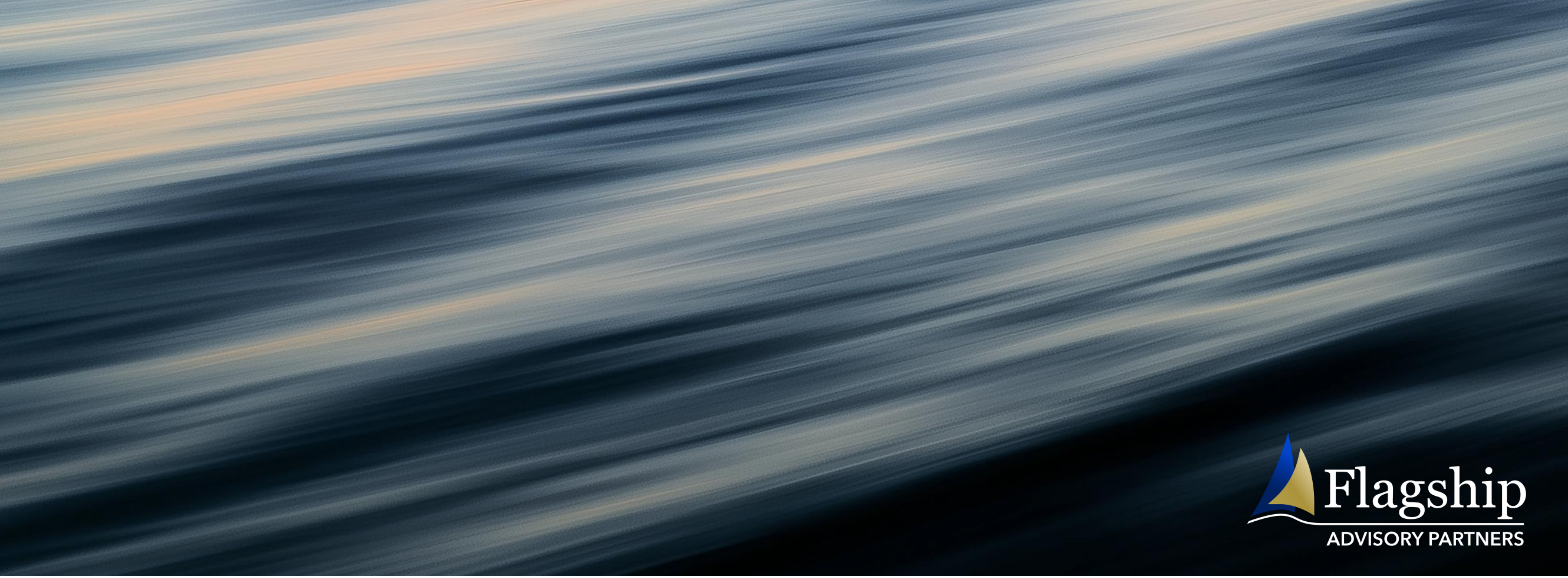


The Price of Surcharging

How Rising Payment Fees Create Complex Legal & Compliance Risks for Payments and Software Companies

