

House panel OKs bill to cut card fees (The News Journal)

Businesses say if they're allowed to negotiate, they can pass those savings on to customers

By NICOLE GAUDIANO

News Journal Washington Bureau

July 17, 2008

WASHINGTON -- The House Judiciary Committee narrowly approved legislation Wednesday that would allow businesses to negotiate credit card fees they say cost the average family nearly \$400 last year.

"Interchange" fees are collected by MasterCard and Visa's card-issuing banks from merchants, who say they are forced to pass on the charges to consumers for nearly everything they buy -- even if they are paying with cash.

The bill would create an antitrust exemption for retailers, allowing them to collectively negotiate voluntary agreements for the fees they are assessed for credit card sales.

Retailers say the bill would help them deliver lower prices to consumers, but banks and credit card companies say it would only cause fewer card choices for consumers and increase other credit card fees. The interchange fees help credit card-issuing banks pay for innovation, rewards and security.

"The legislation is simply an effort by the merchant community to have government step in to reduce their cost of doing business," said Edward Ying-ling, president of the American Bankers Association.

The Merchants Payments Coalition, representing 2.7 million stores, called the bill's approval a "landmark decision" and said Visa and MasterCard, which together control about 80 percent of the credit card market and set interchange rates, have had a "stranglehold" over merchants and consumers.

"We are encouraged by this momentum and effort by lawmakers to create transparency in the credit card marketplace and bring disclosure to everyone," the group said in its statement.

The committee wrestled with amendments to the bill for about four hours, finally voting 19-16 to send it to the House. Ten Democrats and nine Republicans voted for the bill.

Committee members voted against one amendment that would have ensured businesses pass on savings to consumers and others that would have defined "merchants" with small numbers.

"This is all about a handout to the nation's biggest and most profitable retailers," said Trish Wexler, of the Electronic Payments Coalition, representing payment card networks, financial services companies and financial services trade associations.

Rep. Mike Castle, R-Del., wasn't ready to say Wednesday whether he would vote for or against the bill when it reaches the House floor. But he described it in a statement as a "conflict between two industries."

"The merchants have long held that they believe that these fees are too high and that the negotiations with the payments systems are not truly fair," Castle said. "As a result, there is pending litigation on this matter working its way through the courts. We should let the courts finish this case before the Congress jumps in and pre-judges the outcome."

Credit card-issuing banks are making more from interchange fees because of increases in rates retailers are charged per transaction, the number of consumers paying with plastic and the cost of goods such as gas.

According to National Retail Federation estimates, the average U.S. family will pay \$427 in credit card interchange fees in 2008, up from \$378 in 2007. The amount has nearly tripled from the \$159 paid in 2001, the year the group began tracking interchange.