

Date: 21 January 2016

Item: Card Payments in Taxis

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on mandating card payment acceptance in taxis.
- 1.2 This matter was discussed at Surface Transport Panel at its meeting on 22 October 2015.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and recommend that the Board agrees in respect of taxis:**

(a) the following changes to come into effect on 2 April 2016:

- (i) to remove the existing surcharge of up to 10 per cent of the fare payable or £1, whichever is greater, that passengers currently pay when paying by debit or credit card (a card);**
- (ii) mandate a maximum card payment transaction fee to drivers of 3 per cent of the total sum payable for TfL approved card payment devices. This will be included in the TfL guidelines for electronic payment devices; and**
- (iii) the minimum taxi fare (flagfall) to be increased by 20 pence from £2.40 to £2.60 per trip to compensate taxi drivers for costs associated with accepting card payments;**

(b) the following changes to come into effect on 3 October 2016:

- (i) to mandate card acceptance in all taxis and as a minimum, devices should accept Chip and PIN, contactless and magnetic swipe payments;**
- (ii) to mandate acceptance of VISA and Mastercard payments as a minimum but drivers may also choose to accept other cards, such as American Express and Diners Club;**
- (iii) to mandate that card payment devices will be required to be fixed in the passenger compartment of the taxi so passengers stay in control of their card details at all times. [This could be fixed**

equipment or handheld devices affixed to a cradle, approved by TfL to ensure passenger safety. Web payment devices, such as Hailo's new payment solution are also to be permitted to co-exist alongside fixed equipment so drivers can offer hirers choice of payment methods]; and

(iv) to approve clear signage, visible from outside the vehicle, to make clear that all taxis now accept card payments. [This will be linked with a marketing campaign by TfL to make clear all taxis accept card payments]; and

(c) to investigate the feasibility of the following change coming into effect from April 2018:

(i) to mandate that all card payment devices are linked to the taximeter, noting that the industry needs to work towards standard solutions that integrate card payment devices with the taximeter.

3 Background

- 3.1 There are approximately 25,000 licensed taxi drivers and 22,500 licensed taxis in London. Traditionally cash has been the preferred method of payment in taxis however with advances in technology, around half of all taxi drivers now accept credit or debit card (card) payments, either via an app or through card payment terminals located in the vehicles.
- 3.2 There are a number of card payment devices already on the market for taxi drivers with some available for free as part of a wider package and others costing around £60.00 for the terminal.
- 3.3 Transaction charges for payments vary if the hirer pays by credit or debit card depending on the package and a maximum surcharge of 10 per cent or £1, whichever is greater, is set by TfL through the Cab Order. Drivers must not charge more than it costs them to process the card transaction in order to comply with the Consumer Rights (Payment Surcharges) Regulations 2012. Many card payment device providers charge much less than 10 per cent with iZettle and PayPal charging below 3 per cent. In addition, Hailo have just launched a web based solution with a 0 per cent surcharge.
- 3.4 In September 2014, the Board approved a consultation exercise on card payments in taxis. This followed research in 2013/14 which showed that 88 per cent of taxi passengers felt that they should be able to pay by card in all licensed taxis¹.
- 3.5 TfL has conducted a public consultation and held extensive discussions with taxi trade representatives. Meetings have also taken place with some card payment device providers to discuss the one-off and ongoing costs to taxi drivers and passenger surcharge fees.
- 3.6 TfL is responsible for the regulation of taxi fares. Fares are normally revised every April and the revision is based on changes to a Cost Index in use since 1981. The

¹ Taxi and Minicab Passenger Customer Satisfaction Survey (CSS), TNS, 2013/14

Index combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' earnings net of operating costs.