25 August 2026

Ben Brown
Partner
Flagship Advisory Partners

Mira Boora
Co-Founder & COO
Yeeld

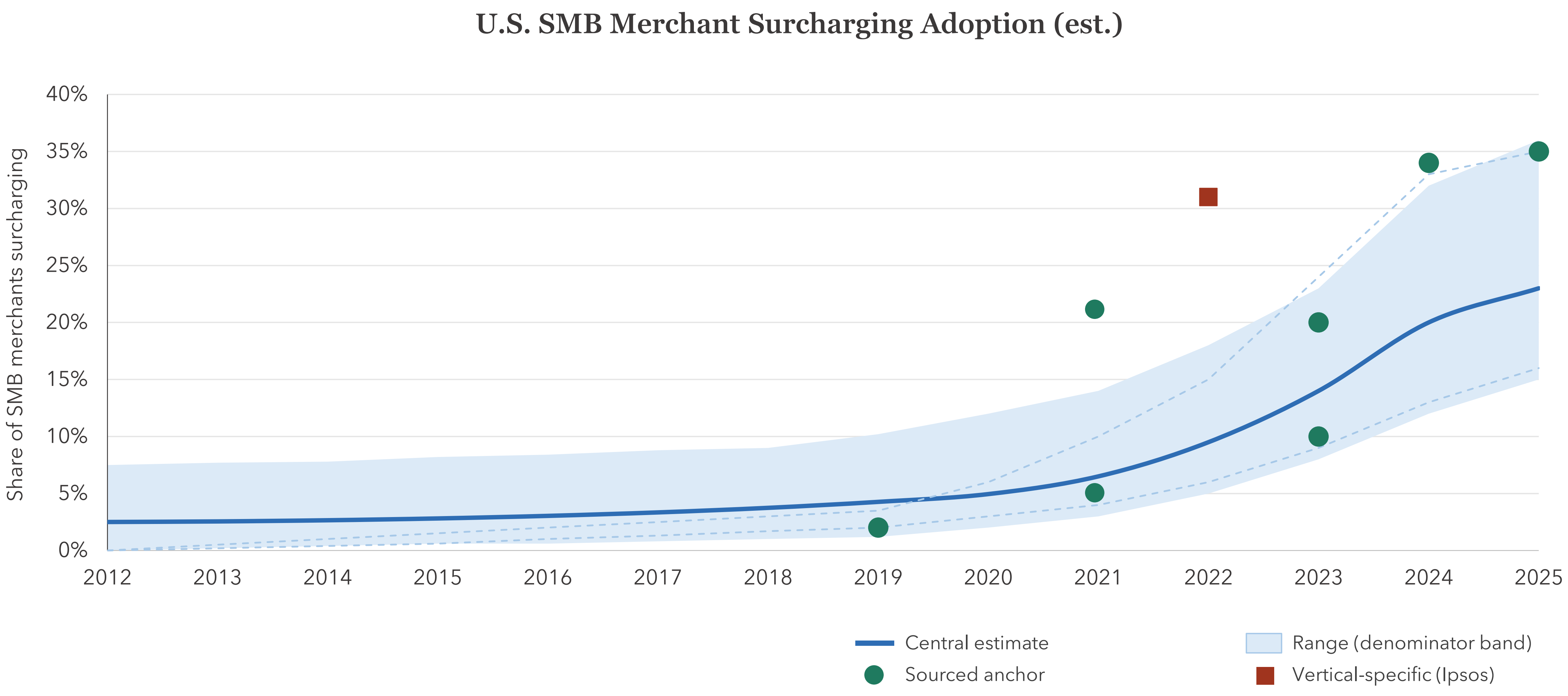
Theresa Kananen
Partner
Arnall Golden Gregory LLP

Frank Martien
Founder
Windward Strategy, Inc.

Today's Agenda

1. Define surcharging, best practices, and regulatory nuances
2. Group discussion on surcharging compliance and customer reactions
3. Audience questions

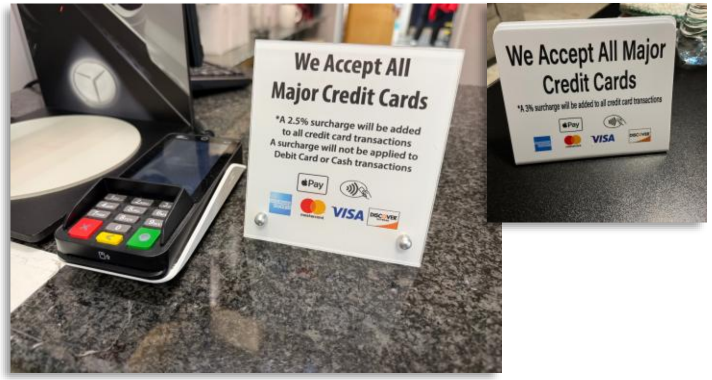
Surcharging has proliferated rapidly in the U.S. over the past c. 5 years, primarily among smaller merchants who are trying to control costs.



