

“Customers already pay the cost of interchange fees, since retailers pass them on in higher retail prices, paid not only by card users but also by customers paying cash. So reducing these fees would, on balance, benefit consumers.”

--Neelie Kroes,

European Union Report Calls For Close Scrutiny of Interchange Fees

Some good news from across the Atlantic. A report released this week by the European Competition Commission found strong evidence of artificially high fees and anti-competitive practices in the credit card business. Among the practices that worry the Commission is the interchange fee.

The Commission plans to continue its investigation and initiate antitrust actions where necessary. In the meantime, it urged Visa, MasterCard and other credit card companies, as well as the retail banks that issue the cards, to lower fees voluntarily.

In announcing the report, European Commissioner for Competition Policy Neelie Kroes made it clear that the Commission will not hesitate to "make full use of its powers under competition law to tackle these barriers, in the market for payment cards and elsewhere when they result from anticompetitive behavior".

The [insert organization name] and other members of the Merchants Payments Coalition, the industry group fighting hidden credit card fees, sees the EU report is good news for European merchants and consumers. Congress should follow the EU lead and undertake its own investigation of hidden credit card fees and anti-competitive practices in the United States.

While the Commission report did not call for the abolition of interchange fees, it rejected arguments from card companies and banks that eliminating the hidden interchange fee would hurt their profits or force them to raise other fees for cardholders. The report found evidence of enormous variations in interchange fees among various EU countries, but no evidence that the savings from lower fees were being passed on to card holders.

"I'm afraid to say that the evidence we found rebuts several of the industry's arguments for the economic benefits of high interchange fees," European Commissioner for Competition Policy Neelie Kroes said after issuing the report. "The evidence shows that several card networks operate efficiently with low fees," Kroes added.

Xavier Durieu, secretary-general of the European retail association EuroCommerce echoed Kroes's comments, adding, "Today's report by Europe's competition watchdog is yet another condemnation of the tricks that Visa, MasterCard and the banks behind them play to maximise their income at the expense of Europe's shoppers. We are looking forward to the Commission tackling these issues head-on in its ongoing anti-trust actions against MasterCard and Visa."

EU official documents

Commission: [Competition: Commission sector inquiry finds major competition barriers in retail banking \(press release\)](#) (31 January 2007) [FR] [DE]

Commission: [Competition: Final report on retail banking inquiry – frequently asked questions](#) (31 January 2007)

Commission: [Sector Inquiry under Art 17 of Regulation 1/2003 on retail banking \(communication\)](#) (31 January 2007) [FR] [DE]

Commission: [Commission staff working document accompanying the Communication from the Commission](#) (31 January 2007)