4 Consultation Responses

- 4.1 The public consultation ran between 15 June and 24 July 2015 and almost 1,100 responses were received. 49 per cent of responses were from taxi drivers (45 per cent All London and 4 per cent suburban taxi drivers), 27 per cent from existing taxi users and 8 per cent from potential taxi users.
- 4.2 Responses were received from a number of key trade stakeholders including: London Cab Drivers Club (LCDC), Unite the Union, United Cabbies Group (UCG), Heathrow Airport Taxi Drivers United (HATDU), London Motor Cab Proprietors Association, Dial-a-Cab and Radio Taxis.
- 4.3 Responses were also received from card companies including: UK Cards Association, Cabvision, CabCard Services and Verifone.
- 4.4 Other responses were received from: London Assembly Transport Committee, London TravelWatch and the Suzy Lamplugh Trust.
- 4.5 The consultation asked a number of questions about card payments in taxis and the responses to these questions, along with additional background comments, are summarised below.

(a) Should passengers be able to pay by debit or credit card in all taxis in London

- 4.6 86 per cent of respondents felt passengers should be able to pay by card in all taxis in London. Of the organisations that responded only the UCG and HATDU did not support passengers being able to pay by card in all London taxis.
- 4.7 83 per cent of All London and 51 per cent of suburban taxi driver respondents felt passengers should be able to pay by card in all licensed taxis.
- 4.8 Amongst taxi users and potential taxi users there was strong support with 90 per cent and 98 per cent respectively answering yes to this question.

(b) When any potential new requirement should be introduced

- 4.9 68 per cent of all respondents felt any new requirement to enable passengers to pay by card in all licensed taxis should be introduced as soon as possible, with a further 13 per cent feeling any requirement should be introduced in April 2016.
- 4.10 Careful consideration of when to introduce any change is required in order to ensure that card payment device providers are able to meet any increase in demand for new devices and implement changes to existing arrangements.

(c) Should all taxis accept contactless payments

- 4.11 Passengers can already pay by contactless card on the bus, Tube and Rail networks with more than 625,000 contactless journeys made every day on

London's transport network 2. 68 per cent of all respondents felt that passengers should be able to pay by contactless card in licensed taxis.

- 4.12 There was lower support for universal contactless card acceptance in taxis amongst drivers with 57 per cent of All London drivers and 39 per cent of Suburban drivers answering yes to this question. However, 77 per cent of taxi users, 88 per cent of potential taxi users and 83 per cent of organisations answered 'yes' to this question.
- 4.13 In September 2015 the limit for contactless payments was raised from £20.00 to £30.00. The average taxi fare is £19.58³ which is covered by the contactless limit.

(d) Should other methods, in addition to Chip and PIN and contactless, of accepting card payments be available in taxis

- 4.14 Responses to this question were mixed with 31 per cent of respondents answering 'no'. Of those who did answer yes the suggestions for other payment methods included Oyster card, Apple Pay, via an app, PayPal and cash.
- 4.15 Several respondents also stated that many overseas visitors to London may not have Chip and PIN or contactless cards and so they would need to be catered for by ensuring magnetic swipe payments could be accepted.

(e) Should the current maximum surcharge of £1.00 or 10 per cent when paying by card be changed

- 4.16 37 per cent of all respondents felt that the surcharge should be removed completely and 26 per cent felt that it should be reduced. However, 24 per cent felt that it should not be changed. There were also mixed responses across the different respondent categories with taxi users (52 per cent) and potential taxi users (60 per cent) being most in favour of the surcharge being removed completely.
- 4.17 31 per cent of the organisation respondents wanted the surcharge to remain unchanged. Reasons given for this included the investment made in card payment equipment and concerns over how costs would be covered if the card payment surcharge was removed.
- 4.18 The current surcharge of up to 10 per cent is generally felt to be too high but the Consumer Rights (Payment Surcharges) Regulations 2012 already bans excessive surcharges and traders, including taxi drivers, may not charge more than it costs them to accept card payments. It is also expected that future legislation (Following adoption by the European Parliament of the Revised Directive on Payment Services), will remove most card payment surcharges when it comes into effect which is expected to be by end of 2017.
- 4.19 Subject to the outcome of the Annual Taxi Fares and Tariff public consultation, it is proposed to remove the passenger surcharge completely but increase the minimum fare by 20 pence to compensate drivers for the loss of this. At the same

