

# Visa to cut retailers' debit card fees

Plastic money major reaches partial settlement with European anti-trust authorities

- By Nikki Tait, Financial Times
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Visa Europe agreed on Monday to cut significantly the fees it charges retailers for debit card transactions in a partial settlement deal with European antitrust authorities.

However, the bank-owned group, which is separate from its listed US counterpart, said it was still "far away" from Brussels in terms of a similar agreement on credit card charges.

Meanwhile, Eurocommerce, the European retail association that had first raised the issue of so-called "interchange fees" charged by Visa and MasterCard with officials in Brussels 13 years ago, accused the European Commission of agreeing to a "weak compromise" and opting for a "marginal way out" of the dispute.

Xavier Durieu, Eurocommerce's secretary-general, said: "At a time when consumers are fighting to keep their heads above water, yet Visa is... announcing record profits, the lacklustre compromise sets a very bad precedent."

Under the deal, Visa will cap its weighted average "multilateral interchange fees" on cross-border debit card transactions at 0.2 per cent for four years. Interchange fees are those paid between banks servicing shops that accept credit and debit cards and those servicing cardholders.

The same rate will apply wholly or in part to domestic debit transactions in eight EU member states where rates are set directly by Visa, rather than bank groups.

The proposed deal, which will now be market-tested among interested third parties before being made legally binding if no serious objections are raised, was welcomed by Joaquín Almunia, the EU's competition commissioner.

Officials at the commissioner's office said the proposal would cut the level of interchange fees charged on cross-border transactions within the EU by 30 per cent, and by 60 per cent on domestic transactions in the relevant countries.

However, agreement has yet to be reached on credit card fees, and the commission's investigation on this score continues.

## Point of principle

At issue is a point of principle — whether the cost of cash is an appropriate comparator — with Visa opposed to accepting this.

That was the main stumbling block to a deal last year and led Brussels to charge Visa with a breach of competition rules.

By contrast, in April 2009, the commission reached a deal with Visa's rival MasterCard that covered both credit card and debit card fees.

In this, MasterCard agreed to reduce interchange fees to 0.3 and 0.2 per cent on cross-border credit and debit transactions, respectively, although it pledged to continue a legal appeal over the principles involved.

"We are more or less where we were a year ago ... The difference is that the appetite in the commission for a partial deal is greater than last year," said one Visa official.

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