

Joint Frontier Economics and Compass Lexecon document

Estimates of total quantum and potential distribution scenarios in
Merricks v Mastercard

16 January 2025

Disclaimer: Throughout this document, we do not express views on the accuracy/likelihood of the assumptions specified, and instead take the scenarios referred to in the Application as given in order to calculate the cumulative quantum (in Section 1) and potential distribution scenarios (in Section 2).


Information confidential vis-à-vis third parties is highlighted in green.

1 Quantum

We have been asked to confirm the accuracy of the figures referred to in paragraph 36 of the CSAO Application, inclusive of simple interest at the Bank of England base rate, plus 5% unless otherwise specified, up to 3 December 2024 (the date of the settlement agreement).

These quantum figures are set out in Table 1 below.

Table 1 Confirmation of figures referred to in paragraph 36 of the CSAO Application¹

CSAO Application paragraph	Issue(s)	Assumption	Total quantum
36(a)	VoC	As agreed	£11,011m ²
36(a)	Weighted average interchange fees and aggregate damages exclusions	As proposed by CR	£11,011m ³
36(b)	Causation	Mastercard prevails on causation	£707m ⁴
38(c)	Other counterfactual issues (Scheme Changes, Switching, Benefits)	No reduction for any issue	£707m
36(c)	Remote EEA Transactions	Reduction due to admitted CR calculation error	

¹ Based on the calculation spreadsheet received from Frontier Economics, on 14 January 2025, Compass Lexecon found that Frontier Economics has estimated damages for the entirety of 2009, whereas Mr Coombs separates 2009 into two halves to account for different IF reductions during different phases of 2009 (see Coombs 9 Table 4). If Frontier Economics were to adopt Compass Lexecon's approach, the final quantum estimate would change by less than c. 0.5%.

² Agreed VoC as set out in Mr Coombs' expert report of June 2023 suggests a cumulative quantum of £10,263m (interest applied to 31 March 2023). Using the code provided by Mr Coombs Frontier Economics finds a cumulative quantum of £10,269m (interest applied to 31 March 2023) or £11,011m (interest applied to 3 December 2024). The difference therefore is not material. Based on the calculation spreadsheet received from Frontier Economics, on 14 January 2025, Compass Lexecon found that Frontier Economics has used different exchange rates from the rates used by Mr Coombs in his letter: the quantum code previously provided by Mr. Coombs uses publicly available exchange rates for the run-off period, in order to express VoC in GBP terms. Using agreed Mastercard exchange rates for this period results in a less than 0.5% reduction in USD to GBP exchange rates for 2009 and 2010 only. The difference therefore is not material. Compass Lexecon and Frontier Economics also use slightly different interest rate for 2024. Using Compass Lexecon's interest rate will result in a less than 0.5% reduction in the final quantum in Table 1.

³ Weighted average interchange fees and 25% reduction to claimed aggregate damages to account for Aggregate Damages Exclusions (deaths, emigration, tourists and non-natural persons), both as set out in Mr Coombs' expert report of May 2023.

⁴ Removal of claim relating to UK domestic IFs.

⁵ Removal of claim relating to Remote EEA Transactions. Based on the calculation spreadsheet received from Frontier Economics, Compass Lexecon notes that Frontier Economics has used a slightly different adjustment ratio for remote EEA transaction adjustment from what Mr Coombs uses in his letter dated 16 January 2025. Frontier has calculated the adjustment rate based on the proportion of import share in the agreed VoC. The difference in the adjustment ratio would result in a change in final quantum in Table 1 by less than 0.5%.

CSAO Application paragraph	Issue(s)	Assumption	Total quantum	
36(d)	Limitation	Mastercard prevails on English law limitation prior to 20 June 1997	[REDACTED]	
36(e)	Exemptibility	CR prevailed and lawful counterfactual EEA MIFs are zero	[REDACTED]	
36(f); 38(b)	Acquirer and merchant pass-on	Cumulative reduction for litigation risk on both sides	£229m	[REDACTED] cumulative pass-on rate) ⁷
36(g)	Run-off and run-in	CR prevails on MSC run-off with no countervailing run-in period (IF Run-off does not apply to the EEA MIFs claim) ⁸	£229m	
36(h); 38(a)	Interest	Simple interest, per CAT certification judgment, at rate indicated	£171m (BoE + 2%) ⁹	£200m (BoE + 3.5%) ¹⁰

