editorial

Credit Cards

The credit or charge card in the UK is already a serious rival to cash in the settlement of substantial consumer transactions. There are advantages in this for traders and their customers and the credit card industry has now been studied in depth by the Monopolies and Mergers Commission. Its "Report on the Supply of Credit Card Franchise Services in the United Kingdom" (Cmnd 8034) gives much (hitherto inside) information on the credit card operations which could be useful in negotiations regarding the level of discount to be charged by a credit card operator to one's company. The attention of the Commission was focused mainly on the two largest UK operations, Access and Barclaycard.

The Commission's main recommendation was that credit card operators should no longer prohibit traders from discriminating in price terms between cash and credit customers and that where traders charge different prices for credit card, as opposed to cash transactions, they should give customers "adequate notice" of any relevant difference in charges. This would leave the Office of Fair Trading to set suitable disclosure requirements (though the question may arguably already be covered in some cases by Price Marking Orders). The Commission did not, however, feel that there need be any regulation of the level of the effective surcharges for transactions settled by credit card, as in general the force of competition would, in its view, impose a severe constraint on abuses.

The Report however acknowledges that there have been abuses in the past, particularly by petrol stations (surcharges were found to exceed substantially the level of the credit card companies' discount charged to service stations. It could be argued that cardholders would be better protected from abuses if card costs were to be borne direct by holders, rather than indirectly via retailers. A small part of the cost could justifiably be borne by retailers as there is some saving for them in cash handling costs. The Commission, however, rejects this possibility summarily, mainly because of the difficulty of apportioning costs and benefits between cardholders and traders. In practice there is presumably little chance of such a change taking place, not least because of the possible decline in the number of cardholders if the cost to them were to be made explicit in this way. It is to be hoped that any abuses of traders' new freedom to price differentially will be appropriately restrained; it would be unfortunate if this were to become an obstacle to the growth of credit card use and thus to slow down the exploitation of modern alternatives to the expensive and frequently dangerous handling of cash by traders.

Stock Exchange

Many will share the concern of The Stock Exchange in its present impossible position caused by the referral of its rule book to the Restrictive Practices Court. As the Chairman, Mr Nicholas Goodison, has forcefully stated, the Court is not an appropriate forum for such a wide-ranging inquiry (particularly, we would suggest, in view of the extent to which "policy" aspects will be relevant to a review of the securities market structure). This concern was shared by the Wilson Committee in it Report (Cmnd 7937, paras 364 to 366) and it expressed doubts as to whether the present market system can in any event continue for long without substantial change irrespective of the Court's decision. The Report stated: "Public debate about possible alternatives has been muted by The Stock Exchange's understandable unwillingness to do anything which might weaken its position before the Court. We believe that consideration of alternatives is now urgent and suggest that the Council for the Securities Industry is the body to undertake this task." The Government ought, in our view, to respond to these urgent recommendations without further delay.