

B2B ACCOUNTS RECEIVABLE QUARTERLY UPDATE

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Surcharge Compliance Evolves

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Greetings to you all at the end of 2022 and welcome to our quarterly update regarding developments in the B2B space. Question: How do you know when business practices are taking hold, especially in the credit card surcharging space? There are many answers. Some of them include when companies no longer respond with a version of “What is surcharging?” or “No one is really surcharging in our market.” One of the replies we hear most often is “How does my team execute in a compliant manner?” This question is more important than ever considering the escalating fines recently disclosed by the Card Associations for surcharging in a non-compliant manner.

Card Brand Penalties for Non-Compliant Surcharging

EVENT	VISA ACTION/NON-COMPLIANCE ASSESSMENT
Notification issued for violation of a rule	Warning letter with a request for a compliance/resolution plan
Response date has passed and either: <ul style="list-style-type: none">• Rule violation not corrected• Rule violation corrected but violation of same rule repeated after correction	Non-compliance assessment of USD 25,000
30 calendar days have passed after response due and either: <ul style="list-style-type: none">• Rule violation not corrected• Rule violation corrected but violation of same rule repeated after correction	Non-compliance assessment of USD 50,000
60 calendar days have passed after response due and either: <ul style="list-style-type: none">• Rule violation not corrected• Rule violation corrected but violation of same rule repeated after correction	Non-compliance assessment of USD 75,000
90 calendar days have passed after response due and either: <ul style="list-style-type: none">• Rule violation not corrected• Rule violation corrected but violation of same rule repeated after correction	Non-compliance assessment of USD 150,000 Non-compliance assessments will continue to be levied each month until the rule violation is corrected, with the amount doubling each month.

*Visa. (2022). Card Brand Updates November 1, 2022

These fines and penalties are substantial, and they do raise the risk element for any B2B environment that is surcharging in a non-compliant manner. The card brands have provided extremely specific rules and responsibilities to be compliant, right down to the font size and positioning of customer-facing notices.

Card brand requirements for companies accepting credit cards in a compliant surcharge manner:

- Companies must provide a 30-day notice to Visa, MasterCard and the acquirer prior to implementation of a surcharge program.
- Surcharges are limited to credit card transactions and may not be assessed on debit or prepaid cards.
- Firms must decide whether to implement a brand-level surcharge (i.e., the same surcharge for all Visa and MasterCard credit card transactions) or a product-level surcharge that applies to the same surcharge for all transactions of a particular product (e.g., Visa Traditional, Visa Traditional Rewards, Visa Signature Preferred) and cannot implement both a brand-level and product-level surcharge.
- The surcharge cannot exceed the effective rate for the applicable credit card surcharged.
- The maximum, allowable surcharge is 4% of the total purchase price.
- Companies must surcharge Visa and MasterCard on the same terms and conditions as any equal or higher cost competitor that imposes limits on surcharging and,
- Firms must disclose the surcharge to the buyer at point-of-entry, the point of sale and as a separate itemized charge on the customer's receipt.

Companies that have successfully implemented a compliant surcharge program have saved from 2.5-3.0%. That range of savings is dictated by the type of card used and how it is processed, i.e., at the counter or card-not-present, both of which determine the interchange fees associated with the transaction.

In today's environment of rising interest rates and increased efforts to digitize as many payment channels as possible, those savings are clearly a desired result. Additionally, surcharge programs have been a great tool used to transition customers to the lower-cost payment methods of debit cards and better still eCheck transactions. eCheck transactions provide an excellent opportunity to pull in remittance data associated with those payments.

Most companies that are reclaiming B2B margins by implementing a compliant surcharge solution are likely to be transparent and follow the surcharge rules for compliance. At the end of the day, your customer's experience and service levels are winning themes for your business. Compliance and customer service should go hand in hand.

Please feel free to contact our team of experts with any questions. We look forward to keeping you up to date on future B2B A/R developments.

About the Authors

John Perez sets strategic direction, aligning procedures and resources to help bring solutions for Unified A/R's customers. Prior to joining Unified, John had leadership roles with customers varying in size from Middle Market to Fortune 500 organizations with both Fifth Third Bank and BB&T, now Truist. John also opened Fifth Third Bank's European Representative Office in 1996.



John Perez, CEO

Madeline Long oversees all activities and initiatives related to go to market strategies and implementations for Unified's enterprise customers. The Enterprise Solutions team is actively involved with each implementation from a seat of the client perspective to ensure a successful roll out of each project and initiative. Her strengths in strategic planning are evidenced by her success in launching one of the largest strategic Financial Institution partnerships.



**Madeline W. Long,
VP Enterprise Solutions**

About Unified A/R

Unified A/R simplifies accounts receivable and payment acceptance with best-in-class, cloud-based solutions and ongoing consultation from B2B A/R experts to help you get paid faster at reduced cost while improving your customers' experience. Unified A/R's Executive Team brings more than 150 years of combined management success from the payment and finance industries and has partnered with many of the nation's largest Trade and Professional Associations, Financial Institutions and Technology Firms.