

# Payment services in the internal market

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This report reviews how Directive 2007/64/EC on payment services in the internal market (hereinafter: “the PSD”) has been applied as required by its Article 87. It covers the period 2009 – 2012. It also covers [Regulation \(EC\) No 924/2009](#) on cross-border payments in the Community.

The objectives of the PSD are to “establish at Community level a modern and coherent legal framework for payment services, whether or not the services are compatible with the system resulting from the financial sector initiative for a single euro payments area, which is neutral so as to ensure a level playing field for all payment systems, in order to maintain consumer choice, which should mean a considerable step forward in terms of consumer cost, safety, and efficiency, as compared with the present system”.

Main conclusions:

- **Fit for purpose:** the PSD is globally fit for purpose and any future possible changes should follow an evolutionary rather than a revolutionary approach;

- **Some changes desirable:** the analysis of the PSD and its impacts suggests that a number of changes could be envisaged to the PSD to enhance its effect, clarify a number of its aspects, provide a level playing field and to take into account technological developments.

- **scope:** in this regard, the PSD only applies to payments where both end-providers are located in the EEA but not, for example, to transactions to or from third countries (so-called "one-leg transactions"). At the time of its adoption, a number of payment (related) activities were exempted from the scope of the PSD;
- **level playing field:** a situation has arisen whereby payment services users do not enjoy the protection of the PSD for increasingly large volume of transactions, has given rise to uncertainties as to actual scope of the Directive and created an uneven level playing field. The flexibility offered by the PSD in enabling merchants to charge a fee or give a rebate to steer the consumer towards the most efficient payment means, combined with the option for Member States to forbid or limit any such surcharging on their territory, has led to **extreme heterogeneity** in the market. In order to enhance consumer protection and to promote legal certainty, a further harmonisation of refund rules regarding direct debits could be considered to avoid the current European disparities in this respect. A reduction of the scope of the “simplified regime” for so-called “small payment institutions” and few adjustment to the liability provisions could be envisaged as well;
- **technological business development:** there also is a need to accommodate technological business development. New players have emerged in the market (the so-called “third party payment service providers”) offering basically low cost payment solutions on the internet using the customers' home online banking application, with their agreement, and informing merchants that the money is on its way, thereby facilitating online shopping. Some players also offer consolidated information on different accounts of a payments service user (‘account information services’). Whilst these new actors bring undeniable benefits for payments users in general - merchants and consumers alike - and competition in the market, **a series of issues about security, access to information on payment accounts or data privacy need to be addressed at EU level**, alongside their possible licensing and supervision as payment institutions under the PSD.