

MERCHANTS

Merchant category codes: why the wrong MCC can cost you your account

Published 8 September 2026

The four-digit code attached to every card merchant decides its pricing, its risk treatment and which rules apply. What it does, who sets it and what happens when it is wrong.

Every business that accepts cards is given a merchant category code, or MCC: four digits that say what kind of business it is. A restaurant has one, an airline another, an online gambling site another. The merchant rarely sees it, but almost everything about how its payments are treated depends on it.

What the code decides

- **Price.** Interchange, the largest part of the cost of a card payment, varies by category.
- **Risk treatment.** Some codes mark a business as high risk at the card schemes and require the acquirer to register it.
- **Which rules apply.** Categories such as gambling, financial trading and pharmaceuticals carry their own scheme rules and licensing requirements.
- **Whether a payment is approved.** Issuers decline some categories outright, and cardholders can block them. Many banks let customers switch off gambling payments, for example.
- **What the customer's bank does with it.** Rewards, cash-advance fees and spending controls all read the code.

Who assigns it

The acquirer does, during underwriting, from what the merchant says it sells and from what its website shows. Where a business does several things, the code is meant to reflect the main one, measured by sales. A large business with clearly separate lines may be given separate merchant accounts with a code each.

How a code comes to be wrong

- **The business changed.** It began in one category and grew into another, and nobody told the provider.
- **The application was vague.** "E-commerce" or "digital services" described the business loosely, and the code followed the description.
- **Someone chose a convenient one.** A milder category has lower prices and less scrutiny, and a merchant or an agent picked it for that reason.

The first two are mistakes. The third is called miscoding, and the card schemes treat it as a serious violation, because the whole system of risk controls depends on the code being true.

What happens when it is found

Providers and schemes monitor for it. They compare the code with the website, with the size and pattern of transactions and with what cardholders say in disputes. When the code does not match:

1. **The account is reclassified,** and the price changes with it.
2. **The acquirer may be fined** by the scheme and will pass the fine on.
3. **The account may be closed.** A deliberate miscoding is a breach of the scheme's standards, which is one of the reasons a merchant can be placed on the MATCH list of terminated merchants.
4. **Past transactions may be reviewed,** particularly in regulated categories.

For gambling, financial trading and similar categories the consequences are heavier, because a wrong code may also have carried payments past controls that the law requires.

Getting it right

- **Ask what your code is.** The provider will tell you, and it appears on some statements.
- **Describe the business precisely when you apply.** List every product line and the share of sales each one represents.
- **Tell the provider before you change.** A new product, a new market or a new billing model can move a business into a different category. It is far better to ask than to be found.
- **Question a code that looks too favourable.** If an agent offers lower prices by describing the business as something it is not, the saving belongs to the agent's commission and the risk belongs to you.
- **Check that the website and the code agree.** An underwriter will compare them, and so will monitoring.

If your category is a difficult one

A correct code in a high-risk category costs more and narrows the choice of providers. That is still the better position. The account is priced for what the business is, the provider knows what it has taken on, and nothing depends on nobody looking closely. An account opened under the wrong code works only until someone checks, and someone eventually does.

The alternative to a milder code is a provider that accepts the real one. Finding that provider is slower than miscoding and a great deal cheaper than losing the account.

Read online: <https://payments-marketplace.com/insights/merchant-category-codes/>

Payments Marketplace Ltd

Registered in England & Wales No. 17424288

Garden Ctg, Dereham Road, Dereham, Norfolk, NR19 2PW, UK

connect@payments-marketplace.com · +44 1366 727140