InterPayments

Understanding Surcharge Compliance

With the growing adoption of credit card surcharges, maintaining compliance has become increasingly challenging for many merchants. Surcharge compliance is defined as ensuring all applicable rules and regulations are followed when applying surcharges, including disclosure to customers and proper fee calculation. Non-compliance can result in fines or loss of the ability to process card payments.

Compliance categories include:

- Rate-level compliance – Ensuring you charge an allowed rate that still provides maximum recovery
- Card-level compliance – Ensuring you follow all rules enforced by the card networks and banks
- Government compliance – Ensuring you follow all local, state/province, and federal surcharge laws

These regulations often conflict with one another, adding complexity to the surcharging process. In the case of a non-compliance allegation, indemnification offers protection against potential fines.

Rules and Regulations

67 jurisdictions actively govern surcharges in the US, varying by card network, location, and more. These regulations include but are not limited to the following:

- **Surcharge disclosure:** Customers must know you may impose a surcharge before they choose their payment method. The surcharge amount must appear as a separate line item on payment confirmation.
- **Alternative payment options:** Customers must have at least one payment option that does not carry a surcharge.
- **State restrictions:** Different states have different laws around surcharging, with some prohibiting surcharging entirely. These laws are frequently updated.
- **No profit rule:** The merchant must not profit on a surcharge (i.e., a surcharge cannot exceed the cost of accepting credit cards).
- **Card type restrictions:** Certain card networks prohibit surcharges on specific card types (e.g., credit, debit, prepaid, etc.).
- **30-day surcharge registration:** Certain card brands and acquirers require registering your surcharge program at least 30 days before your first surcharge.
- **60-day surcharge notice:** Certain card brands and acquirers require notifying subscription/recurring billing customers of an impending surcharge 60 days prior to the first surcharge.

Best Practices and Tools

We recommend the following best practices to help ensure surcharge compliance across your business:

- **An automated solution**: Automate compliance on every transaction, ensuring consistent and accurate calculations.
- **Data accuracy:** Leverage a solution that sources from multiple BIN tables to avoid accidental surcharges.
- **Conflict considerations:** When American Express rules conflict with those of Visa and Mastercard, apply surcharges in a manner that ensures compliance with all applicable card network requirements.
- **Indemnification:** In the case of a non-compliance allegation, ensure the surcharge solution provider is contractually obligated to indemnify you against any enforcement risks.

Achieve Compliance with InterPayments

As a Managed Surcharge Provider, InterPayments offers a comprehensive, end-to-end compliant surcharge program that seamlessly supplements existing payment processes and vendors. InterPayments offers full compliance with state/provincial, federal, and card brand regulations. Our program utilizes a multi-sourced card database to avoid compliance risks and accidental surcharging. Merchants can customize surcharges to any compliant rate while removing complexity with managing various rules and regulations.

InterPayments Audit Portal

Our Audit Portal automates real-time surcharge compliance reporting and verification at the merchant and transaction-level.

- View merchant surcharge activity, surcharge rate, rate change amounts and times, MIDs, and more
- Verify if you have completed required notices, as well as adhere to all state and card network rules
- Receive real-time, 24/7/365 updates on merchant compliance status at both the merchant and transaction levels

InterPayments Certification

InterPayments Certification ensures that merchants comply with all applicable laws and regulations, with annual re-certifications to maintain compliance.

Why is Surcharge Compliance Important?

Non-compliance can lead to enforcement actions and fines from both card vendors and governments, adding considerable risk to your business. InterPayments enables merchants to mitigate risk by delivering automated, compliant surcharging across your business. Our solution puts customers first by clearly communicating the surcharge policy before customers make a payment and ensuring that each surcharge is accurately calculated.

Implement surcharging seamlessly and compliantly by contacting us at sales@interpayments.com.

Questions?

Reach out to us anytime at partners@interpayments.com.