

Credit card firms cash in on fees

TheStar.com - Business

October 19, 2008

Ellen Roseman

Many Canadians received upgraded credit cards earlier this year.

The new Visa Infinite cards caused an uproar. People said they didn't ask for them and didn't want the inconvenience of changing their recurring payments to a card with a different number.

"Card issuers are more than happy to help cardholders move over any pre-authorized debits," said Visa Canada spokesperson Tania Freedman at the time.

Why were customers getting more credit card benefits without higher annual fees? The answer soon became clear to businesses that accepted the upgraded Visa cards. They were subsidizing the cost through higher percentage fees paid to banks.

Two business groups started protest campaigns, hoping to turn this into an election issue.

"We don't know how these increases can be sustained without sneaking into the pricing system," says Catherine Swift, president of the Canadian Federation of Independent Business.

Charities are joining the fight, says Derek Nighbor, senior vice president of the Retail Council of Canada. They're worried about higher costs cutting into their donations, since major donors tend to pay by credit card.

The Australian government took action in 2002 and capped merchants' fees for credit cards at 0.5 per cent. In Canada, retailers pay an average fee of about 2 per cent.

Businesses are bracing for another round of increases. MasterCard Canada changed its fee structure on Oct. 1, increasing the charges for high spenders.

"High-spending cardholders are worth more to a merchant," says Kevin Stanton, president of MasterCard Canada. "They're usually part of a loyalty or reward program and they spend 40 per cent more than other cardholders.

"They're very desirable and highly valuable." MasterCard has attacked the protest campaign, saying the business groups failed to tell the whole story.

"Consumers do not pay transaction fees for merchants' credit and debit card processing any more than consumers directly pay merchants' rent, staff wages or other operational costs," MasterCard says at its website.

"The CFIB and RCC have deliberately confused and combined references in their materials to merchant fees, which consumers do not pay, with fees that consumers may pay as part of their credit card agreements." Australians were no better off than Canadians after merchant fees were capped, MasterCard says.

"The reductions were not passed on to consumers as lower prices." While debit card fees are still low, business groups fear they could go up as well.

Debit card fees average 6 cents per transaction. Unlike credit card fees, they're not calculated as a percentage of the sale price.

Debit transactions are processed through Interac, a nonprofit organization that sets fees based on the cost of processing them.

Interac has asked the Competition Bureau about restructuring itself as a for-profit entity to compete with Visa and MasterCard, which are trying to increase their share of the debit card market.

That's why merchants are campaigning hard to cut things off before they start.

Next Sunday, I'll look at how to protect yourself from unauthorized credit card purchases.

'Simultaneous' rise in credit card fees galls merchants

By Elizabeth Howell, Ottawa Business Journal Staff

Mon, Oct 20, 2008 12:00 AM EST

Local retailers call for regulation to halt shrinking bottom lines

A coalition of businesses fed up with rising credit card interchange fees has launched a complaint with the federal government's independent Competition Bureau, said a representative from the Canadian Federation of Independent Business (CFIB).

Garth Whyte, executive vice-president of the Ottawa-based association, said Visa and MasterCard – who control 80 per cent of the Canada's credit card market – sent out concurrent notices alerting merchants to fee hikes in June and then again this month.

"There's been simultaneous increases in both Visa and MasterCard charges, (so) we lodged a formal complaint because Visa and MasterCard have a duopoly," Mr. Whyte said.

"We think we should investigate whether these increases were an arrangement or were pure coincidence. But it's happened again in October for both of them."

The extent of the overall percentage rise in interchange fees – an unregulated cost paid by retailers every time a consumer uses a credit card in a store – is unclear due to the number of different types of credit cards affected, each with their own rates attached to them.

But the CFIB said its members have been paying far more to credit card companies than earlier this year – particularly for premium cards offering shopping rewards.

The Retail Council of Canada (RCC) has estimated the average interchange fee in Canada is two per cent. Australia, which regulates its fees, sits at 0.45 per cent. The U.S., which has a regulatory bill before Congress, is at 1.75 per cent.

