

## **The Next Step: Reforming Credit Card Swipe Fees To Grow Our Economy**

One year ago, debit card reforms went into effect, limiting price-fixing of swipe fees for debit purchases made with big bank cards. That's a good start, but it only dealt with part of the problem. We need reform of credit card swipe fees to make them more transparent and competitive.

### **The Facts About Credit Card Swipe Fees – A Hidden, Anti-Competitive Market**

- Visa and MasterCard together control 80% of the credit card market allowing them to dictate the amount of swipe fees that their member banks charge for each purchase. This kind of price-fixing is illegal in other parts of the economy, and should be here too.
- Credit card swipe fees are set in secret and keep going up and up – more than tripling since 2004 despite improvements in technology that should be driving costs down.
- Banks don't compete for credit card business on the basis of price, and merchants can't negotiate swipe fees. In fact, a merchant has no way of knowing what the fee will be for any particular transaction since the rate varies card by card.

### **The U.S. Pays the Highest Swipe Fees Per Transaction in the World**

- In a transparent, competitive market, the advantages seen in the U.S. – economies of scale, strong technology and low fraud rates – would make swipe fees here lower than anywhere else. But, the anti-competitive actions of the dominant credit card companies have turned that upside down.
- U.S. swipe fees are 7 or 8 times higher than the standard European rate on each transaction.
- U.S. swipe fees are also more than 4 times larger than in Australia.

### **High Credit Card Swipe Fees Hurt Businesses, Consumers, and Our Economy**

- In the U.S., banks take between 2 and 3 percent of every credit card purchase.
- The average profit margin for U.S. merchants is 1-3 percent. That means the swipe fees going to the banks equal or exceed the business owner's profit on each transaction.
- This leaves merchants with two choices: they can either raise prices, which hurts their business, their customers and decreases consumers' spending power, or they can absorb the higher fees, cutting into their already slim margins and reducing their ability to put money back into their businesses.

- Today, hidden swipe fees are costing average consumers over \$400 a year – no matter how they pay for their purchases.

### **It's Time to Fix What's Broken and Reform the Market for Credit Card Swipe Fees**

- Reducing swipe fees lowers the operating costs of merchant businesses across the country which helps keeps prices down.
- A report by Moody's Investors Service concluded that because retailers and other merchants operate in highly competitive markets, they need to keep prices as low as possible to stay in business. While Moody's conservatively projected that savings from debit swipe reform enacted in 2011 would counterbalance a normal rise in consumer prices, in fact, debit swipe reform's enhanced emphasis on the ability to provide discounts and other benefits for cash, has resulted in lower prices and savings for consumers in a number of circumstances.
- Right now, many small business owners don't even know the cost of each transaction because the system dictated by the credit card companies and the banks keeps fees hidden and remarkably complex. Currently, Visa has over 70 swipe fee categories while MasterCard has over 240 different categories.
- Transparency and competition in the market will help merchants lower prices, manage their businesses and plan for the future.

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*The Merchants Payments Coalition (MPC) - [UnfairCreditCardFees.com](http://UnfairCreditCardFees.com) - is a group of retailers, supermarkets, drug stores, convenience stores, fuel stations, on-line merchants and other businesses who are fighting against unfair credit card fees and fighting for a more competitive and transparent card system that works better for consumers and merchants alike. The coalition's member associations collectively represent about 2.7 million stores with approximately 50 million employees.*