

US card networks are going to raise interchange fees in April

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Visa and Mastercard are reportedly raising interchange fees, which are charged to merchants by card networks to accept cards, in the US this April, according to [The Wall Street Journal](#), citing people familiar with the matter.

Additionally, it will become more expensive for merchants to take returns for items that were paid for using Mastercard debit cards; in some cases, merchants won't be reimbursed for the interchange fees paid during the initial transaction.



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Meanwhile, Discover, the fourth-largest US card network, will reportedly be increasing certain interchange fees, including on rewards credit cards used to shop at restaurants and for online transactions on select Discover cards.

These increases will likely escalate the long-running battle between merchants and card networks over interchange fees.

- Interchange fees are a meaningful source of revenue for card networks, but have long been a burden to merchants and can lead to higher prices for consumers. Merchants paid \$64 billion in combined credit and debit interchange fees from Visa and Mastercard last year, per the Nilson Report, up 12% from 2017 and up 77% from 2012. And the anticipated increase in fees from Visa are expected to cost US merchants an additional \$570 million through April 2020, according to estimates from CMPSI. Those fees can trickle down in the form of higher prices for customers, as merchants sometimes increase the prices of their goods — around 1-2.5% of prices for goods and services go to covering card fees, per The WSJ — or add [surcharges](#) when customers pay by cards to help compensate for the fees.
- Card networks just reached a major settlement over interchange and raising interchange fees could lead to further legal disputes. In September 2018, Visa, Mastercard, Bank of America, Citi, and Chase agreed to pay a [\\$6.2 billion](#) settlement deal to end a long-running class-action antitrust lawsuit regarding their interchange fees, marking the [largest](#) antitrust settlement in history. The lawsuit was initially filed by major retailers in 2005, asserting that networks and banks colluded to inflate fees and fix prices. And major retailers, including Walmart, Target, and Kroger, have been pressuring the Federal Reserve to develop a real-time settlement service, which could facilitate direct debit payments and ultimately bypass card rails if it were developed. But in the meantime, interchange fees will ultimately dictate how merchants compensate for the prices associated with card acceptance; and with a growing [reliance](#) on card payments among US consumers, it will remain necessary for retailers to continue accepting cards and absorb the interchange fees.

Meanwhile, in Europe, interchange regulations are tightening in favor of merchants and consumers. Authorities in the EU recently voted to cut fees on cross-border payments between EU countries that are in the eurozone and those that are not, according to [Finextra](#). And Mastercard was recently fined [\\$648 million](#) by the EU for artificially raising the costs of accepting card payments in the region.

The fine concluded an ongoing antitrust investigation by the European Commission and the EU, which asserted that interchange fees result in higher prices for consumers, causing Mastercard and Visa in December 2018 to cut their interchange fees on purchases made on non-EU credit and debit cards by at least 40% and propose new fee structures for credit, debit, and online purchases.

The EU's approach to interchange might necessitate card networks to reevaluate their revenue streams in regions where interchange fees might become more limited.

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