As a result, some retailers have said they simply can't stomach the increase – a single Quickie Convenience Stores outlet saw its fees jump from \$60,000 last year to \$98,000 this year, according to a company official.

Chris Wilcox, general manager of the Ottawa-based convenience store chain, speculated merchants may have to take the radical step of not accepting credit cards.

"That's the only way we can have any action on this: to have a protest, stop accepting these cards, to get some attention. Whether or not that happens, we'll see," he said. "We're concerned, and quite worried about this. Canada is one of the few countries in the world that doesn't regulate this sort of stuff."

Marilyne Nahum, an official at the Competition Bureau, said she was unable to discuss the grievance.

"We actually conduct our investigations in private, so I can't confirm whether or not we received a complaint about the issue," she said.

MasterCard refused comment except to point to an Oct. 1 press release on its website. "The RCC and CFIB are attempting a cash grab from consumers," the statement read. "By attempting to make merchant fees an election issue, the RCC and the CFIB are essentially calling upon politicians to intervene in commercial matters between private-sector entities."

"It is important to note that Visa Canada's effective interchange rates have remained flat for 35 years," read a similar statement from Visa, dated Oct. 6.

Indeed, faced with the ongoing credit crunch, credit card companies could have to increase fees simply to maintain profits – just like any other business, pointed out Elizabeth Evans, director of the Ted Rogers School of Retail Management at Ryerson University.

At the same time, she cautioned, retailers in Canada have to be competitive with other countries. "Like many things in the Canadian business structure, our costs are higher than they are globally in many instances," she said.

"This current economic crisis is bringing this home more than (anything else) possibly could. How we do our businesses here is not the only thing that influences our outcomes."

RCC agreed merchants are facing "desperate times," but added they aren't in favour of a credit card strike. The council said it's in discussions to persuade MPs to clamp down on fee hikes.

"The challenge is we have so many diverse retailers," said Derek Nighbor, the council's senior vice-president of national affairs.

"If a retailer is depending on the biggest chunk on their business from credit cards – as many are – it could be difficult financially for some merchants or retailers to (protest). . . The effectiveness of that kind of a campaign in other countries has not been successful because you need everyone to hang together."

He added that premium cards can physically look the same but have different rates attached, all depending on the customer.

"This is a consumer issue," he said. "This is affecting prices in Canada at a time when retailers are fighting to keep prices competitive."

Exchange Morning Post
(Online)

Small businesses urge federal politicians to act on credit card companies 'sticking it' to Canadians

Coalition calls for moratorium on fee increases and new premium cards

Toronto – Canada kicked-off Small Business Week yesterday, with the Retail Council of Canada (RCC) as the StopStickingItToUs coalition encouraged federal political leaders to address the more than \$4.5 billion in hidden credit cards fees Canadians pay each year by incorporating the issue into their consumer protection agendas.

The coalition applauds the strong commitment all parties made to enact consumer protection

measures during the recent election campaign and is prepared to work with government to protect consumers and small businesses from skyrocketing credit card fees.

RCC and the StopStickingItToUs coalition also call on credit card companies for a moratorium on new fees, additional fee increases and the introduction of new premium cards as government considers its options on the issue.

"At a time when the world's economy is so uncertain, Canadians want to know their elected representatives will protect their hard-earned dollars," says Diane J. Brisebois, President and CEO of Retail Council of Canada. "They are looking for action to expose hidden credit card fees that drive up the cost of everyday purchases."

"Interchange fees", represent an enormous cost for average Canadians and any organization that accepts payment by credit card — small businesses and retailers, charities, schools, restaurants, hotels, government services and others. The average Canadian household pays hundreds of dollars a year in interchange fees without even knowing it as they are a hidden portion of the cost of virtually every transaction they make.

