

Surface Transport Panel

Date: 22 October 2015

Item: Card Payments in Taxis



This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to provide an update on card payments in taxis.

2 Recommendation

2.1 **The Panel is asked to note the paper.**

2.1 Background

2.2 There are just over 25,000 licensed taxi drivers and around 22,400 licensed taxis in London. Traditionally the preferred method of payment for taxi drivers is cash however with advances in technology, around half of all drivers now accept credit or debit card payments, either via an app or through card payment terminals located in the vehicles. Research conducted in 2013/14 shows that 88 per cent of taxi passengers feel they should be able to pay by card in taxis.

2.3 There are already various card payment device deals available to drivers with some devices available for free as part of a wider package and others costing around £60.00.

2.4 In September 2014 TfL Board agreed to TfL undertaking a public consultation to determine support for mandating card acceptance in taxis. Taxi trade representatives have previously opposed any suggestion of mandating card payments, instead feeling it should be the choice of individual drivers. In July 2014 this matter was discussed at Surface Transport Panel and Panel members felt a mandatory requirement could be harsh on drivers.

2.5 TfL has now concluded a public consultation along with holding extensive discussions with taxi trade representatives who are now supportive of the proposals.

2.6 TfL has also had discussions with card payment providers regarding the one-off and ongoing costs to taxi drivers and/or passengers for installation of appropriate devices in taxis to accept card payments. These discussions are ongoing and TfL is committed to driving down the costs and ensuring a fair deal for drivers and passengers.

Taxi Fares and Extra Charges

2.7 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

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.

- 2.8 TfL also regulates a number of extra charges, one of which is a card payment surcharge. When taxi passengers currently pay by debit or credit card there is a maximum surcharge of £1.00 or 10 per cent of the total fare, whichever is greater.
- 2.9 The surcharge is intended to cover the costs associated with accepting card payments (e.g. equipment costs, transaction costs). However, drivers must also comply with The Consumer Rights (Payment Surcharges) Regulations 2012 which prohibit traders, including taxi drivers, from charging more than it costs them to accept card payments.
- 2.10 The card payment surcharge was first regulated by TfL in 2010 and the percentage element of the surcharge was originally 12.5 per cent but was reduced to 10 per cent in 2014. However, it is broadly felt that 10 per cent remains too high and that this should be significantly lower. At present the costs associated with drivers accepting card payments are separate from the taxi fare relating to the hiring of the cab.

3 Consultation Responses

- 3.1 Between 15 June and 24 July 2015 a public consultation on card payments in taxis was conducted.
- 3.2 In total there were 1,097 responses to the card payment consultation with 45 per cent of responses from All London taxi drivers, 4 per cent from Suburban taxi drivers, 27 per cent from taxi users and eight per cent from potential taxi users.
- 3.3 The consultation asked a number of questions about card payments in taxis and the responses to these questions are summarised below.
- 3.4 Responses were received from a number of stakeholders including London Cab Drivers Club (LCDC), Unite the Union, the United Cabbies Group (UCG), Heathrow Airport Taxi Drivers United (HATDU) and London Motor Cab Proprietors Association (LMCPA); Dial-a-Cab (DAC) and Radio Taxis; London Assembly Transport Committee, London TravelWatch (LTW) and the Suzy Lampugh Trust (SLT); and UK Cards Association (UKCA), Cabvision, CabCard Services and Verifone.

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

- 3.5 The overwhelmingly majority of all respondents (86 per cent) felt that passengers should be able to pay by card in all taxis in London.
- 3.6 The majority of stakeholders who responded, including the LCDC, Unite, LMCPA, SLT, LTW, UKCA, Verifone, Cabvision, DAC and Radio Taxis, felt that passengers should be able to pay by card in all licensed taxis. The UCG and HATDU did not support passengers being able to pay by card in all licensed taxis.

- 3.7 83 per cent of All London taxi driver respondents felt that passengers should be able to pay by card in all licensed taxis, however, the number of suburban drivers who answered yes to this question was significantly lower at 51 per cent.
- 3.8 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

- 3.9 68 per cent of all respondents felt that 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 that any requirement should be introduced in April 2016.
- 3.10 However, consideration is required to the appropriate timescales for introduction to ensure card payment providers are equipped to carry out the installation in approximately 50 per cent of all taxis. Discussions are ongoing to determine the appropriate date for implementation of any mandate, subject to TfL Board approval.

(c) Should all taxis accept contactless payments?

- 3.11 Passengers can already pay by contactless card on the bus and Tube networks with more than 625,000 contactless journeys made every day on London's transport network¹. Just over two thirds (68 per cent) of all respondents felt that passengers should also be able to pay by contactless card in licensed taxis.
- 3.12 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.
- 3.13 In September 2015 the limit for contactless payments was raised from £20.00 to £30.00. The average taxi fare is £19.58² 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

- 3.14 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.
- 3.15 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 that magnetic swipe payments could be accepted.
- 3.16 Various new card payment methods have been introduced and where these meet the relevant standards then they can be considered for approval for use in

¹ 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

² Taxi and Minicab Customer Satisfaction Survey, TNS, 2014/15

licensed taxis. Systems allowing passengers to pay by text or using QR codes have already been approved for use in taxis.

