

The Merchants Payments Coalition Talking Points

- ◆ **Hidden credit card interchange fees are costing consumers tens of billions of dollars every year.** Visa and MasterCard force all Americans to pay a hidden fee on virtually every transaction they make, whether they use a credit card or not, costing consumers tens of billions of dollars a year in the form of higher prices for goods and services. Credit card companies can increase their fees, which average close to 2 % on each card transaction, by any amount. Few consumers know about these fees because Visa and MasterCard wrote the rules that make it virtually impossible to tell consumers how much interchange fees cost them.
- ◆ **Even consumers who pay with cash pay this hidden credit card interchange fee.** What could be more unfair than forcing all consumers to pay a fee that contributes to higher consumer prices even if they don't use plastic?
- ◆ **The credit card interchange fee is one of the worst fees of all for American consumers.** The credit card interchange fee is one more in the endless list of late fees, over the limit fees, balance transfer fees and inactivity fees that credit card companies charge Americans every day. In fact, American consumers paid more than \$30 billion in credit card interchange fees last year – more than seven times what they paid in ATM fees.
- ◆ Visa and MasterCard's take-it-or-leave-it rules make it virtually impossible to tell consumers how much interchange fees cost them. It's time for that to change. **American consumers have a fundamental right to know** how much the interchange fee is on any transaction that involves a credit or debit card.
- ◆ **These hidden credit card interchange fees drive up the cost of goods and services** for American consumers. The average household pays hundreds of dollars annually in hidden credit and debit card fees.
- ◆ With about 80 percent of the card market, **Visa and MasterCard control a system that is fundamentally anti-competitive.** Visa and MasterCard compete to charge the highest credit card interchange fees – fees that banks don't pay, but all consumers do. In virtually every other marketplace, competition causes lower prices.
- ◆ **The system allows credit card companies to make more money on each transaction when the price of retail goods increases.** Even though the cost of processing a \$1 transaction is virtually the same as that of a \$100 transaction, the interchange fee is based on a percentage of the total sale. The higher the sale, the higher the hidden fee. This phenomenon is particularly painful with the increasing costs of gasoline. Every time consumers go to the gas pump, they are paying higher hidden fees to credit card companies and banks simply because gas prices are higher, even though it doesn't cost more to process the transaction. That just isn't fair.
- ◆ **Credit card interchange fees are far higher than the actual cost of the transaction they are meant to pay for.** And the total fees paid have doubled over the last ten years even though the technology used to process credit card transactions is more efficient and less expensive today. Moreover, many other merchants in countries around the world are charged substantially lower interchange than here in the U.S. which indicates that there is room to reduce these rates and still cover the cost of the actual transactions.
- ◆ **Why should Americans pay higher prices to use plastic than consumers pay in other industrialized countries?** Visa and MasterCard charge Americans among the highest credit card interchange fees in the world. U.S. interchange fees are close to 2%, while other industrialized countries such as those in the UK are typically 0.7% and Australia averages

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0.55%. This difference translates into hundreds of dollars in added costs to the average American family.