Federal political leaders can help average Canadians and the small businesses at the heart of their communities by taking action against credit card fees. If swift action is not taken, small businesses and the jobs they provide could be at greater risk in addition to the impact on Canadians' tightening budgets.

The fees retailers, restaurants, charities and others pay the Big Credit Card companies and the banks issuing their cards are among the highest in the world, averaging 2 per cent on every purchase. That means that a \$100 purchase costs small businesses two dollars or more, which goes directly to the Big Credit Card Companies and their issuing banks. Compare that to a small business in Australia, who is charged 45 cents on the same \$100 transaction, or in the UK where they pay 79 cents - these countries and a host of others regulate credit card fees.

Dozens of countries around the world - the U.S., Australia, Colombia, Hungary, Romania and Spain — are investigating the big credit card companies' fee practices. The StopStickingItToUs coalition calls on federal political leaders to expose hidden credit card fees in Canada and stand-up for small businesses, their employees and the ordinary Canadians they serve

StopStickingItToUs Coalition members include:

Retail Council of Canada
Alberta Liquor Store Association
Canadian Booksellers Association
Canadian Convenience Stores Association
Canadian Council of Grocery Distributors
Canadian Federation of Independent Grocers
Canadian Jewellers Association
Canadian Restaurant and Foodservices Association
Hotel Association of Canada
Ontario Accommodation Association
Ontario Restaurant Hotel and Motel Association
Retail B.C
The Canadian Independent Petroleum Marketers Association
The British Columbia Restaurant and Food Services Association
The Retail Merchant's Association of Canada (Ontario)
Wine Council of Ontario
Mega Group Inc.

Bicycle Trade Association of Canada
> For more information, visit www.stopstickingittous.com.

Hardware and Home Centre Magazine (Online)

Small Businesses Urge Federal Politicians to Act on Credit Card Companies 'Sticking It' to Canadians

As Canada kicks-off Small Business Week on October 20, the Retail Council of Canada (RCC) and its StopStickingItToUs coalition representing over 120,000 Canadian businesses, the majority of them small and mid size enterprises, encourage federal political leaders to address the more than \$4.5 billion in hidden credit cards fees Canadians pay each year by incorporating the issue into their consumer protection agendas. The coalition applauds the strong commitment all parties made to enact consumer protection measures during the recent election campaign and is prepared to work with government to protect consumers and small businesses from skyrocketing credit card fees.

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Small businesses fight debit, credit card fee hikes; Merchants lobby for government regulations

The Edmonton Journal

Tue 21 Oct 2008

Page: B11

Section: Small Business

Dateline: MONTREAL

Source: Montreal Gazette; Canwest News Service

MONTREAL - Tony Fagnoli calculates that 90 per cent of his Thanksgiving sales at Tony's Shoes were paid for by debit or credit card.

In times like these, stores are grateful for every sale, but all those cards are costing the Montreal merchant.

Many consumers don't realize that every time merchants accept payment by card, they have to pay a transaction fee to the card company, Fagnoli said, and lately Visa and MasterCard have been boosting those fees.

There is also a chance that debit cards will soon change from a flat fee per transaction to a percentage of the sale.

"They're just crucifying us," Fagnoli said, "and these days there are a lot of guys who are just getting by."

So he is backing a battle launched by the **Retail Council of Canada** and a host of other merchant groups that include small business representatives who are lobbying the federal government to bring in regulations on bank fees.

A key concern, explained **Derek Nighbor**, senior vice-president at the council, is those premium cards -- the ones that offer extra insurance coverage or points or freebies of some sort.

All merchants negotiate a fee per transaction based on factors such as size and sales, he said. It might be two per cent.

Now the companies are adding 0.2 to 0.6 per cent for the premium cards, which are being aggressively marketed and increasingly used, he said, "and 2.6 per cent is a big chunk out of your bottom line."

Nighbor argued that Canada and the U.S. are already paying higher transaction fees than many other countries. In Australia, where the government brought in regulations five years ago, the average fee is about 0.45 per cent, he said.

