



Posted on Fri, Mar. 01, 2013

## Richard Eckstrom | Consumers could squelch credit card fees

By Richard Eckstrom

After taxpayers were forced to spend billions bailing out Wall Street a few years ago, it's easy to understand why consumers have little tolerance for new fees from banks that their hard-earned money rescued.

It certainly helps explain why many states, including South Carolina, have moved to pass laws against businesses charging their customers credit card transaction fees.

Credit card transaction fees have existed for years. But until recently, MasterCard and Visa did not permit businesses to pass along these fees to consumers.

That changed in January, however. Under a tentative antitrust settlement MasterCard and Visa have reached with retailers, businesses can now pass along credit card transaction fees to their customers rather than the businesses continuing to pay them.

Retailers choosing to do so are required to post a notice about the fees at their front entrance. They also must disclose the fees on their sales receipts.

The fees typically range from 1.5 percent to 3 percent of a transaction, and are capped at 4 percent, according to news reports.

The fees cannot be charged customers on debit card transactions.

Ten states have outlawed these credit card transaction fees; and about a dozen others are considering doing so, including the Palmetto State. A bill to forbid the charges here was introduced in the S.C. House in early February. The bill has more than 20 co-sponsors, both Republicans and Democrats.

When I first heard about these potential new fees I reacted like any other consumer – with irritation – and I considered talking with some state legislators about introducing such a bill.

But after reflecting on the matter, I came to the conclusion that even without a new law, consumers can nip in the bud these credit card transaction fees by using the power of the purse. We can simply avoid shopping at businesses that hit their customers with these fees.

That's the ideal way the free market works.

I'm reminded of how several banks, including some of the largest in the nation, had planned in 2011 to start assessing their customers a monthly fee for using debit cards. There was a customer backlash, a lot of negative publicity, and the banks abandoned their plans.

I really believe the same thing would happen with any businesses that start passing along credit card transaction fees to their customers.

In fact, NBC News has reported that some of the nation's largest retailers – including Wal-Mart, Target, Sears and Home Depot – have no plans to pass along this fee to their customers.

In addition, the antitrust settlement among MasterCard, Visa and retailers is not finalized, meaning it could change. And even after the agreement is completed, it is expected to be challenged.

At least for the time being then, few if any companies are imposing these credit card "swipe fees."

The National Retail Federation has said this is basically a nonissue. The retail group points out that, under the antitrust settlement, businesses would have to pass along American Express surcharges, too. But American Express forbids that.

So, the National Retail Federation says few companies actually could impose the fees. Why? Because those that accept Visa, MasterCard and American Express – as many do – would be unable to surcharge Visa and MasterCard purchases while not surcharging American Express purchases.

When you take it all into account, I believe that we as informed consumers in a free market could put the kibosh on credit card swipe fees pretty quickly, even without a new law, should any businesses choose to implement the fees.

*Eckstrom is the comptroller general of South Carolina and commander of the S.C. State Guard.*

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