

UNFAIR CREDIT CARD FEES.com

For Immediate Release
December 7, 2009

Contact: Cara Morris Stern
(202) 261-2387

Stealth Credit Card Fees to Siphon Almost \$5 Billion from Holiday Sales

Retail sales during this year's recession-plagued holiday season are expected to decline from last year, but credit card companies and their banks will nonetheless rake in nearly \$5 billion in hidden "swipe" fees even as consumers pinch their pennies and retailers struggle to make a profit.

The National Retail Federation estimates that consumers will spend \$437.6 billion on holiday gifts and other general merchandise during November and December – a drop of 1 percent from last year – and that 70 percent of those purchases will be paid for with credit cards or debit cards. Based even on the 1.62 percent average interchange rate cited by Visa in a recent advertising campaign, that would amount to \$4.96 billion in interchange collections during the period. While Visa says the 1.62 percent rate has remained stable for 10 years, the Government Accountability Office said in a recent report that interchange rates have actually been rising, so collections are most likely higher.

"This year the big banks and credit card companies are playing Grinch again, taking billions of dollars from retailers and their customers at a time when both can least afford it," said Mallory Duncan, senior vice president and general counsel of NRF, the world's largest retail trade association, and chairman of the Merchants Payments Coalition. "If Congress is wondering what would be a good present for American consumers, the answer is interchange reform."

Interchange is a fee Visa and MasterCard banks charge merchants every time a credit card is swiped to pay for a transaction. Visa and MasterCard effectively force merchants to pass the fees on to consumers by requiring them to be included in the advertised price of merchandise and making cash discounts difficult. Interchange is largely unknown to most consumers because Visa and MasterCard keep merchants from disclosing it on receipts and don't disclose the fees on consumers' monthly statements.

Across the country, small businesses in particular are struggling to maintain a profit margin in no small part because of excessive interchange fees they are required to pay.

"For many businesses, the cost of swipe fees is the largest non-labor cost they face, and swipe fees are rising faster than any other costs," Duncan said.

Studies have found that the actual cost of processing credit card transactions is a tiny fraction of the amount imposed on Main Street businesses. Retailers of all sizes are struggling to turn a profit while the big banks that issue the majority of credit cards pad their bottom lines with hidden swipe fees. When all businesses that pay interchange are included – retailers plus groups ranging from the travel industry to doctors’ offices – the fees cost businesses and their customers nearly \$1 billion a week based on last year’s total of \$48 billion.

Interchange fees are set by credit card companies in private, without consultation from retailers and without clear notice to consumers. The Credit Card Interchange Fees Act (H.R. 2382) and the Credit Card Fair Fee Act (H.R. 2695/S. 1212) would increase transparency and disclosure surrounding credit card swipe fees and require Visa and MasterCard to negotiate with merchants over interchange fees and terms rather than continuing to impose them unilaterally.

###

The Merchants Payments Coalition is a group of retailers, supermarkets, drug stores, convenience stores, fuel stations, on-line merchants and other businesses who are fighting against unfair credit card fees and fighting for a more competitive and transparent card system that works better for consumers and merchants alike. The coalition’s member associations collectively represent about 2.7 million stores with approximately 50 million employees. For more information about credit card swipe fees, please visit <http://www.UnfairCreditCardFees.com>.