⁶ Exclusion of claims in England, Wales and Northern Ireland prior to 20 June 1997, using ONS data on Scottish GDP relative to UK GDP in the corresponding years to estimate the scale of the Scottish claim in the total claim over the relevant dates. Based on the calculation spreadsheet received from Frontier Economics, Compass Lexecon notes that Frontier Economics has calculated the Scottish claim as a smaller percentage share of the overall claim. Frontier uses a chain volume measure for UK GDP and a current market price measure for Scottish GDP to account for the removal of Scottish transactions. Aligning the UK GDP approach to use a current market price measure results in a c.0.5% increase in the final quantum in Table 1. This difference is not material.

⁷ Per paragraph 36(f)(iii) of the CSAO Application.

⁸ Throughout this Table 1, the estimated run-off quantum replicates the approach to estimation of MSC run-off quantum adopted by Mr Coombs in paragraphs 3.35 to 3.37 of Mr Coombs' ninth expert report dated 17 May 2023. Mr Coombs assumes 77% of transaction value is on IC++ contracts during this period, for which any changes in MIFs would have been immediately reflected in lower MSCs, such that there is no MSC run-off overcharge for these contracts. For the remaining 23% of transaction value, Mr Coombs assumes 68% acquirer pass-on, such that the remaining 32% constitutes the relevant alleged overcharge for the MSC run-off period for blended contracts. Therefore, it is assumed that the only relevant alleged overcharge applies to 7% (being 23% multiplied by 32%) of the relevant transaction value during the MSC run-off period. The cumulative pass-on reduction of [REDACTED] modelled in the preceding step of this table is applied to that alleged overcharge.

⁹ Per paragraph 38(a) of the CSAO Application.

2 Potential distribution scenarios

We have been asked to set out, for the benefit of the Tribunal, various scenarios as to potential per Represented Person distribution amounts depending on the level of class uptake, whether a £45 or £70 per Represented Person cap is adopted, and potential usage of “Pot 3” at class uptake rates of greater than 5%.¹¹ This includes an indication in those different scenarios of any residual that may be available to the funder and/or charity, depending on the preference of the Tribunal.¹² These scenarios are set out in Tables 2 to 4 below.

Table 2 Per Represented Person payments (and residual) at <5% class uptake with £70 cap,¹³ using Pot 1 only (£100m)

% class uptake scenarios	# class members (rounded to the nearest whole number)¹⁴	Per Represented Person payment (rounded to nearest penny)	Total distributed to the class	“Pot 1” residual for funder and/or charity
0.50%	220,771	£70.00	£15,453,970	£84,546,030
1.00%	441,542	£70.00	£30,907,940	£69,092,060
1.50%	662,312	£70.00	£46,361,840	£53,638,160
2.00%	883,083	£70.00	£61,815,810	£38,184,190
2.50%	1,103,854	£70.00	£77,269,780	£22,730,220
3.00% ¹⁵	1,324,625	£70.00	£92,723,750	£7,276,250
3.50%	1,545,395	£64.71	£100,000,000	£0
4.00%	1,766,166	£56.62	£100,000,000	£0
4.50%	1,986,937	£50.33	£100,000,000	£0
5.00%	2,207,708	£45.30	£100,000,000	£0

¹¹ See generally paragraph 73 of the CSAO Application.

¹² See paragraphs 73 and 74 of the CSAO Application.

¹³ Per the CR’s proposed per Represented Person cap at paragraph 73(a) of the CSAO Application.

¹⁴ Based on the CR’s best estimate of the total number of Represented Persons as 44,154,157: CSAO Application, paragraph 41.

¹⁵ Note that the maximum of £70 per Represented Person in the third column would be maintained until 3.24% of Represented Persons (1,428,571) came forward, with there being £0 “Pot 1” residual for the funder and/or charity at further class uptake from that point.

