



The central topic:

**Asia Pacific:** Main Business Focus of the 21st Century,  
A Glance for the Education of the Global Economy.

REGISTRATION HERE

FINANCIAL TIMES

July 14, 2015 6:16 pm

# UK banks put squeeze on Apple Pay fees

Martin Arnold, Andrea Felsted and Daniel Thomas

Share Author alerts Print Clip

Comments



British bankers said they had struck a harder bargain with Apple than their US rivals, giving the technology group less money per transaction for the UK Apple Pay service than it receives in its home market.

Owners of the latest iPhones and Apple Watches were on Tuesday able to start using them to pay at 250,000 UK retail outlets and on the London Underground, providing they held an account with one of the banks that signed up to the new service.

It is the first time the “tap-and-pay” system has become available outside the US, allowing users to pay for goods and services by touching their smartphones on contactless payment points.

But the move into the UK promises to be less lucrative for Apple than it has been in the US. “The proposition for Apple in the UK is more about building product sales and less about an extra revenue stream,” said one banker.

While the deals struck between Apple and the banks are confidential, the tech group receives about 15 cents per \$100 transaction in the US, while in the UK it gets “significantly less” — only a few pence per £100 transaction — according to banking insiders.

news and analysis for global decision makers.  
access for £1.

the numerous retailers that launched the service.

Indeed, many City workers shopping in Marks and Spencer, Waitrose and Boots had not heard of the system. “It’s obviously under the radar,” said one.

There was also confusion among some HSBC customers over why they could not use Apple Pay on

Tuesday. HSBC and its First Direct unit had been among the lenders listed by Apple as launching the service in the UK, but the bank said it had always planned to start later this month.

Banks that did launch the service on Tuesday included [Santander](#), [Nationwide](#) and [Royal Bank of Scotland](#) with its NatWest and Ulster Bank subsidiaries. Other banks plan to launch the service later this year, including [Bank of Scotland](#), [Lloyds](#), [M&S Bank](#), [TSB](#), [Coutts](#) and [Halifax](#).

[Barclays](#) did not sign up initially but on Tuesday said its customers would be able to use the new service, without specifying when.

The interchange fees levied by banks on retailers for handling card transactions are typically much lower in Europe than in the US, leaving less room for Apple to take its cut, according to payment industry specialists.

Jerry Norton, vice-president at IT services provider CGI, said: “In the UK there is not as much headroom for Apple to take a share of the fees as there is in the US, because the European Commission has beaten the banks and card companies down so hard on the interchange fees.”

The attraction for banks in partnering with Apple is the potential for more card transactions, earning them more revenue, even if they have to give up a small percentage to the tech group.

Jeremy Nicholds, executive director of mobile at Visa Europe, said: “Contactless mobile phone payments are a driver of incremental transactions, creating extra volume of revenue for banks, of which a share is passing through to Apple.”

Another crucial part of the deal between the banks and Apple is that the technology company will not have access to the potentially valuable data about transactions, which will remain only visible to the banks and their customers.

Richard Smith, a consultant at technology company Softcat, struggled to see the advantage of Apple Pay over using a contactless credit or debt card. “If you are carrying your phone, you are inevitably carrying your wallet. It’s just as quick to do contactless on the card,” he said.

Francisco Jeronimo, analyst at IDC testing out Apple Pay on Tuesday, said: “I had to explain to a Starbucks barista that I can now pay with Apple Pay. They had no clue. It worked perfectly.”

## RELATED TOPICS

Apple Inc, United Kingdom, UK banks

[Share](#) [Author alerts](#) [Print](#) [Clip](#)

[Comments](#)



Oil price fall hits UK producers



Houlihan Lokey's timely IPO



Buffett's big bet on US manufacturing

**Printed from:** <http://www.ft.com/cms/s/0/02287f44-2a3d-11e5-8613-e7aedbb7bdb7.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

---

© THE FINANCIAL TIMES LTD 2015 FT and 'Financial Times' are trademarks of The Financial Times Ltd.