

The Hungarian Competition Authority has issued a number of recommendations aimed at boosting bank card acceptance

In its report on the findings of its sector inquiry into the bank card acceptance market the Hungarian Competition Authority (GVH) did not reveal any market failures necessitating the initiation of competition supervision proceedings. It did, however, identify - among other things - a number of market circumstances affecting competition on the market. Consequently, the GVH issued a number of recommendations to address the highlighted concerns.

Payment by bank card is still not widespread in Hungary today, despite the fact that a reduction in cash payment would help to curtail the grey economy. Consequently, in the framework of a sector inquiry the GVH set out to identify the factors that may be hindering the more widespread acceptance of card payment and the ways in which these barriers may be overcome by market players or through regulation.

According to the Authority's report, the number of merchants accepting bank cards significantly increased between the first quarter of 2013 and the first quarter of 2018, with the number of transactions per card also approaching the EU average. However, the number of merchants accepting bank cards is still extremely low in certain territories of Hungary, with many consumers still preferring to pay with cash.

There have been several attempts in recent years to promote the acceptance of bank cards, for example by setting a cap on the level of interchange fees by law and through the introduction of the Ministry of Finance's POS terminal installation programme.

The sector inquiry also revealed that while the reduction in the level of the interchange fees has generally mitigated the merchants' cost burden, the extent of the reduction depends on the size of the merchants. The smallest merchants have benefitted the most from the cost reduction; however, when compared to turnover, this merchant size category still faces the highest cost burden. The proportionally higher fees can be partly explained by economies of scale; however, further discrepancies likely stem from differences between merchants – given their bargaining power and awareness. Consequently, the GVH recommends launching awareness raising programmes for merchants.

Fees that are proportional to the transaction number, which also increased during the investigated period, are also primarily detrimental for small-sized merchants processing low-value transactions; consequently, the GVH recommends minimising or eliminating these fees.

The POS terminal installation programme has also contributed to a significant reduction in the acceptance costs of the smallest merchants (less than 1 million HUF quarterly card payment turnover). However, the fees of merchants falling into a higher turnover category (1-2.5 million HUF quarterly card payment turnover) have increased. The reason for this is that a number of merchants already had a POS terminal at the time that

the programme was launched, thus, they could not participate in the programme, but due to their low bargaining power, they faced higher acceptance costs. The GVH recommends extending the programme to this category of merchants.

According to a market survey conducted in the course of the sector inquiry, merchants consider it disadvantageous that they only receive the value of purchases several days later. The GVH therefore recommends that acquiring banks speed up the crediting process of card transactions.

In addition, the GVH recommends increasing the popularity of bank card acceptance as well as the use of bank cards by means of tax policy.

The sector inquiry has benefitted from data and comments provided by market players and public bodies. The Authority is confident that the sector inquiry will contribute to the further expansion of bank card acceptance, thus helping to achieve the common goal of reducing the use of cash.

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Hungarian Competition Authority

Information for the press

sajto@gvh.hu

<http://www.gvh.hu>

Further information:

GVH Customer Service

Tel: (+36-1) 472-8851

Email: ugyfelszolgalat@gvh.hu

<http://www.gvh.hu>