may exist with e-money, as the consumer is purchasing e-money with which they then may make a purchase at another merchant for a good or service. The e-money issuer is the merchant in this scenario.

Market places

The same principle as mentioned under payment facilitators applies to market places (in fact, often the market place is the master merchant) and as such the name of the market place will appear on the consumer statement instead of that of the actual merchant.

Stacking of Payment Service Providers

When multiple payment methods or when multiple Payment Service Providers (PSPs) are combined, the actual name of the merchant may get lost in the process and only the name of the next PSP in line may be mentioned on the consumer statement.

Location of where the payment was made not mentioned correctly

Some chains of merchants have one single contract with an acquiring bank, for example via their Head Office. As such, it is sometimes the location of the Head Office that appears on the consumer statement, and that could be different from the location where the transaction actually occurred.

Other combinations

Other combinations, also combining the ones mentioned above, can occur as well.

⁶ The product and company names are trademarks or registered trademarks of their respective holders. Use of them does not imply any affiliation with or endorsement by them. The actual trade names used in this Annex are hypothetical examples.

Annex 2: examples of scheme rules/practices

The below table provides an overview of current practices as applied by a selection of stakeholders

| Actor/ Scheme | Example scheme rules/practices |
|------------------|--|
| American Express | <p>American Express does not have any debit cards and only issues charge/credit cards, the charge does not show on the bank statement, it shows after the billing cycle on the client's card statement. We have a descriptive billing statement that shows a pretty comprehensive information in relation to the charge. Essentially the info shows contains: Date of charge – Merchant name and location – Dept or general good description – Amount charged.</p> <p>Amex has considered giving more detailed information to the cardmember (e.g. what the client actually bought) but after some research, we found that it was in fact too intrusive.</p> |
| MasterCard | <p>There is no mandate that the merchant data populated in transaction messages will show up on cardholder statements. The information that issuers must populate on the cardholder statement is set out in MC Rules, chapter 13, section 6.2. In general, issuers do use the merchant data in transactions messages to populate the cardholder statement. Issuers do not have another source for this data, as far as I know.</p> <p>The data included on transaction receipts is also a source of information for cardholders. The rules on this topic are in Transaction Processing Rules, section 3.13.1. This data includes the transaction date and amount, which are helpful to cardholders in tracing their transactions.</p> |
| Visa Europe | <p>Visa rules require the cardholder to be shown data on their statements by issuers. As per Visa Core Rule 1.4.3.3, this data is transmitted by the acquirer (populated by the merchant) to the issuer and must identify the Merchant, the Sponsored Merchant and its Payment Facilitator, the Staged Digital Wallet Operator and retailer where applicable.</p> <p>Visa rules also dictate how acquirers should assign merchant names (Rule 5.2.1.12). Merchants must be identified by the name they primarily use to identify itself to customers and is displayed on the merchant outlet or eCommerce website, albeit with some permissible differences in the clearing record including, for example, abbreviations. As a further step to help remove confusion for cardholders, Visa also provides a "Merchant Data Standards Manual" giving more detail on general requirements of displaying merchant names.</p> |

| Actor/ Scheme | Example scheme rules/practices |
|------------------|---|
| iDEAL (NL) | <p>About transparency for consumers about the name of the beneficiary of an iDEAL payment: The obligation arises from the provisions that the iDEAL scheme imposes on the Roles of the Acquirer and the Collecting Payment Service Provider (CPSP). See the provisions below.</p> <p>Provision for the Acquirer:</p> <p>AP-23: The Acquirer is responsible for obtaining the trade name of Merchants who have entered into an agreement with a CPSP/DISP. The Acquirer must be able to include the trade name of the merchants concerned in each Product message so that the Issuer can show this name to the User on the issuing screens. For an iDEAL payment this also applies with regard to showing the trade name of the Merchant on the statement.</p> <p>Provision for the CPSP:</p> <p>CPSP-16: The CPSP must use the merchant sub_ID to register its Merchants in the iDEAL message protocol, so that the Acquirer is able to include the legal or trade name of these Merchants in each transaction.</p> <p>Furthermore, the iDEAL Acquirers, including their members of the Legal Working Group of Currence, have decided to further improve this information for the consumer by showing the name of the merchant together with the name of the CPSP, by showing the names as follows:</p> <p>[Name merchant] by [Name CPSP], or [CPSP name] regarding [Merchant name]</p> |
| Multibanco (PT) | <p>By the Scheme MB rules is mandatory to present the merchant name on the POS receipt to cardholder. Like in the cases mentioned by BEUC, the name of the merchant is not always the commercial name of the company and the address is not mandatory.</p> <p>The complete merchant identification (name, address, merchant category code, etc) and transaction reference is mandatory in the authorization messages and in the Issuer batch files. Nevertheless, each Issuer is free to select the information to present on payment account statements.</p> <p>On MB WAY mobile payment app the information about the merchant is usually the commercial name (whenever is possible).</p> |

