

Bipartisan US bill expected to take aim at credit card swipe fees

Article

The news: US sens. Dick Durbin (D-IL) and Roger Marshall (R-KS) plan to introduce legislation that would let merchants route **Visa** and **Mastercard** credit card transactions over alternative networks, per Bloomberg. The bill would require that **large banks ensure that their credit cards provide a choice of at least two unaffiliated networks to process credit card payments.**

Key context: Durbin previously helped spearhead a similar bill for debit transactions: Congress passed the Durbin Amendment in 2010—part of the Dodd-Frank law—which required that banks let merchants choose between at least two unaffiliated networks when routing debit transactions, among other rules.

What this means: The bill could create more competition in the credit card payment network space. It could also potentially lower swipe fees—the fees that merchants are charged for card transactions—which are set by Visa and Mastercard. Most of these fees go to banks and help support security and innovation costs, among other things.

Earlier this year, Visa and Mastercard **updated** fees after twice delaying changes due to the pandemic. Online transactions accounted for much of the increase, with the biggest hikes occurring on transactions made on airline premium cards and purchases at small- and medium-sized grocery stores, per payment consultancy CMSPI. Fee increases have been a point of contention among merchant trade groups, leading many to **request** policymaker intervention.

However, both card networks also decreased fees for some transactions.

- Mastercard lowered fees for transactions under \$5 and decreased the rate for hotels, daycare facilities, and casual-dining restaurants, among other categories.
- Visa lowered fees for companies with less than \$250,000 in Visa consumer credit card volume, which it said accounts for 90% of US businesses.

In total, **the changes increased fees by an estimated \$475 million**, according to CMSPI. This coincides with rising credit card use: **US digital credit card transactions volume is expected to increase nearly 8% year over year (YoY) in 2022** and hit \$501.07 billion, **according to** Insider Intelligence forecasts.

Industry perspectives: The anticipated bill has created a buzz of opinions among its proponents and opponents.

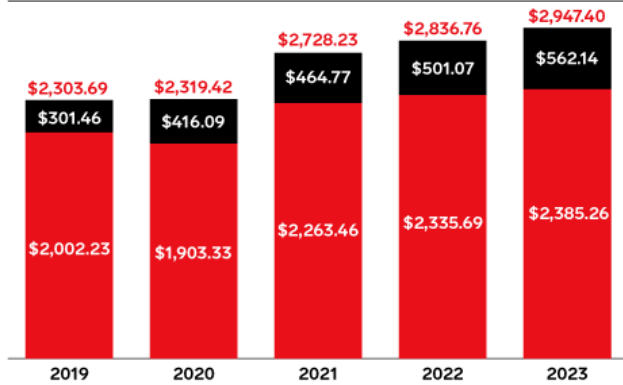
- The Merchants Payments Coalition lobbied for the bill. Representatives said it could help lower costs for both merchants and consumers already impacted by high inflation. Doug Kantor, an executive committee member for the coalition, told Bloomberg that the bill could create \$11 billion in overall savings.
- But banks and payment companies hold a different view. Some representatives say the bill could lead to security issues. It might also lead to an increase in the number of credit card

transactions handled by foreign payment networks, Jeff Tassej, chairman of the Electronic Payments Coalition, told Bloomberg.

Related content: *Keep an eye out for our coverage of Mastercard's Q2 earnings next week, where we'll dive into the company's performance and what may lie ahead for the card network.*

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

billions



■ In-store ■ Digital*

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
Source: Insider Intelligence, Nov 2021

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