

Merchant Cash Discount Programs vs. Surcharge Programs: *Overcoming all the Confusion, Controversy & Debate*

Cash Discount Programs-the Wave Sweeping the U.S.

There is a wave sweeping the U.S. where card processing companies are offering “Cash Discount Programs” that advertise to eliminate ALL the merchant’s cost of accepting cards, both debit cards and credit cards, essentially transferring the cost of ALL card acceptance to the merchant’s customer.

What do Cash Discount Programs Look Like Today

Most Cash Discount Programs today 1.) take the advertised or published shelf or menu price into the merchant’s Point-of-Sale (“POS”) system, 2.) apply a “markup” or “service charge” to that price, and then 3.) offer a “discount” if the customer pays with cash.

Is Offering a Cash Discount Legal with Federal Law

Offering a customer, a “discount” if they pay with cash fundamentally appears to be in compliance with federal law as contained in the Durbin amendment, which indicates that a merchant offering a discount when a customer pays with cash is compliant.

Visa October 2018 Bulletin-Cash Discount Programs

In October 2018, Visa released a bulletin reminding U.S. acquirers, merchants, processors and their agents, that discounted offers should be carefully evaluated to ensure compliance with the Visa rules, and, “models that encourage merchants to add a fee on top of the normal price of the items being purchased, then give an immediate discount of that fee at the register if the customer pays with cash ..., are NOT compliant with the Visa Rules and may subject the acquirer to non-compliance action.”; in sum, the acquirer could be subject to fines, fees and penalties, which in most instances would be passed on to their merchants by the acquirer.

The Confusion between Federal Law & the Visa Bulletin

The major controversy that has existed is addressing the following question: “If federal law allows cash discounting, then why is Visa saying many Cash Discount Programs may not be compliant with their rules”; the answer lies NOT in the “WHAT” but in the “HOW”.

Many Cash Discount Programs may in fact be a “Surcharge” Program

Payroc’s view and interpretation is that when a merchant marks-up their published or advertised prices ONLY at the POS and then offers a cash discount, also ONLY at the POS, such an approach, is really in substance a “Surcharge” program.

What are Visa & MasterCard Surcharge Program Rules

Surcharge programs are allowed by Visa and MasterCard, but, the card brand rules for Surcharge are real clear and include: 1.) the surcharge must be allowed in the state where the merchant resides and there are only 5 small states left in the U.S. that prohibit surcharging, 2.) the acquirer and merchant must register the program with the card brands, and 3.) most importantly, the merchant IS NOT ALLOWED to surcharge debit cards but IS ALLOWED to surcharge credit cards, not to exceed 4% of the total sale.

Payroc’s Compliant Surcharge Program-RewardPay

10 important details of Program:

1. Payroc's terminal technology recognizes whether a card is a credit card or debit card at the POS
2. When a credit card is recognized, a credit card charge is added, not to exceed 4% of the sale amount
3. Payroc's technology will net settle to the merchant the credit card sale daily: \$100 credit card sale = \$100
4. If a merchant accepts a tip, Payroc's system adjusts for the estimated tip % and funds the credit card sale + tip
5. When a debit card is recognized at the POS, Payroc funds your total sale: \$100 debit card sale = \$100
6. With RewardPay, the merchant is eligible for Next Day Funding, at no extra cost, or Same Day Money Express
7. The merchant is only billed monthly for debit at very low debit rates, either flat rate or interchange plus
8. A monthly RewardPay fee is billed at \$39.95/month, no other charges or pass through items apply
9. Payroc's RewardPay Program is managed at the POS and does not require "In Store or Menu" mark-up
10. Payroc's RewardPay Program is compliant with Visa/MasterCard surcharge rules and Payroc handles registration

What is a Compliant Cash Discount Program-Payroc's CashRewards

If a merchant will embrace the process to 1.) manage and mark-up the published and advertised shelf or menu price, pass that price through to their POS system, and 2.) offer a discount for cash at the POS, then such a program and approach will be considered a “compliant” discount for cash program. Payroc will support this type of program with its special flat rate daily discount pricing method, and Payroc calls this our CashRewards Program. Furthermore, for restaurant and fast food merchants, Payroc has specialty and proprietary POS systems and equipment that will manage the entire process for the merchant, making it easier for the merchant to implement and manage a compliant discount for cash program.

Conclusion-Compliant Discount for Cash & Surcharge Programs

With a compliant Surcharge program like Payroc's RewardPay Program, a merchant can substantially reduce its overall card processing costs by 60% to 90%, eliminating its cost of accepting credit cards. With a compliant discount for cash programs, like Payroc's CashRewards Program including POSPay for restaurants, a merchant can virtually eliminate ALL their card processing costs, BOTH DEBIT AND CREDIT. In either case, the merchant is deciding to pass through to their customer all or a portion of their card processing costs. That decision for any business owner or financial officer is a major decision and must be supported by the very best payment processor. Payroc supports both programs for its valued merchant clients.