² TfL Press release, 'Millions of Londoners choosing contactless', <https://tfl.gov.uk/info-for/media/press-releases/2015/millions-of-londoners-choosing-contactless>, 16/09/15

³ Taxi and Minicab Customer Satisfaction Survey, TNS, 2014/15

time TfL will introduce a new requirement setting the maximum charge that companies who provide card payment devices can pass on to drivers. This will be set at 3 per cent and will be included in the TfL guidelines for approved electronic payment devices. At its meeting on 3 February 2016, the Board will be asked to approve this change being made in April 2016.

(f) Should additional costs that drivers incur when accepting card payments be taken into consideration when reviewing taxi fares?

4.20 When reviewing taxi fares and tariffs the costs drivers incur are taken into consideration and respondents were asked if the additional costs associated with drivers accepting card payments should be included in this. Including the costs in the Cost Index would be consistent with the costs for other items (e.g. taximeters).

4.21 Just under two thirds (65 per cent) of all respondents felt that the costs should be taken into consideration with 71 per cent of All London and Suburban taxi drivers also answering 'yes' to this question.

(g) Should the card payment devices in taxis be fixed in one position and if they should where should this be?

4.22 There were mixed responses to these questions. 40 per cent of all respondents answered 'yes', that card payment devices should be fixed in one position, whilst 44 per cent answered 'no'. The majority of All London (64 per cent) and Suburban (71 per cent) drivers did not feel that the devices should be fixed in one position but most taxi users (62 per cent) and potential taxi users (61 per cent) did.

(h) Should the card payment device be linked directly to the taximeter in each taxi?

4.23 There were mixed responses to this question with 47 per cent of all respondents answering yes, that the device should be linked to the taximeter, but 39 per cent answering no. The majority of All London (63 per cent) and Suburban (54 per cent) taxi drivers were opposed to the device being linked to the taximeter. The majority of taxi users (59 per cent) and potential taxi users (75 per cent) felt that the device should be linked to the taximeter.

(i) Are the current signage requirements still appropriate and should all taxis display signage showing that card payments are accepted?

4.24 70 per cent of all respondents felt signage making it clear that card payments are accepted should be displayed. 49 per cent of all respondents felt that the current requirements remain appropriate.

4.25 The current requirements for card payment signage in taxis state that signage should be displayed in the following positions:

- (i) On the driver's door, below the window line on the external door panel;
- (ii) On the partition screen behind the driver; and

(iii) On the front windscreen behind the driver's rear view mirror.⁴

(j) Should other cards, in addition to MasterCard and Visa, be accepted?

- 4.26 63 per cent of all respondents felt other cards should be accepted. Support for other cards being accepted was lower amongst taxi users (56 per cent) and potential taxi users (51 per cent), whereas 69 per cent of organisations felt that other cards should be accepted.
- 4.27 Respondents who answered 'yes' to this question were asked what other cards they felt should be accepted. The most popular suggestion was American Express with other suggestions including Diners Club, Oyster cards, JCB, China Union Pay, Maestro and Discover.

5 Recommendations arising from the consultation

- 5.1 Following a review of the responses to the consultation and additional discussions with taxi trade representatives and some card payment companies, the Committee is asked to recommend a series of measures, as outlined in the recommendations in Section 2.1 to the Board. These recommendations have taken into account the outcome of the Annual Taxi Fares and Tariff consultation that closed on 21 December 2015.
- 5.2 The Committee is asked to note only payment devices approved by TfL can be used in the vehicle. If a card payment device charges more than 3 per cent per transaction then it would not be approved for use in taxis.
- 5.3 The current minimum taxi fare (flagfall) is one of the lowest in the United Kingdom.
- 5.4 In addition to the recommendations, a new policy will be published setting out what points will be considered and potential action taken when a complaint is received about a taxi driver refusing to accept a credit or debit card payment or not having a working credit or debit card payment device that complies with the relevant requirements.
- 5.5 Where a taxi driver is found to be using a taxi that is not fitted with an approved or working card payment device the driver will be advised that the vehicle cannot be used as a licensed taxi until an approved card payment device has been fitted or restored to working order and this has been checked by an authorised officer or someone authorised to carry out this check on TfL's behalf.

