

# THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.

<https://www.wsj.com/articles/purchases-with-plastic-get-costlier-for-merchantsand-consumers-11550226601>

## MARKETS

# Purchases With Plastic Get Costlier for Merchants—and Consumers

Visa and Mastercard plan to raise fees on credit and debit cards, putting new strain on retail



Visa and Mastercard are raising certain debit- and credit-card fees. Visa's move is expected to cost U.S. merchants at least an additional \$570 million through April 2020, according to one estimate.

PHOTO: CAROLINE CONEJERO/ZUMA PRESS

By *AnnaMaria Andriotis*

Feb. 15, 2019 5:30 a.m. ET

Credit-card companies are increasing a range of fees that U.S. merchants will pay to process transactions, a move likely to inflame already fractious relations between many businesses and card networks.

Visa Inc. [▼ 1.22% ▲](#) and Mastercard Inc., [MA 1.05% ▲](#) the two biggest U.S. card networks, are preparing increases to certain existing fees that will kick in this April, according to people familiar with the matter.

Some of the changes relate to so-called interchange fees. Card networks set the price of these fees, which merchants pay to banks when consumers shop with the cards they issue. Also due to rise are fees that card networks charge financial institutions for processing card payments on behalf of merchants.

Merchants often increase the prices consumers pay following such fee increases, in an attempt to protect their own profits. Roughly 1% to 2.5% of prices for goods and services go to cover card fees, according to people familiar with merchant pricing.

Consumers often pay for those fees whether they pay with cash or card. While big in the aggregate—merchants pay tens of billions of dollars in card

fees annually—per-transaction changes are often minuscule and so go largely unnoticed by consumers.

A Visa spokeswoman said “Visa’s network fees are paid by our financial institution clients and used to enhance the safety, efficiency and innovation of our platform, and are set based on market conditions and to reflect the value we deliver.” She said the new price changes impact fees that Visa hasn’t adjusted in at least three years.

A Mastercard spokesman declined to comment.

Separately, returned merchandise purchased using Mastercard debit cards will in some cases become more expensive for stores, according to a person familiar with the matter. In some transactions, merchants won’t be reimbursed for the interchange fee that was paid on the initial transaction.

Meanwhile, Discover Financial Services , which is both a network and a card issuer, is preparing to increase certain interchange fees. This will include rewards credit cards used to shop at restaurants and when certain Discover credit cards are used for online shopping, according to a person familiar with the matter. A Discover spokesman declined to comment.

Card fees are a long-running point of contention as consumers shift more spending from cash to cards. Merchants say card-company charges are exorbitant and that there is little they can do in the face of price increases.

An additional bone of contention: Fees aren’t uniform. A small number of big merchants often incur lower fees due to the volume of transactions they handle, including giant retailers such as Amazon.com Inc., Walmart Inc . and Costco Wholesale Corp. that have negotiated special arrangements, according to people familiar with the matter.

For their part, card companies say credit and debit cards result in more sales for merchants than would otherwise occur and that expenses tied to fraudulent card purchases and other costs need to be covered.

The pushback against card fees has been particularly pronounced outside the U.S. In recent years, interchange fees on debit and credit cards that are paid in many European countries have been lowered and capped. Visa and Mastercard recently reached a proposed settlement with European Union regulators to lower the interchange fees merchants in the region pay on debit and credit cards issued outside of the area.

In the U.S., the dollar amount of interchange fees paid by stores, which has been surging in recent years, is at the center of fights between merchants, card networks and large banks that issue cards. Banks are the ultimate recipients of these fees; card networks at times increase them so that banks will issue or retain cards on their networks.

---

## RELATED

---

- Consumers' Move Away From Cash Purchases Boosts Visa Profits (Jan. 30)
- Mastercard Is Fined \$650 Million by EU (Jan. 22)
- Forget Airline Miles. Retailers Pile on Perks for Big Spenders. (Oct. 30, 2018)
- The \$10 Billion Tussle Over Walmart's Credit Cards (Oct. 24, 2018)
- Mastercard, Visa Agree to Settle Merchant Antitrust Suit (Sept. 18, 2018)
- Visa, Mastercard Near Settlement Over Card-Swipe Fees (June 29, 2018)

Those fees help fund the points and cash back that banks pay to their cardholders when they redeem

rewards. Card companies tend to increase at least some interchange fees every few years, while rewards programs have grown in popularity.

Large U.S. merchants, including Amazon, Target Corp. , and Home Depot Inc., are pursuing litigation against Visa, Mastercard and large banks aimed at eventually lowering these fees.

Merchants paid an estimated \$64 billion in Visa and Mastercard credit and debit interchange fees last year, according to new data from an industry publication, the Nilson Report. That is up 12% from a year earlier and up 77% from 2012.

Other fees are on the rise, as well. Visa, the largest U.S. card network, is increasing several fees in April, according to people familiar with the matter. Unlike interchange fees that are paid to card issuers, these fees are collected by Visa.

Visa raised its "credit-card assessment fee" this year by 0.01% for most credit-card purchases made in the U.S.

---

### Newsletter Sign-up

## The 10-Point.

A personal, guided tour to the best scoops and stories every day in The Wall Street Journal.

SIGN UP

PREVIEW →

While seemingly small on a percentage or flat-fee basis, the increased fees that Visa will put in place during the first four months of the year are expected to cost U.S. merchants at least an additional \$570 million through April 2020, according to estimates by merchants-payments consulting firm CMSPI.

A Visa spokeswoman disputed the figure, saying it was

inflated, but didn't provide further detail.

But network fees aren't the only additional charges merchants face. There are also other fees charged by firms that process merchants' card transactions. Those, which include the network fees, totaled \$14.8 billion on Visa and Mastercard debit and credit transactions in 2018, up 10% from a year earlier and 70% from 2012, according to the Nilson Report.

Write to AnnaMaria Andriotis at [annamaria.andriotis@wsj.com](mailto:annamaria.andriotis@wsj.com)

Copyright © 2019 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.