

A New Credit Card Surcharge?

Businesses can now charge customers who use a Visa or MasterCard an extra fee. But will they?

As of January 27, 2013, brick-and-mortar retailers and online merchants in 40 states can add up to a 4% surcharge to purchases made with a Visa or MasterCard. The surcharge, called a checkout or swipe fee, is allowed because of a recent court settlement between retailers, the card companies and nine major banks, according to Consumer Action, a consumer advocacy group. The settlement allows retailers to pass on the cost of processing credit card transactions to customers -- a practice that previously was banned. However, most merchants probably won't be adding a surcharge to credit card purchases, says Craig Shearman, a spokesman for the National Retail Federation.

The NRF has spoken with many of its members and none plans to charge a checkout fee, Shearman said in a statement to the media. In fact, the point of the lawsuit, which was brought by merchants, was to bring down credit card swipe fees, and, in turn, lower prices for consumers.

Retailers typically pay credit card issuers a fee equal to 1.5% to 3% of a total purchase when they accept a credit card. The settlement allows retailers to charge only the amount they pay to process a card, up to a maximum of 4%, according to Consumer Action. Shearman said in the statement that retailers also would have to meet several complex requirements if they wanted to charge the fee.

For starters, these fees are illegal in ten states (California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma and Texas). Shearman points out that existing Visa and MasterCard rules require companies to handle credit cards the same in all of their stores. So national chains with stores in the ten states that allow surcharges wouldn't be allowed to charge an extra fee for credit card transactions in *any* of their stores.

And the settlement also requires merchants that add a surcharge to Visa and MasterCard purchases to add a surcharge to other cards with an equal or higher swipe fee, such as American Express. However, American Express prohibits retailers from charging customers an extra fee to use their cards. So businesses that accept all three cards would not be able to add a surcharge, Shearman said in his statement.

Retailers also must follow other guidelines if they charge this fee:

- They must disclose at the store entrance, point of sale or on receipts that they are charging an extra fee for credit card purchases.
- The disclosure on a receipt must show the amount of the fee and stipulate that the amount is equal to what the retailer pays to process a credit card transaction. The fees can vary for different types of cards, such as rewards cards or premier cards, according to Consumer Action.
- Retailers cannot charge an extra fee for debit cards.

Bill Hardekopf, CEO of LowCards.com, says that competition is another reason retailers probably won't add the surcharge. "If you institute a surcharge and your competition does not, consumers will start shopping at your competitor's store," he says.

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