



January 19, 2022

The Honorable Sherrod Brown
Chairman
Senate Committee on Banking, Housing
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patrick Toomey
Ranking Member
Senate Committee on Banking, Housing
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
4340 O'Neill House Office Building
Washington, D.C. 20024

Dear Chairman Brown, Chairwoman Waters, Ranking Member Toomey, and Ranking Member McHenry:

On behalf of the Merchants Payments Coalition, we are writing to bring your attention to the recent decision – and subsequent reversal – by Amazon to stop accepting Visa credit cards in the United Kingdom because of the high fees charged to process transactions.

By way of background, MPC is made up of trade associations that represent U.S. retailers, supermarkets, convenience stores, gasoline stations, online merchants and other businesses that collectively pay tens of billions of dollars a year in credit and debit card processing fees commonly known as “swipe fees.” Our coalition is deeply concerned by these excessively high fees, which drive up prices paid by the average family by hundreds of dollars a year, and we advocate for a more competitive and transparent card system that is fair to both merchants and consumers.

As you may be aware, Amazon announced in November that it would no longer accept Visa credit cards in the United Kingdom beginning January 19, 2022, citing high fees charged to process the transactions. “The cost of accepting card payments continues to be an obstacle for businesses striving to provide the best prices for customers,” Amazon said in a statement released to the news media. “These costs should be going down over time with technological advancements, but instead they continue to stay high or even rise.”

“As a result of Visa’s continued high cost of payments, we regret that Amazon.co.uk will no longer accept UK-issued Visa credit cards,” Amazon said. Amazon said it would continue to accept UK Visa debit cards, which carry a lower fee, and other brands of UK

credit cards.

Amazon subsequently [backed off the decision](#) this week, telling customers in an email that the ban on Visa cards would not take effect as scheduled and that it was “working closely with Visa on a potential solution.” No reason was given, and the wording suggested that details remained unresolved.

Despite the reversal, Amazon’s move shows how frustrated even the largest retailers are over skyrocketing swipe fees, and the situation is even worse for small retailers. This is not the first time a major retailer has tried to say no to a major card network, but cards are so dominant today that it is virtually impossible to refuse them as payment. Lack of competition lets card networks like Visa and Mastercard and the banks that issue their cards get away with price fixing and other practices that would not be tolerated in any other industry.

As bad as the situation is in the United Kingdom, the pain for merchants is far worse in the United States, which has the highest swipe fees in the industrialized world. Visa’s rates here are four times what they are in the UK, and the total amount collected is more than 100 times as much. We believe U.S. authorities should look closely at what Amazon has done in the UK and need to be aware that many retailers here feel the same. It’s time to bring about competition that will require the U.S. card industry to play under the same rules as any other business.

In the United Kingdom, merchants are charged an average 0.55 percent of the transaction amount for purchases made with Visa credit cards, and those charges totaled \$369 million in 2020 when converted from British pounds to U.S. dollars, according to payments consulting firm CMSPI. By contrast, U.S. merchants are charged an average 2.22 percent for purchases made with Visa credit cards, and those charges totaled \$43.5 billion in 2020.

A cap of 0.3 percent on credit card swipe fees has not applied in the UK since Britain left the European Union. In addition, Visa and its banks in October began charging 1.5 percent for online transactions between the UK and the EU – about three times the amount charged for domestic UK transactions. The higher cross-border transactions will cost UK retailers £36.5 million (\$48.6 million) a year and UK and EU merchants together £150 million (\$199.8 million), according to an [analysis](#) done by CMSPI for the British Retail Consortium.

In addition to the far higher fees charged in the United States, Visa’s market dominance is significantly stronger here than in the UK. Visa controls only 39 percent of the credit card market in the UK, compared with 55 percent by transaction volume in the United States, while its closest rival, Mastercard, accounts for only 23 percent of the U.S. market. Together, the two account for nearly 80 percent of the U.S. credit card market, and swipe fees for Visa and Mastercard credit cards combined totaled \$61.6 billion in 2020, up 137 percent over the past decade, according to the Nilson Report.

Swipe fees are not a Visa or Visa/Mastercard problem alone. Processing fees for all types and brands of cards totaled \$110.3 billion in 2020, up 70 percent over 10 years, according to Nilson. At current rates, merchants receive less than 98 cents on the dollar whenever a credit card is used and have to adjust prices accordingly. Swipe fees are most U.S. merchants' highest cost after labor and drive up prices paid by the average American family by an estimated \$724 a year, according to CMSPI.

The amounts have grown unchecked largely because Visa and Mastercard set swipe fees that are followed by virtually all the banks that issue their cards rather than the banks competing to set the lowest fees – a practice that has been repeatedly challenged in court as a violation of federal antitrust law. In addition, network exclusivity provisions in their contracts let Visa and Mastercard block independent card processing networks like NYCE, Star or Shazam from processing credit card transactions, preventing competition that could drive down the fees.

The problem is only getting worse. Visa and Mastercard announced last spring that a \$1.2 billion increase in U.S. swipe fees would be postponed to 2022. Such increases further drive up merchants' costs and consumer prices at a time when both are still trying to recover from the COVID-19 pandemic.

The pandemic has already brought Visa and other credit card companies an unearned windfall as more commerce has moved online, where virtually all purchases are paid for with plastic and the average credit card swipe fee is even higher – about 2.8 percent. Online payments were up an unprecedented 24 percent in 2020 while in-person payments were down 13 percent, according to the Federal Reserve.

While operating margins average under 5 percent in the highly competitive retail industry, swipe fees have contributed to astronomical profits for Visa and Mastercard and their banks. Refinitiv recently reported that Visa's 66 percent operating margin over the past year was the highest in the S&P 500, while Mastercard was in ninth place.

Swipe fees also drive up inflation seen by consumers, which is currently at its highest level in 40 years. Every time prices go up, the card industry's swipe fee percentage is collected on a larger base amount, creating a multiplier effect that ultimately comes out of the pockets of consumers.

Prominent retailers have tried to stop taking Visa cards over the years. But with Visa controlling the majority of the card market and consumers conditioned to expect the cards to be accepted, none has succeeded for more than a short period.

Walmart, for example, announced in 2016 that it would no longer accept Visa credit cards at its stores in Canada, but began taking them again seven months later. In 2018, Kroger stopped accepting Visa credit cards at about 20 of its Food Co. locations in California and later expanded the ban to 142 supermarkets and 108 gas stations in its Smith's Good and Drug Store chain across seven states but resumed accepting the cards the following year.

Amazon's concerns about Visa are not limited to the UK, Amazon is also reportedly considering dropping Visa as its partner on its co-branded credit card in the United States.

U.S. merchants large and small are closely watching the Amazon-Visa developments in the UK and hope that U.S. policymakers are doing the same. Few, however, have the size and resources of Amazon that are required to stand up to an entity as powerful as Visa. In fact, retail is an industry of small businesses, with 98 percent of retail companies having fewer than 50 employees and 95 percent having only one location, according to the National Retail Federation. The Small Business Administration says retail is the third-largest small business sector.

Merchants want to be heard, but they don't have the ability to reject either Visa or Mastercard to do so. Instead, they need transparency and competition that would allow market forces to result in reasonable swipe fees where all parties can benefit. Since the card industry has chosen not to compete on its own, it is up to policymakers to find a way to make that happen.

Sincerely,

Merchants Payments Coalition

cc: Members of the Senate Committee on Banking, Housing, and Urban Affairs
Members of the House Committee on Financial Services