

Background

Visa Canada, as part of a legal settlement, is modifying rules and business processes to allow Canadian merchants to apply a fee, or “surcharge,” to customers who pay with a Visa credit card. The rules allowing merchants to surcharge take effect on October 6, 2022. Merchant surcharges are permitted only for Visa credit card transactions. Merchant surcharges are not permitted on Visa debit or prepaid card transactions.

A summary of the changes required by the settlement agreement that Visa acquirers will provide to their merchants can be read in the [Visa Rules document](#).

FAQs

Q. What is a merchant surcharge?

A. A merchant surcharge is a fee assessed to a Visa cardholder by a merchant that is added to a Visa credit card transaction for the acceptance of a Visa credit card at checkout.

Q. Why did Visa modify its No Surcharge Rule to permit merchant surcharging?

A. Following a court approved legal settlement, effective October 6, 2022, Visa will modify its rules to permit Canadian merchants to surcharge Visa credit cards. Merchants will need to comply with specific requirements as outlined in the [Visa Rules](#).

Requirements include but are not limited to; ensuring merchants do not surcharge customers more than it costs the merchant to accept Visa credit cards, and that merchants inform consumers about the surcharge prior to the completion of the sale.

Q. Does Visa’s permission of surcharging take precedent over local laws that may prohibit or restrict surcharging?

A. No. A Provincial and/or Federal law or regulation would supersede Visa Rules.

Q. What is the process that a merchant must follow in order to surcharge Visa credit cards?

A. A merchant that chooses to apply a surcharge to consumers who pay with Visa credit cards must:

- provide its acquirer with a minimum of thirty (30) days advance written notice of its intention to surcharge
- disclose its surcharging practices to cardholder at the point of interaction (POI) and on the cardholder’s receipt
- apply a surcharge amount that complies with the surcharge cap/method as detailed in the Visa Rules:

- A merchant may apply a surcharge at either the Visa brand level or the product level (but not both). (i.e., a merchant may surcharge all Visa credit card transactions, or only certain Visa credit cards, e.g., Visa Infinite)
The maximum merchant surcharge for any transaction is 2.4%

Q. How does a merchant notify of its intent to surcharge?

A. Merchants who wish to add a surcharge to Visa Credit Card transactions must contact their acquirer for instructions. Merchants will be required to provide the merchant's name, address, phone number, email, number of locations that will be surcharging, the type of channel and whether it intends to surcharge at the brand or product level. This notification can take place on or after September 6, 2022.

Q. What is the surcharge amount that a merchant can charge?

A. A merchant may apply a surcharge amount that does not exceed the lesser of:

1. the established maximum "surcharge cap" amount, of 2.4% for any transaction or
2. the average merchant discount rate that the merchant pays for Visa credit card acceptance.

Q. Are there limits on the level of the fee that a merchant can charge?

A. Yes. A Canadian merchant may only assess a surcharge that does not exceed the merchant discount rate. There is also an absolute maximum surcharge cap of 2.4%.

Q. How can a merchant calculate the maximum amount for the brand level surcharge?

A. It is the merchant's average effective merchant discount rate applicable to Visa credit card transactions, or the cap, whichever is lower.

Q. How does a merchant determine its Visa credit surcharge maximum amount for a particular product?

A. If the merchant chooses to surcharge at the product level, the merchant must determine its average effective merchant discount rate for the product type for which it is surcharging. The surcharge amount must be the same for all Visa credit cards of that product type that the merchant has chosen to surcharge if surcharging at the product level, and cannot exceed the maximum cap.

Q. Is a merchant permitted to surcharge on all Visa cards?

A. No. Merchants are only permitted to surcharge on Visa consumer and corporate credit cards. Merchant surcharges on Visa debit and prepaid cards are prohibited.

Q. Is surcharging permitted in both face-to-face and card-not-present environments?

A. Yes. A merchant can choose to surcharge in one or both environments.

Q. What are the disclosure requirements for merchants?

A. Merchants must clearly and prominently disclose any credit card surcharge that will be assessed at both the point of entry into the merchant outlet and the point-of-transaction, the disclosure at the point-of-transaction must include all of the following:

- The exact amount or percentage of the surcharge
- A statement that the surcharge is being assessed by the Merchant and not by Visa and is only applicable to credit transactions.
- Inclusion of the surcharge amount on the customer receipt

The full disclosure requirements and standards can be found in *Table 5-5: Surcharge Disclosure – Canada Region, US Region, and US Territories in the Visa Rules – Rule ID: 0027545*

Q. What is the difference between a surcharge, a service fee, and a convenience fee?

A. Each of these fees has different requirements around when and how a merchant may apply them. For example, when a merchant applies a surcharge on Visa Transactions, it must not be greater than any surcharge on Amex and Paypal transactions. See the definitions of each below. **Note:** In Canada, surcharging is only permitted on credit card transactions and service fees are only permitted under certain circumstances. Convenience fees are not permitted.

Surcharge:

A fee assessed to a Cardholder by a Merchant that is added to a Credit Card Transaction for the acceptance of a Credit Card.

Service Fee:

A fee assessed to a Cardholder who uses a Visa Card to pay for goods and services in a permitted Merchant category and channel.

Convenience Fee:

A fee charged by a Merchant for a bona fide convenience to the Cardholder (for example: an alternative channel outside the Merchant’s customary payment channel) that is not charged solely for the acceptance of the Visa Card. **Note:** Convenience fees are not permitted in Canada.

Q. Can a merchant charge both a surcharge and a service fee?

A. No. If a merchant chooses to surcharge credit transactions, they cannot also apply a service fee to Visa credit transactions.

Q. Are merchants required to separately set out the surcharge on the customer's receipt?

A. Yes, merchants must provide clear disclosure of the amount of the surcharge on the cardholder's receipt. Additional merchant disclosure requirements can be found here. <https://www.visa.ca/content/dam/VCOM/download/about-visa/visa-rules-public.pdf>

Q. Is the surcharge amount required to be included in the return amount if a transaction that had a surcharge is returned?

A. The assessment of a surcharge on a credit refund transaction is prohibited. In the event of a refund, the surcharge amount must be credited back to the cardholder. For partial refunds, the surcharge must be credited on a pro-rated basis.

Q. Is the surcharge amount included in the dispute amount if a transaction that has a surcharge applied is disputed?

A. With a disputed transaction, the purchase amount plus the surcharge should be credited to the cardholder. For partial chargebacks, the surcharge must be pro-rated.

Q. How can Visa clients and partners report potential violations of improper surcharging?

A: They may file a compliance request by using the Visa Complaint Form available from the Visa Publication Center on Visa Online.