- 3.17 To ensure that the greatest number of passengers are able to benefit from being able to pay by card in all taxis the TfL Board will be asked to approve a requirement that all taxis should accept magnetic swipe (to cater for overseas customers), Chip and PIN and contactless card payments as a minimum. This will ensure that passengers can be certain of a consistent experience when wanting to be able to pay by card in a London taxi. At the same time alternative payment methods and systems will still be considered and approved if these meet the relevant standards.

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

- 3.18 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.
- 3.19 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.
- 3.20 The current surcharge of 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, charging 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 PSD2), will remove most card payment surcharges when it comes into effect.

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

- 3.21 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).
- 3.22 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?

- 3.23 Whilst 40 per cent of all respondents answered yes to this question 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.

- 3.24 Having the card payment devices fixed inside the passenger compartment will benefit passengers as they will not have to hand their card to the driver, it will make it quicker and easier for them to pay and it will help make them aware that taxis accept card payments.

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

- 3.25 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.

- 3.26 Although there may be some benefits to card payment devices being linked to the taximeter one concern is that making this a mandatory requirement could mean that some already approved devices could no longer be used by drivers and this may also restrict the choice of card payment devices drivers can use. Therefore it is not proposed to make it a requirement that all card payment devices must be linked to the taximeter. However, TfL will liaise with taxi card payment providers and will keep under review.

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

- 3.27 This question received a mixed response with just over half of all respondents suggesting signage should be displayed to make clear that card payments are accepted. The remaining 49 per cent felt that the current requirements remain appropriate.

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

- (a) On the driver's door, below the window line on the external door panel;
- (b) On the partition screen behind the driver; and
- (c) On the front windscreen behind the driver's rear view mirror.

- 3.29 It is important that any signage is clearly visible to passengers but also that signage is not excessive as this would negatively affect the passengers' experience and satisfaction when using a taxi.

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

- 3.30 63 per cent of all respondents felt that 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.

- 3.31 Respondents who answered yes to this question were asked what other cards they felt should be accepted and the most popular suggestion was American Express. Other suggestions included Diners Club, Oyster cards, JCB, China Union Pay, Maestro and Discover.
- 3.32 Ideally all cards would be accepted in all taxis however, making this a requirement could restrict the choice of devices available to taxi drivers and increase costs by reducing competition. Therefore we will recommend that the TfL Board approve a minimum requirement for the types of cards accepted, along with the minimum requirements for the methods of acceptance, but drivers will still have the choice to use approved card payment devices that accept other types of card.

4 Next Steps

- 4.1 The Board will be asked to consider and approve the following recommendations setting out the minimum requirements for card acceptance in taxis, following consideration by the Finance and Policy Committee:
- (a) Making it a requirement that credit and debit card payments are accepted in all TfL-licensed taxis at some point next year;
 - (b) Making it a requirement that all TfL-licensed taxis accept magnetic swipe, Chip and PIN and contactless card payments as a minimum;
 - (c) Making it a requirement that card payment devices are fixed in the passenger compartment when the taxi is in use with the exact location considered and agreed on a case by case basis as part of the approvals process for each device;
 - (d) Making it a requirement that all TfL-licensed taxis display signage showing that card payments are accepted and that this signage complies with the current card payment signage guidelines;
 - (e) Making it a requirement that all approved card payment devices accept (to be agreed)
 - (f) There being no minimum fee, apart from the minimum fare, when paying by card; and
 - (g) Retaining the requirement that all approved card payment devices must be capable of issuing a receipt.

5 Legal Implications

- 5.1 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 taxi drivers must have an approved card payment device in their taxi when working and that the device must meet the minimum requirements approved by TfL.
- 5.2 This will be included as a requirement in the Conditions of Fitness, which set out the requirements that all vehicles must comply with to be approved for use as a taxi in London or for the taxi licence to be renewed 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 Cab Order will also need to be amended to make acceptance of card payments a condition of taxi driver licences.

5.3 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.

5.4 Where a taxi driver is found to be using a taxi that is not fitted with an approved card payment device then the driver will be advised that the vehicle cannot be used as a licensed taxi until an approved card payment device has been fitted and this has been checked by an authorised officer or someone authorised to carry out this check on TfL's behalf.

6 Crime and Disorder

6.1 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.

6.2 Although there is a risk that some passengers may fraudulently try to use cards that have been stolen this is an existing risk and 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.

7 Equality Implications

7.1 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.

7.2 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.

8 Financial Implications

- 8.1 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 purchase a compliant device.
- 8.2 However, the minimum requirements the TfL Board will be asked to approve are not overly excessive and should ensure that there remains a choice of devices available to drivers.

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

Contact Officer: Peter Blake, Director of Service Operations

Number: 020 3054 8095

Email: PeterBlake@tfl.gov.uk