Source(s): Federal Reserve, JD Power, Ipsos, TSG, CMSPI, Flagship Advisory Partners estimates

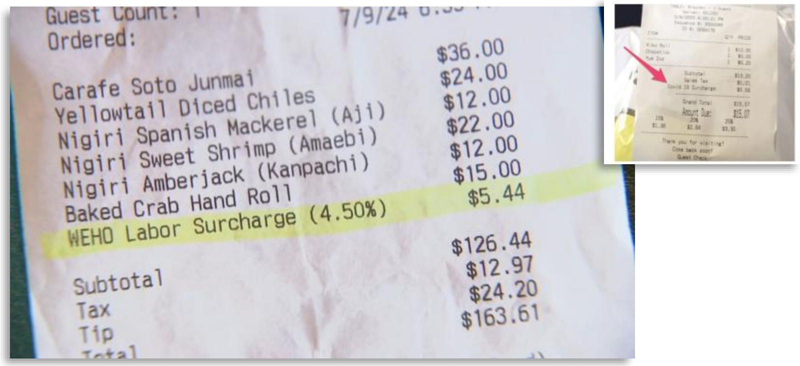
Surcharging is now visible across the full purchase journey, from fuel signage and restaurant receipts to ecommerce checkouts, POS prompts, and B2B invoices

Surcharging Example Collage



1. Merchant Surcharge Pricing

At terminal surcharge disclosures

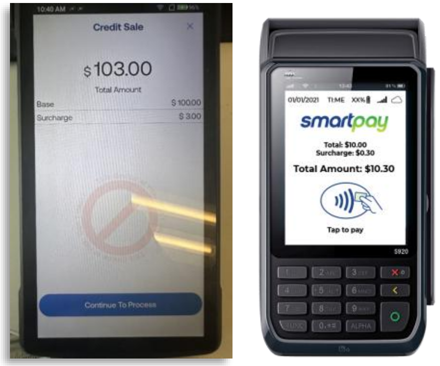


2. Restaurant receipt with surcharge line

Fee appears at payment. Check for point of entry disclosure

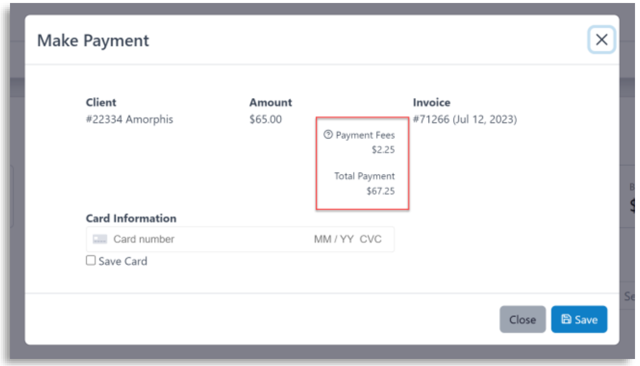
3. Fuel dual pricing street sign

Two posted prices, cash and credit. The structure the rules favor



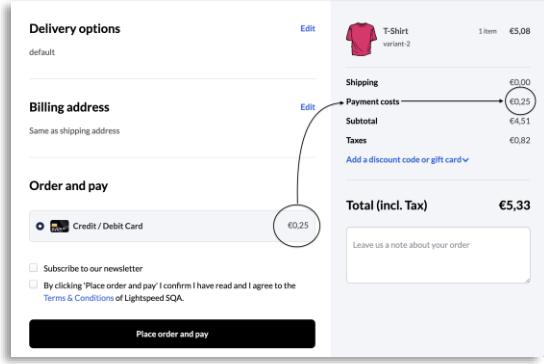
4. POS terminal surcharge prompt

Screen disclosure at point of sale, amount and merchant statement



5. B2B invoice payment portal

Card fee versus free ACH option, the common B2B pattern



6. Ecommerce checkout fee disclosure

Where the fee first appears in the flow is the drip pricing test

Under V/MC rules there are multiple ways for merchants to influence payments choice and recover the cost of payments acceptance.

