



European VOD Coalition Position Paper: EU Payments January 2024

The European VOD Coalition brings together video-on-demand (“VOD”) and digital entertainment companies that share common values and invest in and distribute audiovisual content in Europe.

VOD services share a common objective: to provide their customers with a convenient and enjoyable experience that enables them to watch European and international content easily, legally, when and where they would like. This imperative extends to the ability to collect payments. VOD services optimize payments to be secure and convenient so that our customers can continue to access content on trusted services without interruption. Since the PSD2 was adopted in 2015, European VOD Coalition members have adopted new payment methods and worked with payment partners to reduce fraudulent transactions.

The European VOD Coalition welcomes the European Commission’s proposals for a payment services directive (PSD3) and a payment services regulation (PSR). We appreciate that the out of scope treatment of Merchant-Initiated Transactions (MITs) from repeated SCA (Strong Customer Authentication) requirements continues to be recognised as an effective way to balance fraud risk and customer convenience.

However, we are concerned that the proposed unconditional refund rights for MITs would pose challenges for VOD service providers and increase fraud and abuse. Since card transactions are already protected by extensive chargeback rights and dispute resolution mechanisms, MITs do not attract the same consumer interest concerns that SEPA direct debit transactions do. In addition, Coalition members protect customers through generous refund policies and easy cancellation options in compliance with EU consumer laws.

Since consumers that subscribe to a VOD service can instantly access and enjoy entertainment content, an unconditional refund right would enable customers to sign up for a service, consume entertainment content such as movies, TV shows or live sports and then request a refund. Such a requirement would create significant challenges for subscription VOD services that depend on these payments to continually invest in new European films and TV shows. Fraudsters or abusers will take advantage of the unconditional right of refund to obtain maximum benefits and use of digital content services, and simply ask for refunds in spite of having accessed the content on offer. Even if the payment system provider suspects fraud and refuses the refund, they will be overburdened by the amount of fraud that could

occur and the procedures they need to follow under the regulation to provide justification for refusing refunds. This will be especially problematic for small and medium sized ones.

European VOD Coalition members are committed to uphold EU consumer protection goals and interests. We continue to support SCA to create the initial mandate for MIT transactions, as well as existing and proposed refunds rights for unauthorized transactions. However, as the proposals advance in the legislative process, we urge policy-makers to consider the serious and unintended consequences of providing unconditional refund rights as a very important issue for the VOD sector, and amend the proposal accordingly.

We are available to answer any questions at any time.