Table 3 Per Represented Person payments (and residual) at <5% class uptake with £45 cap,¹⁶ using Pot 1 only (£100m)

% class uptake scenarios	# class members (rounded to the nearest whole number)	Per Represented Person payment (rounded to nearest penny)	Total distributed to the class	“Pot 1” residual for funder and/or charity
0.50%	220,771	£45.00	£9,934,695	£90,065,305
1.00%	441,542	£45.00	£19,869,390	£80,130,610
1.50%	662,312	£45.00	£29,804,040	£70,195,960
2.00%	883,083	£45.00	£39,738,735	£60,261,265
2.50%	1,103,854	£45.00	£49,673,430	£50,326,570
3.00%	1,324,625	£45.00	£59,608,125	£40,391,875
3.50%	1,545,395	£45.00	£69,542,775	£30,457,225
4.00%	1,766,166	£45.00	£79,477,470	£20,522,530
4.50%	1,986,937	£45.00	£89,412,165	£10,587,835
5.00% ¹⁷	2,207,708	£45.00	£99,346,860	£653,140

¹⁶ Per the Defendant’s proposed per Represented Person cap at paragraph 74(b) of the CSAO Application.

¹⁷ Note that the maximum of £45 per Represented Person in the third column would be maintained until 5.03% of Represented Persons (2,222,222) came forward, with there being no “Pot 1” residual for the funder and/or charity at further class uptake from that point.

Table 4 Per Represented Person payments (and residual, where applicable) at $\geq 5\%$ class uptake with £45 cap,¹⁸ at different levels of Pot 3 usage

% class uptake scenarios	# class members (rounded to nearest whole number)	£100m (Pot 1)			£110m (Pot 1 + £10m from Pot 3)			£120m (Pot 1 + £20m from Pot 3)			£130m (Pot 1 + £30m from Pot 3)			£140m (Pot 1 + £40m from Pot 3)			£145m (Pot 1 + £45m of Pot 3)		
		PRP payment ¹⁹	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity
5.00%	2,207,708	£45.00 ²⁰	£99,346,860	£653,140	£45.00	£99,346,860	£10,653,140	£45.00	£99,346,860	£20,653,140	£45.00	£99,346,860	£30,653,140	£45.00	£99,346,860	£40,653,140	£45.00	£99,346,860	£45,653,140
5.50%	2,428,479	£41.18	£100,000,000	£0	£45.00	£109,281,555	£718,445	£45.00	£109,281,555	£10,718,445	£45.00	£109,281,555	£20,718,445	£45.00	£109,281,555	£30,718,445	£45.00	£109,281,555	£35,718,445
6.00%	2,649,249	£37.75	£100,000,000	£0	£41.52	£110,000,000	£0	£45.00	£119,216,205	£783,795	£45.00	£119,216,205	£10,783,795	£45.00	£119,216,205	£20,783,795	£45.00	£119,216,205	£25,783,795
6.50%	2,870,020	£34.84	£100,000,000	£0	£38.33	£110,000,000	£0	£41.81	£120,000,000	£0	£45.00	£129,150,900	£849,100	£45.00	£129,150,900	£10,849,100	£45.00	£129,150,900	£15,849,100
7.00%	3,090,791	£32.35	£100,000,000	£0	£35.59	£110,000,000	£0	£38.83	£120,000,000	£0	£42.06	£130,000,000	£0	£45.00	£139,085,595	£914,405	£45.00	£139,085,595	£5,914,405
7.50%	3,311,562	£30.20	£100,000,000	£0	£33.22	£110,000,000	£0	£36.24	£120,000,000	£0	£39.26	£130,000,000	£0	£42.28	£140,000,000	£0	£43.79	£145,000,000	£0
8.00%	3,532,333	£28.31	£100,000,000	£0	£31.14	£110,000,000	£0	£33.97	£120,000,000	£0	£36.80	£130,000,000	£0	£39.63	£140,000,000	£0	£41.05	£145,000,000	£0

¹⁸ See paragraphs 73(a) and (c) of the CSAO Application.

¹⁹ Per Represented Person payment.

²⁰ Note that the maximum of £45 per Represented Person in this column would be maintained until 5.03% of Represented Persons (2,222,222) came forward, with there being £0 "Pot 1" residual for the funder and/or charity at further class uptake from that point.

