



March 31, 2022

The Honorable Ed Perlmutter
Chairman
Subcommittee on Consumer Protection and
Financial Institutions
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Subcommittee on Consumer Protection and
Financial Institutions
House Committee on Financial Services
4340 O'Neill House Office Building
Washington, DC 20024

Dear Chairman Perlmutter and Ranking Member Luetkemeyer:

The Merchants Payments Coalition welcomes today's Subcommittee on Consumer Protection and Financial Institutions hearing on "The End of Overdraft Fees? Examining the Movement to Eliminate the Fees Costing Consumers Billions" and we respectfully ask that this letter be submitted into the record. MPC advocates on behalf of Main Street merchants and their customers for a more competitive U.S. payments system.

MPC applauds the committee's action, but we believe a full examination of "fees costing consumers billions" should also include the billions of dollars big banks and card companies charge to process credit and debit card transactions. The banking industry collects seven times as much in "swipe" fees as it does in overdraft fees and the impact on American families is far more widespread. Swipe fees are a hidden tax paid every day by almost all American consumers, not just those who overdraw their accounts.

At an average of just over 2 percent of the transaction amount, Americans pay the highest fees for processing credit card payments in the industrialized world. In 2020, credit and debit card swipe fees amounted to \$110.3 billion, according to the Nilson Report. That compares with \$15.5 billion for overdraft fees in 2019, according to the [Consumer Financial Protection Bureau](#). Swipe fees are most merchants' highest operating cost after labor and drive up prices for their customers, amounting to more than \$700 a year for the average U.S. household.

The core driver of these ever-increasing fees is that the payments system in the United States lacks fundamental competition. Visa and Mastercard, which control 80 percent of the credit card market, centrally price-fix the swipe fees banks collect every time a consumer pays with one of their cards. The banks that issue their cards refuse to compete over the fees, all charging the same even though they regularly compete with each other in other aspects of their business.

This lack of competition results in increased costs for merchants and consumers. In fact, the amount merchants pay in swipe fees has increased by 70 percent since 2010. And as Americans face the highest inflation seen in over four decades, these fees only compound the pain felt by consumers. Because the fees are a percentage of the purchase price, the amount collected goes up as prices go up, creating a multiplier effect that ultimately comes out of the pockets of consumers and results in a windfall for Visa, Mastercard and the largest banks. Beginning in April, these fees will increase even further as Visa and Mastercard fully implement a combined \$1.2 billion increase in swipe fees.

We suggest that the committee should look not just at overdraft fees but also the excessive cost of swipe fees to the American consumer and the broken and uncompetitive market in which swipe fees are set. Any fee that costs everyday Americans billions while offering little in return should be the object of utmost scrutiny by those with oversight over the banking industry.

Sincerely,

Merchants Payments Coalition

cc: Members of the House Committee on Financial Services