

Visa faces allegations of anticompetitive debit card routing practices

Article

Visa is under investigation by the Department of Justice (DOJ) regarding its US debit card practices, [per](#) its latest regulatory filing and a [report](#) from The Wall Street Journal. The DOJ is targeting specific allegations that Visa limits merchants' ability to route debit card transactions to smaller, lesser known, and often less expensive card networks. Visa says its

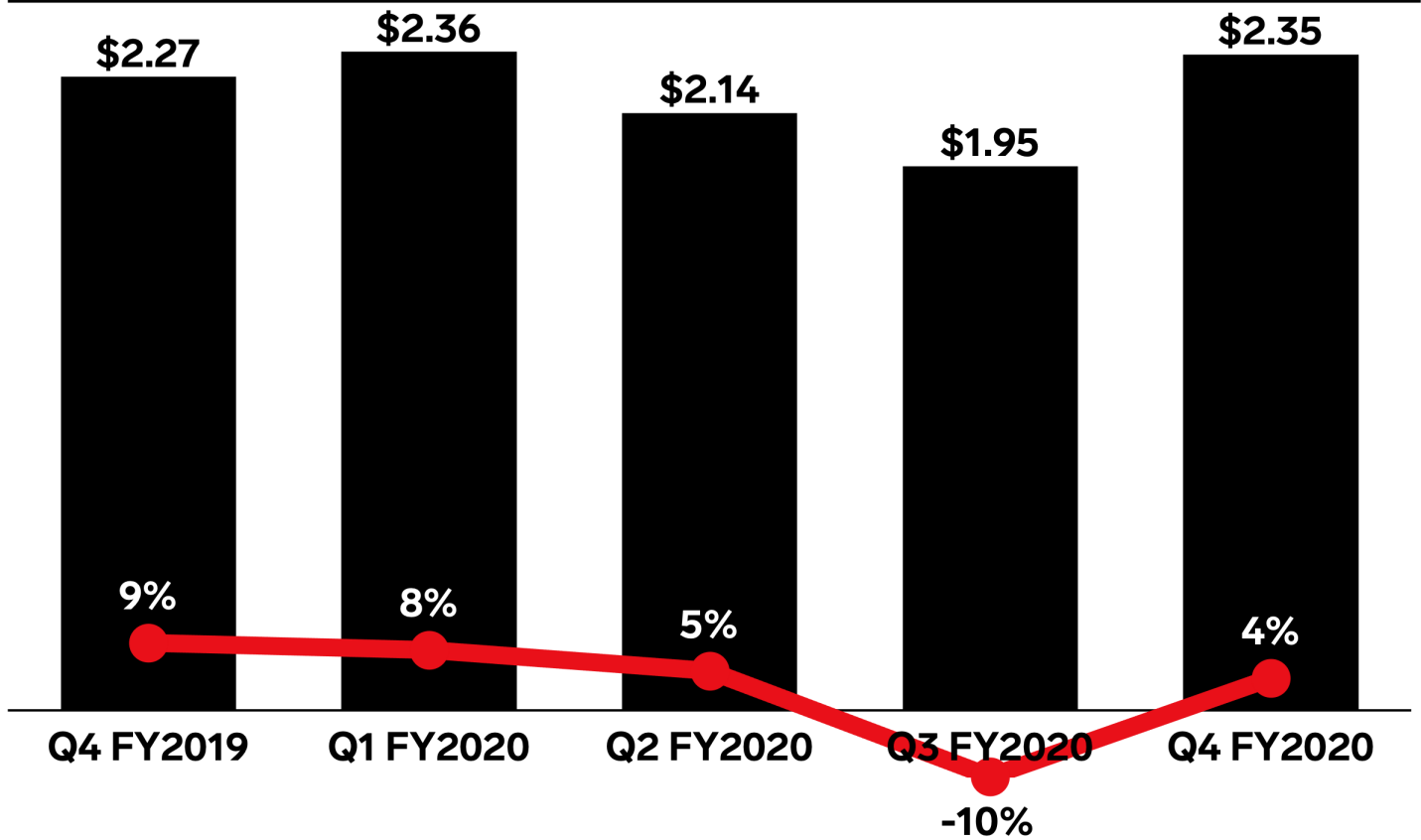
debit card practices are in compliance with applicable laws but that it intends to cooperate with the DOJ.

The DOJ's probe follows scrutiny into some of Visa's other practices.

- **Visa has faced other legal issues regarding its card practices.** Visa, Mastercard, and a number of other financial institutions were involved in a multiyear lawsuit regarding merchant card fees that ended with a [\\$6.2 billion](#) settlement in 2018. And over the last decade, Visa has also been involved in lawsuits with large retailers like [Walmart](#) and [Kroger](#) regarding allegations that the card network attempts to control debit transaction routing, with Kroger even [imposing](#) a temporary ban on Visa payments at select locations.
- **The card network recently faced regulatory pushback against plans to acquire Plaid.** In January 2020, Visa announced plans to acquire payments technology startup Plaid, which provides back-end infrastructure and enables transactions. The acquisition would've helped Visa strengthen its payment processing business. But the DOJ blocked Visa's acquisition plans by filing an [antitrust lawsuit](#) against the card network on the grounds that the deal would've unlawfully preserved Visa's status as "a monopolist in online debit services." Visa eventually [abandoned](#) acquisition plans in part because of the potentially long and complex litigation process.

As debit payments continue to [grow](#), there may be tighter rules coming down the pike for large networks if investigators find evidence to support the anticompetition allegations. If the investigation isn't resolved in Visa's favor, it could bring about tighter controls to limit card networks' influence on transaction routing for debit card payments, as seen in [international](#) markets. That could mean an [expansion](#) of the 2010 Durbin Amendment, a federal law that gives merchants the right to select from at least two unaffiliated networks through which they can route transactions. It's also worth noting that tighter restrictions may help [real-time payments](#) gain momentum among merchants—they circumvent cards altogether, providing a more cost-effective approach to transactions.

Visa Payments Volume



■ Nominal volume (trillions)

● Constant YoY change

Note: Visa's fiscal Q4 2020 ended October 28, 2020

Source: Visa, 2020

Methodology: These figures are from Visa's quarterly earnings presentations released between October 24, 2019 and October 28, 2020.

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