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Bipartisan credit card bill feeds merchant-network feud with little tangible result in sight

Article

The news: Retail titans **Walmart** and **Target** put their clout behind a letter signed by **more than 1,600 merchants** urging lawmakers to pass a bipartisan bill designed to lower credit card swipe fees, per the Wall Street Journal. The letter was sent to every member of Congress.

Durbin 2.0: The bill, introduced in July by Senate Majority Whip Dick Durbin and cosponsored by Republican Sen. Roger Marshall, would force large banks to offer at least two alternative credit card networks other than **Visa** and **Mastercard**.

- Supporters say the bill will indirectly push swipe fees down by increasing competition and fostering innovation in a market where Visa and Mastercard account for **83% of general-use cards and $3.49 trillion in transaction volume**, according to the Federal Reserve.
- US swipe fees are "more than seven times as high as Europe," the letter reads. "In 2021 alone, U.S. merchants and consumers paid nearly $138 billion in card fees." Merchants Payments Coalition executive committee member Doug Kantor said the bill could create **$11 billion in savings for merchants**.

The bill mirrors Durbin's amendment to the 2010 Dodd-Frank Act, which reformed debit card transactions in the wake of the financial crisis.

The backlash: Payments companies and financial trade groups wasted no time mobilizing an offensive against the bill.

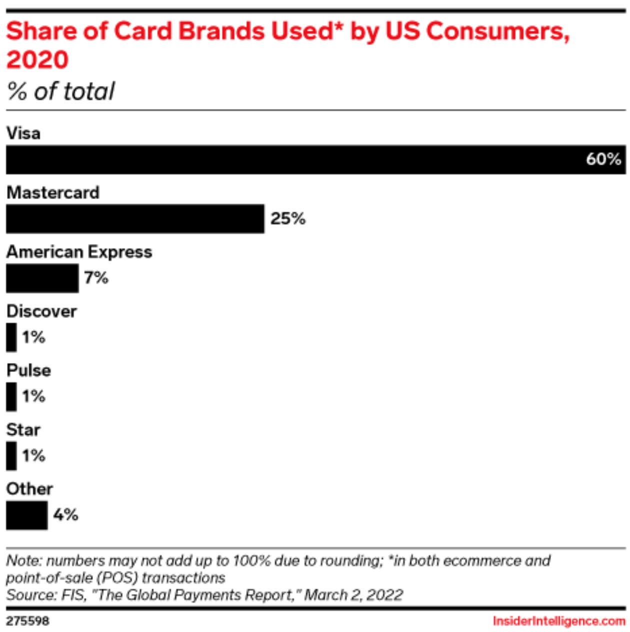
- Nearly three months before Durbin introduced the bill, eight trade groups sent a letter to the Senate Judiciary Committee opposing any expansion of the Durbin Amendment that would affect credit cards.
- A coalition of 51 bankers associations sent a letter to Congress last month excoriating the bill. They warned letting retailers opt for alternative networks would "hand control of our nation's credit card system to breach-prone merchants" and said the bill was nothing less than a wealth transfer "to a handful of high-volume, highly profitable large merchants."
- Pundits have also suggested that the bill would effectively sign the death warrant for rewards by disrupting the economics of card issuing.

Don't panic: The volume of breath and ink spent in defense or critique of this bill is at best disproportionate to its chances of surviving in the months—or even years—ahead.

- **Bipartisan sponsorship doesn't mean bipartisan votes.** Garnering the support of a hard-line conservative like Marshall could indicate broader Republican support. But it's worth remembering that while the Durbin Amendment secured votes from Senate Republicans, no Republican representatives voted for the larger Dodd-Frank Act.

- **Little legislating will likely get done with less than two months to go before the November midterms.** A series of legislative wins for Democrats may have put the wind at their backs, but Republicans are still favored to rout them in the House. A bill with thin Republican support would almost certainly be dead on arrival under a Speaker Kevin McCarthy.

The big takeaway: Payment firms are losing sleep over this bill because it represents a clear and present threat to one of the mainstays of the business. The complicated relationship between fees from retailers to banks and from banks to networks has helped make Visa and Mastercard two of the most profitable companies in the world. But barring another credit crisis, the headwinds bearing down on this bill could keep it in committee indefinitely.



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