Payment Card Cost Recovery Models

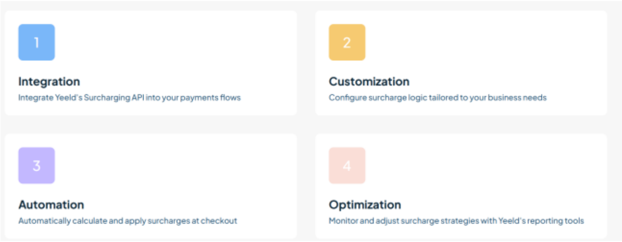
	Convenience fee	Service fee[1]	Surcharge	Cash Discount	Dual Pricing
Who charges	Merchant	Merchant, acquirer, or third party	Merchant	Merchant	Merchant
Eligible merchants	Any	Government, education, utilities	Any where allowed by law (prohibited in CT, MA, ME, PR; debatable in NY)	Any. Cash discounting is allowed by federal law.	Any. Native to fuel, spreading via POS programs
Tender types	Must apply to all forms of payment accepted in the channel	Any	Credit only, never debit	All card payers pay the posted price. Discount can vary by form of payment, including different card product types.	Any, but applying the card price to debit is somewhat contested
Channel	Card absent only, and only if a bona fide alternative to customary channel[1]. N/A for recurring or installments[1].	Any	Any	Any	Any
Amount	Flat or fixed only – not ad valorem[1]. No cap. Equal treatment across brands.	Flat, fixed, banded, or ad valorem. Must reflect actual cost of transaction, including MDR and third-party costs, and be capped where possible.	Fixed or variable. Must apply uniformly at brand level (all credit) or product level (one credit product). Visa: lesser of 3% or actual MDR. Mastercard: lesser of 4% or actual average MDR. Discover: actual cost of acceptance. Amex: effectively prohibited[3]. State laws may be more restrictive.	Any true discount off the posted price (may be discount, rebate, free or discounted product, or other incentive). No caps.	Any spread between the two posted prices. No caps.
Disclosure	Clearly disclosed before completion as a charge for the channel, with the option to cancel without penalty[1]	Clearly disclosed before completion, with the option to cancel without penalty. Must not appear to be a fee charged by network.	Point of entry and point of sale: amount, imposed by the merchant, credit only, not above the merchant discount rate, and prominent (minimum font size[1]). Must notify acquirer at least 30 days in advance[1]. Receipt rules also apply.	Posted price is the card price. The discount may be advertised freely. Acquirers cannot restrain merchant steering[1].	Both prices displayed before the customer selects method of payment.
Transaction treatment	Must be included in the total transaction amount[1]. Cannot stack on surcharge or service fees[2].	May be a separate transaction. Cannot stack on surcharge or convenience fees1.	Included in the transaction amount and identified in transaction data. Must refund surcharge on returns2.	Discount applied at the point of sale. No network registration or transaction data flagging	The card price is the price charged. No fee exists in transaction data.

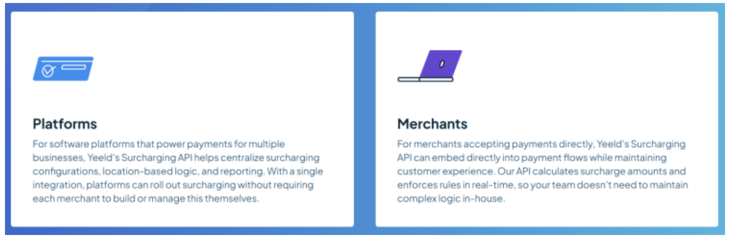
Notes: (1) According to Visa rules only. (2) According to Mastercard rules only. (3) American Express allows surcharging on terms no less favorable than competing brands across "all other payment products," which includes debit and prepaid. Because debit/prepaid may not be surcharged under Visa/Mastercard rules, Amex surcharging is effectively not possible.
Source: Flagship Advisory Partners analysis of network rules.

