



### **UPDATE 3-Merchants sue Visa, MasterCard, banks over fees**

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(Adds MasterCard, Bank of America comments; details)

NEW YORK, Sept 26 (Reuters) - Four merchant groups have filed an antitrust lawsuit against Visa USA, MasterCard Inc. and dozens of major banks, saying they colluded to set excessive credit card fees.

The plaintiffs estimate damages "will range in the tens of billions of dollars," according to the 59-page class-action complaint, filed Friday with the U.S. District Court in Brooklyn, New York.

Bank of America Corp. , Citigroup Inc. and JPMorgan Chase & Co. , the largest U.S. credit card issuers, are among the more than 40 defendants. MasterCard and Visa already face other retailer lawsuits accusing them of price fixing.

The new case involves interchange fees, which retail merchants pay to issuing banks to receive payments for transactions involving the banks' cards.

Interchange fees make up the largest component of credit card fees and have long been a source of friction between retailers and card companies. The plaintiffs say U.S. interchange rates cost an average household \$232 per year.

"The credit card interchange system serves as a hidden tax, both on merchants and consumers, and raises the costs of all products," said Hank Armour, chief executive of the National Association of Convenience Stores. "These credit card fees have rapidly increased over the past several years."

The plaintiffs in the new case include the National Association of Convenience Stores, the National Association of Chain Drug Stores, the National Community Pharmacists Association and the National Cooperative Grocers Association.

They represent operators of more than 138,000 convenience stores, 60,000 pharmacies and about 120 cooperative groceries, the complaint said.

#### **VISA, MASTERCARD CALL FEES FAIR**

Visa spokesman Paul Cohen called interchange rates "a fair mechanism for fueling growth and sharing system costs."

MasterCard, in a statement, said the new lawsuit lacks merit, calling it "yet another example of merchants wanting the benefits of accepting payment cards without having to pay for the value of the services they receive."

Bank of America spokeswoman Shirley Norton declined to comment. Citigroup and JPMorgan did not immediately return calls. Visa is based in San Francisco and MasterCard in Purchase, New York.

The new lawsuit is similar to a lawsuit filed in July by Kroger Co. , Walgreen Co. and other retailers accusing Visa of setting fees too high.

Visa and MasterCard are associations whose members include thousands of card-issuing banks.

"Because their memberships are virtually identical, the Associations communicate frequently, exchange data, and coordinate much of their activity through joint programs, consciously parallel activity, and tacit collusion," the complaint said.

"Actual and potential competition in the general purpose and debit card network services markets was substantially excluded, suppressed, and effectively foreclosed," it added.

MasterCard on Sept. 15 filed for a \$2.45 billion initial public offering of stock. It said at the time the IPO was intended in part to address legal problems by broadening the association's ownership base.

In 2003, Visa agreed to pay about \$2 billion and MasterCard \$1 billion to settle a lawsuit by retailers claiming they were forced to accept higher-cost, signature-verified debit cards. (Additional reporting by Chris Sanders)