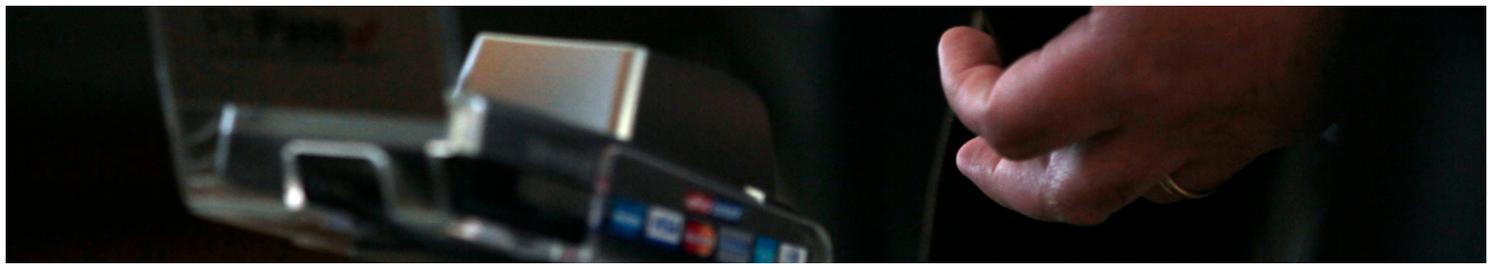


Stores and credit-card companies are in an all-out war over fees

Dennis Green Sep. 27, 2018, 10:39 AM





Retailers and credit-card companies are battling over fees. AP/Luis Hidalgo

- **Retailers are hoping to quash the "honor all cards" rule that requires retailers to accept all of a network's credit cards if they accept any as a form of payment, the Wall Street Journal reported.**

- **The rule is included in contracts between [Visa](#) and [Mastercard](#) and the retailers that accept their cards.**

- **Some major retailers are arguing that the fees charged by certain premium rewards cards are getting too high to be sustainable.**

- **The conflict is one sticking point in a 13-year-old lawsuit between banks and retailers.**

Stores and credit-card companies are at war over fees.

Major retailers including [Walmart](#), Kroger, [Amazon](#), and [Target](#) will likely either opt out or have already opted out of the \$6.2 billion settlement of a class-action lawsuit filed by retailers against credit-card companies Visa and Mastercard and associated banks back in 2005.

[According to the Wall Street Journal](#), the issue at hand is what are called swipe fees, or interchange fees. These are the fees that are charged by credit-card providers per customer transaction. Some

premium rewards cards include very high fees on merchants, a cost that retailers are forced to absorb. Retailers are not able to negotiate fees with credit-card companies.

Since the "honor all cards" rule in retailers' contracts with Visa and Mastercard stipulates they must accept all credit cards in either network, retailers cannot keep customers from using these premium cards, which can charge swipe fees of up to more than 2% on a whole transaction.

These retailers are now sounding the alarm on swipe fees because they are creeping up at a staggering rate. Merchants paid \$43.4 billion to Visa and Mastercard in fees in 2017, according to Nilson Report data reported by the Journal. That's up 68% from six years ago.

If retailers get their way, they would be able to pick which cards to accept, likely barring some of the more premium, high-fee cards from being used.

A spokesperson for Home Depot confirmed to Business Insider it is dropping out of the \$6.2 billion settlement to pursue other legal avenues not part of the class action.

"The problem with the high interchange fees is that the end result is higher prices for consumers," a spokesman for Home Depot told Business Insider. "That's an important point."

Both Visa and Mastercard released statements in support of keeping the "honor all cards" rule.

"Visa believes consumers should always have a choice in how they pay, including being allowed to use their Visa credit card regardless of the card type or issuer. When consumer choice is limited, nobody wins," a Visa spokeswoman told the Journal.

Visa's position is that if stores were able to pick and choose which cards to accept, it would become too confusing or limiting for customers.

Previous settlements were reached in the 13-year-old lawsuit, but they fell through after large retailers dropped out for fear they would be barred from pursuing subsequent legal action against Visa, Mastercard, and the associated banks. The new settlement allows large retailers to drop out without voiding the settlement.

Credit-card fees are a hot-button issue for retailers. Earlier this year, Kroger [stopped accepting all Visa credit cards at its Foods Co. stores](#) due to Visa's fees, which the grocer called "out of alignment." Kroger said the move was made to keep prices low for customers.

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