

UAE consumers lose millions every year in credit card usage

Every time you book your vacation, buy gold or service your car, be prepared to pay an extra charge for the convenience of using your credit card.

- By Yazad Darasha, Business News Editor
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Dubai: Every time you book your vacation, buy gold or service your car, be prepared to pay an extra charge for the convenience of using your credit card.

A number of merchant establishments and service providers in some sectors continue to pass on card-processing costs to the customer, resulting in millions of dirhams every year in losses to the consumer.

Merchants have to pay a card-processing company or bank charges — from a set-up fee and monthly payments to transaction-based levies. At a time when margins are being squeezed by competition, they are passing on these costs.

"This simply emphasises that the UAE is a cash-driven economy. And the card-processing firms are not making things any easier by maintaining their charges to merchants at pre-recession levels," Jitendra Gianchandani, chairman of business consultancy JCA International, said.

Supermarkets, which are feeling the most intense competitive pressures, have not yet begun to pass on such charges, perhaps because each commodity is bar-coded and the payment-counter software does not allow the addition of any charges.

"The retail sector is currently working on wafer-thin margins. The charges we have to pay our card-processing companies are definitely pinching," Ashraf Ali M.A, executive director of Emke Group, which operates the Lulu hypermarket chain, said.

Large UAE-based merchant groups like Emke and Al Maya are seeking ways to minimise these charges.

"We are selling commodities, not designer goods; our customers are very price-conscious. Credit card companies should reduce the processing cost to promote card usage. They will benefit from this," said Kamal Vachani, director of the Al Maya Group that runs more than 30 supermarkets in UAE and Oman.

Ashraf Ali added: "Banks, card companies and merchants should sit down and find a solution to this. The issue cannot be ignored."

Until that happens, however, make sure you are aware of whether you will be paying an extra charge before you whip out that credit card, recommends personal financial planning consultant Sandi Saksena.

"Using the card is very convenient. Paying up to 2 per cent more on every purchase, however, is not," she said.

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