| Actor/ Scheme | Example scheme rules/practices |
|-----------------------|--|
| Cartes Bancaires (FR) | <p>To come back on the issue raised in your e-mail, it seems to us that it can be addressed from a consumer perspective by considering the following underlying items:</p> <ul style="list-style-type: none"> • The information transported from the terminal at the point of sale up to the issuer (from an acceptor-to-acquirer protocol and from an acquirer-to-issuer one) • The information appearing on the ticket at the point of sales when delivered by the cashier to the cardholder • The information appearing on the payment account statement of the cardholder (paper or through remote/home-banking) <p>About the first item, which is indeed under the governance of a card scheme, the protocols in use today (ISO 8583 and ISO 20022) do allow the transport of the payee's details (at least the name and city of the beneficiary of the payment but also the category of business involved in the payment with the MCC – Merchant Category Code) in an end-to-end mode reaching the issuer.</p> <p>For the information appearing on the ticket at the point of sales when the payment is performed, CB – in its quality of a card payment scheme - has adopted a common way of structuring the information printed on the ticket (see https://www.cartes-bancaires.com/wp-content/uploads/2019/03/Gif_Ticket_caisse.gif) so that the same way of structuring the information (even for payments performed by other competing schemes) has been adopted for all face-to-face card transactions (contact or contactless) performed in France. We are unaware whether similar common guidelines have been adopted and implemented at a European level yet (and maybe this may be the concern raised by EU consumers representatives).</p> <p>When it comes to the information provided by an issuing bank to its cardholders as appearing on a statement of the payment account (printed or through home-banking); it is up of each PSP to decide about the way to provide this information to its customers. The communication of this information is performed in compliance with the regulation and especially by considering the transparency principles associated with the EU regulation (breakdown of charges and commissions, name of the payee, separate communication of currency conversion fees, etc.).</p> |

| Actor/ Scheme | Example scheme rules/practices |
|--------------------------------|---|
| Payconiq Bancontact (BE) | <p>Herewith some extract from our rules, clarifying how we request to handle the payee name.</p> <p>In the definition of our 8583 protocol (called BSP in our Scheme), in the messages sent by Acquirers to the Switch, we are making clear reference to the final Merchant, not to intermediate PSP's</p> <ul style="list-style-type: none"> • For Card Present environment non-ATM based services, applicable to both the current and updated layouts <ul style="list-style-type: none"> ○ P43.1: must contain the actual name of the final Merchant as most recognizable to the payer, must not be space filled ○ P43.2: must contain the City related to final Merchant's registered address, must not be space filled ○ P43.3: must contain the Postal code related to final Merchant's registered address, must not be space filled ○ P43.4: must contain the Country Code related to final Merchant's registered address, must not be space filled • For Card Not Present environment, all services, applicable to both the current and updated layouts: <ul style="list-style-type: none"> ○ P43.1: Merchant Name: Must contain the commercial name ("doing business as" name) of the point of service, usually corresponding to the name or URL of the merchant's website. This must be the actual name of the final Merchant as most recognizable to the payer. ○ P43.2: must contain the City related to final Merchant's registered address, must not be space filled ○ P43.3: must contain the Postal code related to final Merchant's registered address, must not be space filled ○ P43.4: must contain the Country Code related to final Merchant's registered address, must not be space filled <p>Furthermore, this information must be printed/displayed by the Card Issuer to the Cardholder.</p> |

Annex 3: volunteer members that participated in drafting this proposal

| Name | Surname | Institution |
|-----------------------------|--------------------|------------------|
| Volunteer Members | | |
| Jean | Allix | BEUC |
| Gijs | Boudewijn | EBF |
| Martina | Grillitsch | EMA |
| Valentin | Vlad | EPC |
| Loreta | Liutkute | EPIF |
| Diederik | Bruggink | ESBG |
| Michel | Van Mello | Eurocommerce |
| Observers/Alternates | | |
| Farid | Aliyev | BEUC |
| Agnieszka | Janczuk | EACB |
| Marieke | Van Berkel | EACB |
| Anni | Mykkänen | EBF |
| Nicolò | Brignoli | EC |
| Katarzyna | Kobylińska | EC |
| Stefan | Antimov | ECB |
| Maria Teresa | Chimienti | ECB |
| Maria | Huhtaniska-Montiel | ECB |
| Daniel | McLean | ECB |
| Juliette | Beaulaton | Ecommerce Europe |
| Judith | Crawford | EMA |