

Report of swipe fee increases met with uproar —it may be unwarranted

Article



The news: Visa and Mastercard are reportedly planning to increase credit card swipe fees in October and April, per the Wall Street Journal. Many of the increases will target online purchases, according to the report.

Mastercard denied the report. A spokesperson told PYMNTS "there are no changes to Mastercard interchange rates" adding that one change referenced is for an existing service that acquirers can activate.

How we got here: Swipe fees have long been <u>a point of contention</u> between merchants and card networks.

- Visa and Mastercard set the fees that merchants pay, which are then divided into network fees that go to the card networks and interchange fees that go to the issuer. Issuers say the fees fund features like fraud prevention, innovation, and rewards programs.
- But the fees have long frustrated merchants. Last fall, for example, Walmart and Target joined more than 1,600 other merchants urging lawmakers to pass a bipartisan bill to lower credit card swipe fees.
- Block also <u>sued Visa and Mastercard</u> in July alleging the card networks conspire to inflate interchange fees, resulting in higher prices passed on to consumers.

The reaction: The co-sponsors of the <u>Credit Card Competition Act</u>, Sens. Dick Durbin (D-IL) and Roger Marshall (R-KS), issued a statement following the latest report claiming the "hidden credit card fee increase couldn't come at a worse time." They argue the fees already contribute to inflation.

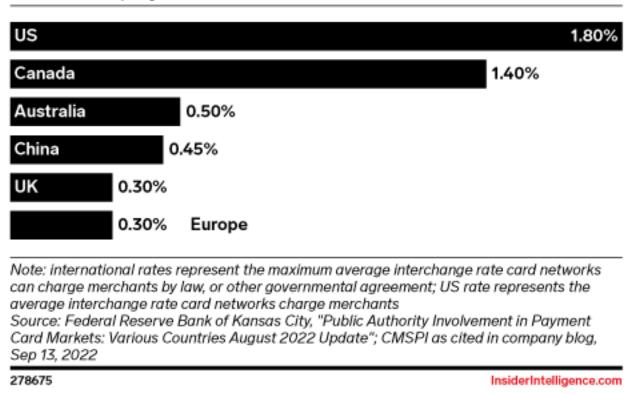
US merchants paid an estimated \$93 billion in Visa and Mastercard credit-card fees last year, per the Nilson Report. And the reported changes could result in an additional \$502 million annually in fees, according to consulting company CMSPI.

Our take: Until more details surrounding the fee changes are made clear, snap judgments shouldn't be made.

The fees could end up improving credit cards, bringing added security protection for consumers or additional rewards. And given the <u>importance consumers put on these features</u>, the changes could be a net positive for them.

Interchange Rates Charged on Consumer Credit Purchases Worldwide, by Country and Region, Aug 2022

% of card payment value



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