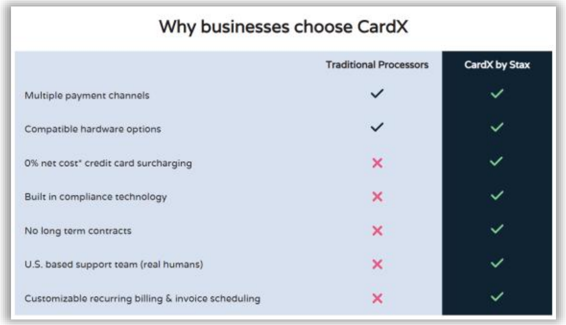
Surcharging compliance has become a new value-added service in the payments industry.

Examples of Surcharging Products

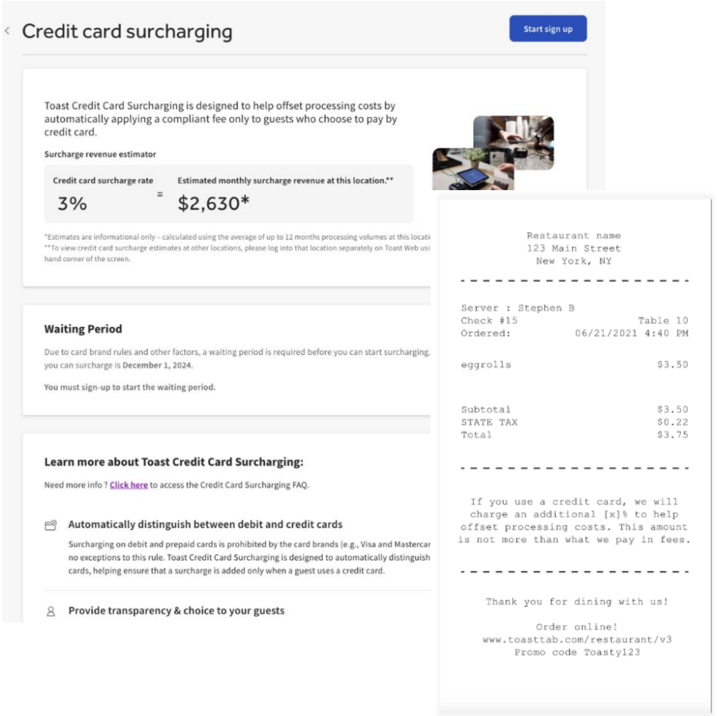
Specialists	Acquirers & PSPs	ISVs
The Yeeld Surcharging API: a white-labeled rules engine that platforms and merchants embed in their existing payment flows to apply compliant surcharges in real time, drawing on a continuously updated database of state, card brand, and funding-source rules so credit cards are surcharged correctly and debit and restricted states are automatically excluded.	**CardX by Stax:** a processor-embedded surcharging product that automatically passes the credit card fee to the customer at checkout, detects debit cards in real time so they're never surcharged, and handles state and card brand compliance rules at the platform level.	**Credit Card Surcharging:** a software feature that enables merchants to automatically surcharge credit card transactions in eligible U.S. states to help offset the cost of credit card processing.






