

**CHILTERNS CREMATORIUM JOINT COMMITTEE**  
**30 JULY 2010**

**REPORT OF THE TREASURER**

**INTRODUCTION OF CHARGES FOR CREDIT CARD PAYMENTS**

*(Contact Officer: Alison Howes 01494 732260)*

**RECOMMENDATION**

- 1. That the Joint Committee considers the options in respect of credit card transactions.**
- 2. If the option to charge is agreed, the Joint Committee is requested to give in principle agreement to a fee of 1.6% for credit card payment transactions, subject to the Treasurer and Superintendent finalising procedural details and agreeing the implementation date.**

1 More and more payments are being made electronically and both Chiltern District Council (CDC) and Wycombe District Council (WDC) have recently taken the decision to introduce charging for credit card payments to offset what is becoming an increasing budgetary pressure through escalating bank charges. Aylesbury Vale District Council (AVDC) is also understood to be considering this.

2 Credit card charges are charged as a percentage of the transaction value and can vary depending on the type of card used. Debit card fees on the other hand are charged at a flat rate of 20p per transaction. Both CDC and WDC have agreed an average charge of 1.6% for credit card transactions.

3 The number of transactions processed by credit card at the Crematorium is not large – less than 100 in 2009/10, incurring bank charges of approximately £500.

4 The Joint Committee is asked to consider the following options.

a) accept the current position as being a cost of collection although there is a risk that costs may increase should more people chose to pay by credit card in future;

b) cease accepting credit cards – this is not considered to be a realistic option as there may be customers who prefer to use this method of payment;

c) introduce charges to recoup the bank card processing fees incurred. It is recommended to only charge for credit cards since these are the most expensive to process. Debit cards would remain a fee-free method of card payment as an alternative;

*Arguments in favour of charging*

- Savings would be achieved either through passing on the bank charge to customers or through a reduction in bank charges as people switch to debit cards
- It is only fair that customers wishing to use a method of payment which is considerably more expensive should bear the extra bank processing charges incurred (payment is 'on credit' and therefore gives the customer a benefit);
- It may encourage customers to use a method of payment which is cheaper for both the Council and themselves (eg debit card)
- Consistency with the policies of the constituent authorities

#### *Arguments against charging*

- There may be dissatisfaction amongst customers due to the imposition of an additional charge;
- Those paying by credit card could be doing so as a 'last resort' due to not having other funds available. This could be viewed as an additional penalty charge to them;
- Alternative more expensive payment methods may be used instead such as paying in person by cash or cheque, which would incur additional staff processing costs (note - cheque use is also to be discouraged due to the medium term plans of the banking sector to phase them out);

#### **Legal implications**

- 4 In the United Kingdom you are entitled to add a surcharge to any transaction made by card. However there are several procedures to be followed and a number of legal requirements that apply. These are the Payment Services Regulations 2009 and the Price Indications (Method of Payment) Regulations 1991. The combined effect of these requirements is that customers must be informed of any surcharges before the initiation of the transaction. Only bank charges incurred can be recovered and no profit can be made on the charges.

#### **VAT implications**

- 5 CDC's VAT advisors KPMG have confirmed that HMRC regard a charge for payment by credit card as a further payment for the purchase. Therefore the VAT treatment of the credit card charge will follow the treatment of the services provided. For example, if the services provided are standard rated then VAT should also be charged on the credit card surcharge.

#### **Implementation**

- 6 If charging for credit card payments were to be agreed, changes would be required to current procedures at the Crematorium which would need to be agreed by the Treasurer and Superintendent prior to implementation.