

## Analysts say blocking all gun sales would be complicated



Credit-card companies probably won't act to make gun sales more difficult, analysts said.

On Saturday morning, Pittsburgh police **responded to an active-shooter situation** at the The Tree of Life Synagogue in Squirrel Hill that has led to 11 fatalities, according to reports.

If government officials won't curb gun sales in the U.S., Americans are once again asking themselves a familiar, if frustrating, question: How can we curb gun sales to help prevent yet another shooting that targets innocent people?

Andrew Ross Sorkin, a **columnist for The New York Times**, suggested **restricting the ways people can pay for guns**. He made that suggestion earlier this year after a shooter **killed 17 people at South Florida's Marjory Stoneman Douglas High School** earlier this year.

“What if the finance industry — credit card companies like Visa **V, -1.17%** Mastercard **MA, -0.83%** and American Express **AXP, -0.13%** ; credit card processors like First Data; and banks like JPMorgan Chase **JPM, -0.07%** and Wells Fargo **WFC, +0.23%** — were to effectively set new rules for the sales of guns in America?” he wrote. “Collectively, they have more leverage over the gun industry than any lawmaker. And it wouldn't be hard for them to take a stand.”

By refusing to process payments for firearms, or refusing to do business with retailers that sell guns, credit-card companies could make it much harder for Americans to get their hands on guns — unless of course they're paying cash for them, Sorkin suggested.

That's an intriguing idea, but probably not a realistic one, said James Wester, the research director for worldwide payment strategies at International Data Corporation, a market research firm.

That's because the way companies work together to process payments makes it almost impossible to achieve.

### **Why are credit-card companies unwilling or unable reject gun sales?**

Payment companies like Visa and Mastercard set up business relationships with merchants, Wester said. They set rules for how their cards can be used, but they don't approve or reject individual payments for particular items, he said. Instead, they process payments for any purchase from a specific merchant.

So, if someone were to buy a gun from a major retailer, like Walmart **WMT, -1.86%** a credit-card company — even banks that issue cards, like Citi, Wells Fargo and Chase — would see that transaction as an entire purchase from Walmart, not necessarily as a gun purchase.

In order to stop firearms sales from stores that sell other items, credit-card issuers would have to decide they will not do business with a merchant at all if they sell guns.

"Payments are about huge volumes and tiny margins across those volumes," Wester said. "Saying to large retailers, 'We don't want any of your business. We know you may sell one item we don't approve of,' is probably unrealistic."

If transactions are legal, payment companies will likely continue to "promote commerce, not prevent commerce," he said.

### **What could credit-card companies do to track gun purchases?**

Credit-card companies could force retailers to set up a separate checkout and payment system for guns and associated products, but that would be difficult and require a lot of compliance rules for which products can and cannot be purchased with a credit card, said Brendan Miller, a principal analyst at the research firm Forrester.

(Visa did not respond to a request for comment. A spokesman for Mastercard said "We work to ensure that our cards are only used for legal transactions," but did not say whether Mastercard would ever reject gun purchases.)

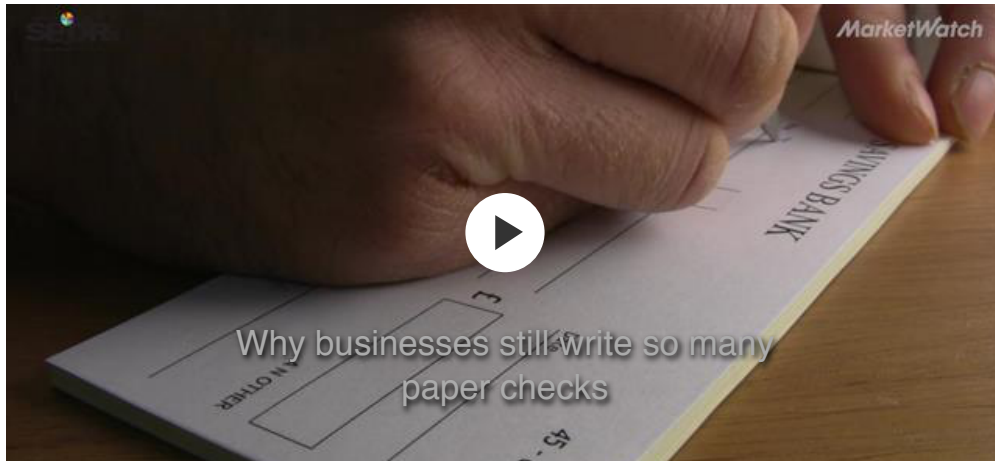
Online pornography is another similar example. Payment companies, including American Express, refuse to process payments for those businesses. That is mostly because those transactions have a high risk of fraud, he said. But pornography purchases don't typically come from large merchants who sell multiple types of products, so credit-card companies can block them without eliminating a relationship with a major retailer.

Other credit-card companies still permit pornography purchases, and there are even payment processing companies that specialize in high-risk transactions that porn merchants can use as their processor, so AmEx's refusal to process the payments hasn't exactly harmed the industry.

"That's why pornography still exists on the Internet," Wester said.

## How do PayPal and Square differ from credit-card companies?

In his column, Sorkin pointed out that payment companies PayPal **PYPL, -1.94%**, Square, Stripe and Apple Pay **AAPL, +1.11%** have already said they would not permit firearms sales on their platforms.



“We do not believe permitting the sale of firearms on our platform is consistent with our values or in the best interests of our customers,” Square said in a statement.

But those types of companies work very differently from companies that actually issue cards, Wester said. They are payment “gateways,” he said, and they have a more direct relationship with the businesses they process payments for, he said. They agree on an individual basis to process payments for a merchant, not to approve or reject individual purchases on a card.

They work with many retailers, including small merchants, and could more easily eliminate an entire retailer’s business, he said.

If they decline to handle gun business, gun merchants have to find another gateway to handle the payment. That actually could work toward making gun purchases more expensive, he said.

### **Another company could step in to process gun payments**

The payment industry is competitive, and payment facilitators are always looking for niches they can fill, he said. If guns became one of those niches, some company would step in to fill it.

Even if payment companies banded together to refuse to process gun payments, people could still pay for guns in cash, Wester said. Some gun enthusiasts have even suggested cryptocurrency could become an option for paying for firearms.

“If the past shines any light on the present, nothing will be done at the commercial level to shut down sales of weapons of the kind used at the Florida high school,” said David Robertson, an analyst and the publisher of The Nilson Report, a well-

known payments report. "As long as they are legal, some company will handle the business."

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MARIA LAMAGNA