Why businesses choose CardX

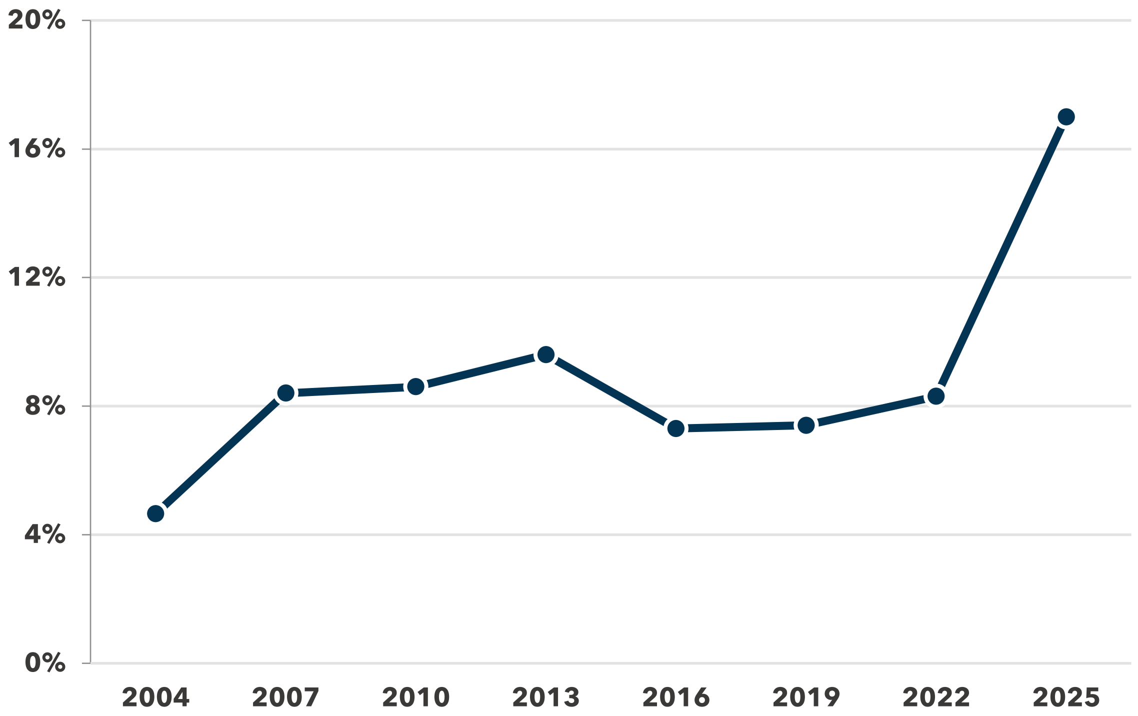
	Traditional Processors	CardX by Stax
Multiple payment channels	✓	✓
Compatible hardware options	✓	✓
0% net cost* credit card surcharging	✗	✓
Built in compliance technology	✗	✓
No long term contracts	✗	✓
U.S. based support team (real humans)	✗	✓
Customizable recurring billing & invoice scheduling	✗	✓



Australia legalized surcharging in 2003 and is banning it from October 2026 after two decades in which surcharges became unavoidable, cost-blind, and largely unenforced

Australia Surcharging on Card Payments (2007-2025)

Share of designated card payments, by value

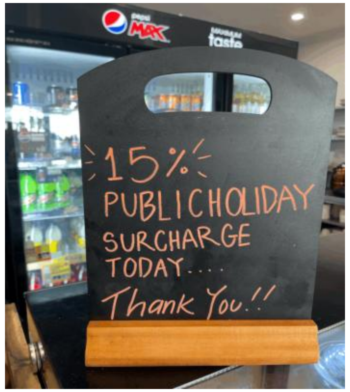


Source: RBA Merchant Card Payment Costs and Surcharging Issues Paper (Oct 2024); McLean Roche RBA submission (Dec 2024); RBA Consumer Payments Survey; Flagship analysis

Customer choice

- In 2019, Australians said that when presented with a surcharge 21% would pay the surcharge, 50% would choose a non-surcharged payment method, and 25% would shop elsewhere

Rampant surcharging



- RBA studies found surcharging increased dramatically in the 2020s but may still understate the reality: in 2010 c. 50% of very large merchants already surcharged, and consultancy McLean Roche estimated that 90% of retailers surcharged in 2019
- Merchants also started applying "weekend" and "holiday" surcharges of 10–20%. Mastercard found ~1 in 3 merchants surcharge excessively.

Putting the genie back in the bottle

- ACCC began enforcing surcharge limits in 2016, but surcharges continued to proliferate
- 76% of Australians say surcharging should stop, and 60% prefer an all-inclusive price regardless of how they pay
- In combination with interchange regulation (moving Australia in-line with EU rates), RBA will ban surcharges in late 2026

Ben Brown
Partner
Flagship Advisory Partners

Mira Boora
COO
Yeeld

Theresa Kananen
Partner
Arnall Golden Gregory LLP

Frank Martien
Founder
Windward Strategy, Inc.

Panel Discussion

The Price of Surcharging

Flagship
ADVISORY PARTNERS

25 August 2026