6 Legal Implications

- 6.1 In order to enable passengers to be able to pay by credit and debit card in all licensed taxis, it will be necessary to introduce a new requirement that taxis have an approved card payment device in their taxi.
- 6.2 This will be included one of the Conditions of Fitness, which set out the requirements that all vehicles must comply with to be approved for use as a taxi

⁴ Section 6.7 of Guidelines for Advertising on licensed London Taxis and Signs on licensed London Private Hire Vehicles

in London or for the taxi licence to be renewed, and a regulation as to how taxis are furnished or fitted. The existing guidelines on electronic payment devices in taxis will also be updated to include the new requirements and all devices will still have to comply with these guidelines – companies wanting their devices to be approved will still be required to contact TfL and submit evidence confirming that their devices meets the relevant standards and also demonstrate where it would be fixed inside a taxi. The London Cab Order 1934 will also need to be amended to make acceptance of card payments a condition of taxi driver licences.

7 Crime and Disorder

- 7.1 Enabling passengers to pay by card in all licensed taxis could help reduce crime as passengers would not have to have cash on them or stop at a cash point and drivers may be at a reduced risk of robbery. It also potentially reduces the risk of drivers being paid with forged bank notes.
- 7.2 There is a risk that some passengers may fraudulently try to use cards that have been stolen however this risk already exists and is not something that would be created as a result of all taxis accepting card payments. Although credit and debit cards have a number of security features to reduce fraudulent transactions, in the event of this happening then the taxi driver involved would need to contact the company who supplied the card payment device or the card company.

8 Equality Implications

- 8.1 TfL must have ‘due regard’ to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not under section 149 of the Equality Act 2010. Due regard that is appropriate in all of the circumstances must be had at the time decisions are taken. This may involve removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life, or in any other activity where their participation is disproportionately low. The “protected” characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/civil partnership status. Compliance with this obligation may involve treating people with a protected characteristic more favourably than those without the characteristic.
- 8.2 Taxis are heavily used by disabled and elderly Londoners and visitors to London and these groups would benefit from being able to pay by card in all licensed taxis. Furthermore all taxis would still accept cash and so any passengers who did not have a card or preferred to not pay by card would still be able to use taxis.

9 Financial Implications

- 9.1 Enabling passengers to be able to pay by card in all licensed taxis will have a financial implication for taxi drivers who do not already have a card payment device or who have a device that does not meet the minimum requirements as they will need to acquire a compliant device.

- 9.2 The proposed minimum requirements are not considered excessive and should ensure that there remains a choice of devices available to drivers.
- 9.3 Removing the current card payment surcharge limit will mean that the total payment drivers receive when a passenger pays by card will be lower, although drivers should already only charge what it costs them to accept card payments.
- 9.4 Linking the card payment device to the taximeter could reduce the number of devices that meet this requirement and therefore reduce competition. Reduced competition could increase the costs to drivers. TfL will investigate further the feasibility of integrating the taximeter with payment devices, working with the payment card industry and other relevant stakeholders.

List of appendices to this report:

None

List of Background Papers:

Guidelines for Electronic Payment Devices, including processing payments using Mobile Equipment/Devices in licensed London Taxis & Private Hire Vehicles

Guidelines for Advertising on licensed London Taxis and Signs on licensed London Private Hire Vehicles

Paying by credit or debit card in taxis – Consultation Report October 2015

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