% class uptake scenarios	# class members (rounded to nearest whole number)	£100m (Pot 1)			£110m (Pot 1 + £10m from Pot 3)			£120m (Pot 1 + £20m from Pot 3)			£130m (Pot 1 + £30m from Pot 3)			£140m (Pot 1 + £40m from Pot 3)			£145m (Pot 1 + £45m of Pot 3)		
		PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity
8.50%	3,753,103	£26.64	£100,000,000	£0	£29.31	£110,000,000	£0	£31.97	£120,000,000	£0	£34.64	£130,000,000	£0	£37.30	£140,000,000	£0	£38.63	£145,000,000	£0
9.00%	3,973,874	£25.16	£100,000,000	£0	£27.68	£110,000,000	£0	£30.20	£120,000,000	£0	£32.71	£130,000,000	£0	£35.23	£140,000,000	£0	£36.49	£145,000,000	£0
9.50%	4,104,645	£23.84	£100,000,000	£0	£26.22	£110,000,000	£0	£28.61	£120,000,000	£0	£30.99	£130,000,000	£0	£33.38	£140,000,000	£0	£34.57	£145,000,000	£0
10.00%	4,415,416	£22.65	£100,000,000	£0	£24.91	£110,000,000	£0	£27.18	£120,000,000	£0	£29.44	£130,000,000	£0	£31.71	£140,000,000	£0	£32.84	£145,000,000	£0
15.00%	6,623,124	£15.10	£100,000,000	£0	£16.61	£110,000,000	£0	£18.12	£120,000,000	£0	£19.63	£130,000,000	£0	£21.14	£140,000,000	£0	£21.89	£145,000,000	£0
20.00%	8,830,831	£11.32	£100,000,000	£0	£12.46	£110,000,000	£0	£13.59	£120,000,000	£0	£14.72	£130,000,000	£0	£15.85	£140,000,000	£0	£16.42	£145,000,000	£0
25.00%	11,038,539	£9.06	£100,000,000	£0	£9.97	£110,000,000	£0	£10.87	£120,000,000	£0	£11.78	£130,000,000	£0	£12.68	£140,000,000	£0	£13.14	£145,000,000	£0
30.00%	13,246,247	£7.55	£100,000,000	£0	£8.30	£110,000,000	£0	£9.06	£120,000,000	£0	£9.81	£130,000,000	£0	£10.57	£140,000,000	£0	£10.95	£145,000,000	£0
35.00%	15,453,955	£6.47	£100,000,000	£0	£7.12	£110,000,000	£0	£7.77	£120,000,000	£0	£8.41	£130,000,000	£0	£9.06	£140,000,000	£0	£9.38	£145,000,000	£0
40.00%	17,661,663	£5.66	£100,000,000	£0	£6.23	£110,000,000	£0	£6.79	£120,000,000	£0	£7.36	£130,000,000	£0	£7.93	£140,000,000	£0	£8.21	£145,000,000	£0
45.00%	19,869,371	£5.03	£100,000,000	£0	£5.54	£110,000,000	£0	£6.04	£120,000,000	£0	£6.54	£130,000,000	£0	£7.05	£140,000,000	£0	£7.30	£145,000,000	£0
50.00%	22,077,079	£4.53	£100,000,000	£0	£4.98	£110,000,000	£0	£5.44	£120,000,000	£0	£5.89	£130,000,000	£0	£6.34	£140,000,000	£0	£6.57	£145,000,000	£0
50.33%	22,222,222	£4.50	£100,000,000	£0															

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% class uptake scenarios	# class members (rounded to nearest whole number)	£100m (Pot 1)			£110m (Pot 1 + £10m from Pot 3)			£120m (Pot 1 + £20m from Pot 3)			£130m (Pot 1 + £30m from Pot 3)			£140m (Pot 1 + £40m from Pot 3)			£145m (Pot 1 + £45m of Pot 3)		
		PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity	PRP payment	Total distributed to the class	Residual for funder and/or charity
55.36%	24,444,444				£4.50	£110,000,000	0												
60.39%	26,666,667							£4.50	£120,000,000	0									
65.43%	28,888,889										£4.50	£130,000,000	0						
70.46%	31,111,111													£4.50	£140,000,000	0			
72.98%	32,222,222																£4.50	£145,000,000	£0