As their profit margins erode for merchants because of card charges, they will have to increase their prices, Nighbor said.

Neither Visa nor MasterCard had a spokesman available, but passed on printed statements. Visa defended the premium cards, saying its Infinite card is only made available to higher-spending consumers who are usually the retailers' best customers. MasterCard stressed the convenience the cards offer to merchants, saying consumers spend more with them, and they eliminate the cost of dealing with cash, cheques, converting currencies and losses due to people's inability to pay.

Simon Prevost, head of the Quebec division of the Canadian Federation of Independent Business, said a few weeks ago the group sent letters to members outlining the fee issue. Normally letters about issues draw two or three responses, he said, but this one got about 100.

It isn't just the credit cards, he said.

Up to now, debit card transactions have been processed through Interac, a non-profit organization that sets fees based on the cost of processing them. However, banks and card companies are now looking at debit cards as potential profit centres.

According to the CFIB, a debit transaction of \$1,000 currently costs about 65 cents, but if that is changed to 0.65 per cent, the fee will be \$6.50.

NEWS (17:00) (chnl-am), Kamloops, 20 Oct 2008, Length: 00:01:00, Ref # 10F33E3-4

Time: 05:02pm | Reporter: ANGELO IACOBUCCI, JIM HARRISON | Reach: 5,000

Keywords: **RETAIL COUNCIL**

CREDIT CARD INDUSTRY: TAKE MORE THAN \$4.5 BILLION IN FEES IN CANADA. "MAX LOGAN" **RETAIL COUNCIL** OF CANADA. CALL FOR OTTAWA TO STOP GOUGING.

THE MORNING SHOW HR. 2 (CHQR-AM), Calgary, 21 Oct 2008, Length: 00:03:30, Ref # 10F27B7-1

Time: 06:17am | Reporter: BRUCE KENYON | Reach: 18,000

Keywords: **RETAIL COUNCIL**

INTERVIEW: A DISCUSSION ABOUT A PLAN TO GET THE FEDS TO LOOK AT HIDDEN CREDIT CARD FEES. "DEREK NEIGHBOUR" SENIOR VICE PRESIDENT OF NATIONAL AFFAIRS, **RETAIL COUNCIL** OF CANADA. [CALGARY]

NEWS (12:00) (chnl-am), Kamloops, 20 Oct 2008, Length: 00:01:00, Ref # 10F1D83-4

Time: 12:02pm | Reporter: ANGELO IACOBUCCI | Reach: 8,000

Keywords: **RETAIL COUNCIL**

CREDIT CARDS: **RETAIL COUNCIL** OF CANADA URGING OTTAWA TO STEP IN TO STOP CREDIT COMPANIES FROM GOUGING CONSUMERS AND BUSINESSES WITH HIDDEN FEES. "MAX LOGAN" SPOKESPERSON, **RETAIL COUNCIL** OF CANADA. [VISA. MASTERCARD]

660 NEWS (12:00) (CFFR-AM), Calgary, 20 Oct 2008, Length: 00:01:00, Ref # 10F2083-8

Time: 12:07pm | Reporter: PETE CURTIS / KELLIE TURNER, KEVIN USSELMAN | Reach: 6,000

Keywords: **RETAIL COUNCIL**

RETAIL COUNCIL OF CANADA IS USING THE START OF SMALL BUSINESS WEEK TO LAUNCH A NEW CAMPAIGN CALLED 'STOPSTICKINGITTOUS'. RETAILERS HAVE LAUNCHED COMPLAINTS ABOUT THE FEES THEY HAVE TO PAY FOR THEIR RIGHT TO ACCEPT PAY FROM THEIR CREDIT CARDS. DEREK SAYS THOSE FEES AMOUNT TO MORE THAN \$4.5 BILLION A YEAR. "DEREK NIGHBOR, A SENIOR VICE-PRESIDENT AT THE **RETAIL COUNCIL** OF CANADA".