

# Visa and Mastercard's long-delayed interchange hikes may arrive next month

Article

**The news:** Visa and Mastercard are preparing to update their fees next month after twice delaying any hikes due to the pandemic, according to Wall Street Journal reporting.

**By the numbers:** The changes will vary across sectors and categories.

- Increases are expected for most online and in-store transactions, especially at large merchants, according to the Journal. The largest increases will come for transactions made on airline premium cards and purchases at small- and medium-sized grocery stores, [according to](#) payments consultancy CMSPI.
- Mastercard will lower fees for sub-\$5 transactions, casual dining, hotels, daycare, and several other categories. Visa [plans](#) to cut fees for merchants that process below \$250,000 in Visa credit card volume—which it says composes 90% of US businesses—and also offers discounts to merchants that use tokenization software or provide certain transaction data.

Cumulatively, the changes will **increase fees by \$475 million**, per CMSPI estimates.

**Key context:** Transaction fees are critical to card networks and issuers for security and fraud prevention, innovation, and funding rewards programs and other value-added features. And transaction-based income will become even more important as card spending accounts for around 8 in 10 dollars spent [across channels](#) this year, per our forecasts.

But these fees have long frustrated merchants, and the amount they pay has ballooned as card use increases: Visa and Mastercard merchant fees reached an estimated \$55.39 billion last year—more than double the 2012 total, per The Nilson Report.

**What it means:** Cards are too important to the US payments ecosystem for any meaningful move away from them in the short term. But here are four things to keep an eye on:

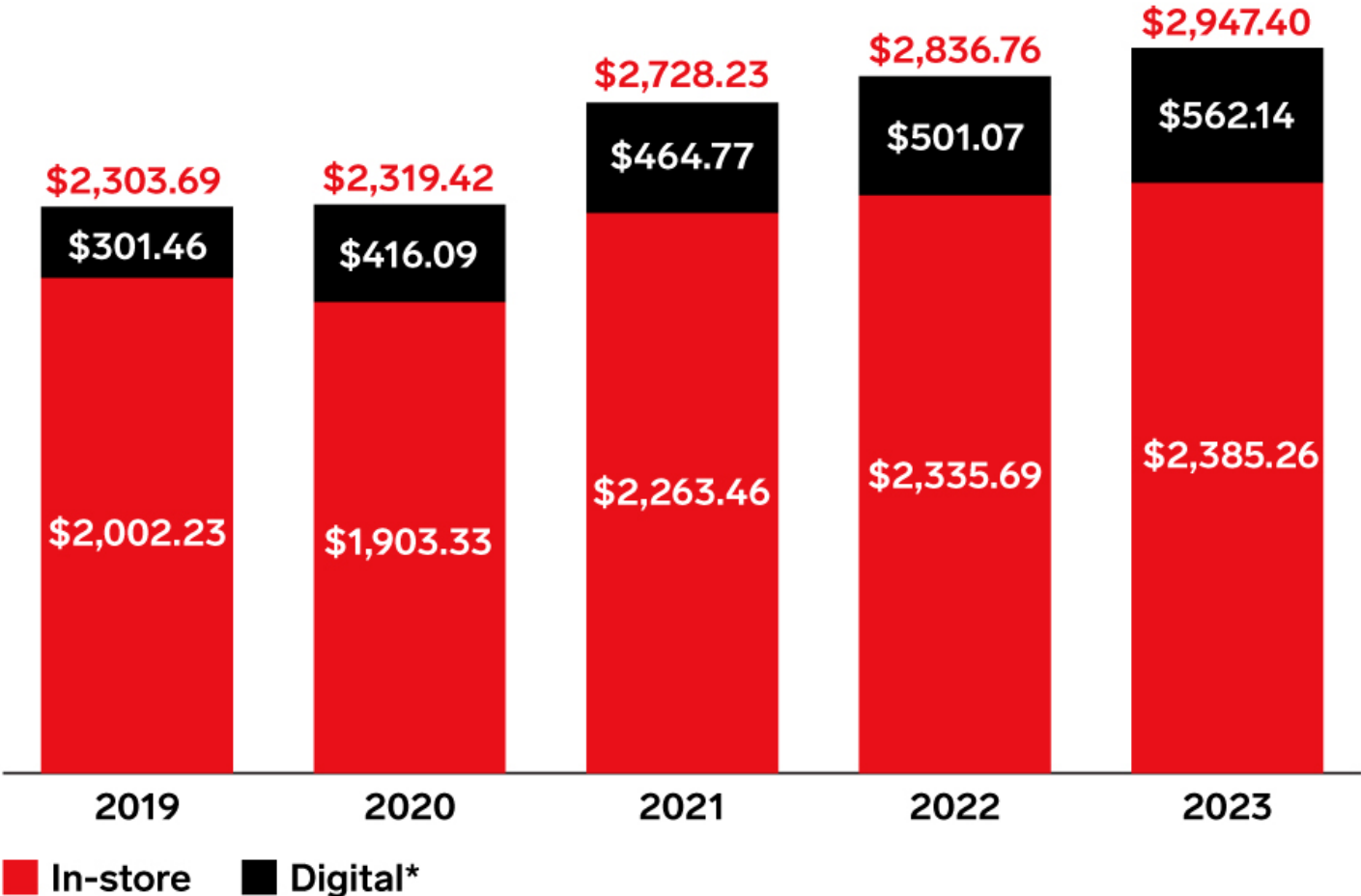
1. **Merchant pushback.** Large sellers with negotiating power could take action on their own: Amazon, for example, recently [explored](#) surcharging and even banning Visa cards in several international markets before reaching a deal.
2. **Regulation.** The [Merchant Payments Coalition](#) (MPC) is lobbying the US Congress to block fee increases. A wholesale injunction is unlikely, but an investigation isn't out of the question.
3. **Surcharging.** We could see more merchants embrace the increasingly common—and legal—practice of charging customers [up to 4%](#) to offset card fees and avoid raising prices.
4. **Alternatives.** Merchants might embrace alternatives to card payments, like account-to-account (A2A) offerings. Discover and Bank of America [exploring](#) these payments

could signal that they expect a medium-term sea change, especially with the launch of [FedNow](#) on the horizon.

***Go deeper:*** The "[Participants in the Payments Purchasing Chain](#)" section of the *Payments Ecosystem* report details network trends and long-term shifts.

# US Digital\* vs. In-Store Credit Card Spending, 2019-2023

billions



*Note: includes food services and drinking places sales and sales tax; excludes travel and event tickets, payments (such as bill pay or money transfers), mail orders, and gambling and other vice good sales; in-store includes point-of-sale (POS) transactions made in-store using credit cards including proximity mobile payments linked to a credit card; digital includes transactions made over the internet (includes desktop/laptop, mobile, and tablet purchases) using credit cards; \*forecast from July 2021*

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