

‘A huge issue’: Canadian merchants plead for cut to credit-card fees

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Canadian business groups are asking the federal parties for promises to lower credit-card interchange fees, a move they say would benefit small businesses to the tune of many millions of dollars a year — and could help consumers save a few dollars, too.

Between the pandemic-driven shift to e-commerce and cashless transactions, and the bumpy road to a recovery from COVID-19, consumers should care about such fees, even if they don't directly see them on their receipt, said Gary Sands, senior vice-president of the Canadian Federation of Independent Grocers (CFIG).

“We’re talking hundreds of millions of dollars in savings,” said Sands. “This is a huge issue that I don’t think is getting the attention it deserves.”

A credit-card interchange fee, also known as a transaction fee or a processing fee, is the fee the merchant — the business — pays to be able to accept credit cards. The fee is taken from the payment for each individual purchase, whether it's an e-commerce transaction or a payment in person, and goes to the card's issuing bank. (There's also a fee on debit-card transactions, but it's significantly lower than on credit-card payments.)

Some countries including Canada have taken steps to reduce these fees, hoping to benefit both merchants and consumers.

In 2020, consumer credit-card transaction processing fees in Canada dropped to an average of 1.4 per cent of each transaction from 1.5 per cent thanks to voluntary five-year deals between the feds and the credit-card companies. At the time, the federal Finance Department estimated this fee drop would save small and medium-sized businesses \$250 million per year.

Karl Littler, senior vice-president of public affairs for the Retail Council of Canada, said though the federal government has prompted two reductions in these fees over the years, things haven't necessarily gotten better for merchants in terms of dollar amounts, because consumers are using cards more and more often every year — especially since the onset of COVID-19.

“Because of all that growth in volume ... most merchants will still be paying significantly more in fees,” he said.

Corinne Pohlmann, senior vice-president of national affairs for the Canadian Federation of Independent Business, said the irony of interchange fees is that percentage-wise, they're often higher for smaller businesses than bigger ones.

The fees are also higher for online and over-the-phone transactions, she said, because of the higher security risk.

“I don’t think people really understand the fees that are associated with them pulling their credit card out of their wallet,” said Pohlmann — but they should, she said, because these fees affect the prices of what they buy.

Sands said small and medium-sized businesses have been asking for action on this front for years. He chaired the Small Business Matters Coalition, which he said was formed precisely to address this issue.

Though he was pleased with the agreement to lower average fees to 1.4 per cent, it wasn’t nearly enough, he said.

Sands explained that the issue isn’t just the across-the-board average rate: It’s the fact that big companies have the power to negotiate fees to far below what smaller businesses pay.

“We want the same rates as big business,” he said.

The Liberals’ 2021 budget promised to look into further reducing these fees to aid in the COVID-19 recovery. A consultation is ongoing until Sept. 10 and its [web page](#) notes that Canada pays some of the highest credit-card interchange fees in the world.

In 2019, the Liberals also promised to eliminate credit-card fees on the GST and HST portions of transactions, said Pohlmann; it hasn’t happened yet, but she’s hopeful it is being addressed as part of the current consultation.

Sands says he was “delighted” to see the Liberals’ budget promise to review credit-card fees, with an eye in particular to small businesses. He wants to see the other parties make similar promises during the election.

In an emailed statement, the Conservatives’ manager of media relations Mathew Clancy said the party will address credit and debit fees as well as strengthen the industry’s code of conduct.

An NDP spokesperson said in an email that the party would create a cap on merchant fees at one per cent.

Most consumers are completely unaware of these fees, Sands said, but they add up — many CFG members pay a couple hundred thousands of dollars per year in fees, said Sands, no small amount for an independent business trying to stay afloat in pandemic times.

Littler said a one per cent cap on these fees would be a “significant change” for many retailers.

In 2013, the Canadian competition bureau [estimated](#) that Canadian merchants paid around \$5 billion a year in credit card interchange fees. In 2019 — before the latest rate decrease, but also before the pandemic’s e-commerce and card boom — the tab was upwards of \$9 billion, said Littler.

Lowering these fees could not only help keep businesses running during the COVID-19 recovery, it could also help them keep prices competitive, said Sands: “This helps consumers too.”

Todd Barclay, president and CEO of Restaurants Canada, said the issue of credit-card fees comes second to the immediate recovery in terms of the organization’s election priorities, but is still important for long-term business growth.

“We have to survive first,” he said.

The Liberals’ previously promised removal of the merchant fee on the sales-tax portion of a bill would be a quick fix, he said.

“Why are we getting charged as restaurants and as consumers for interchange fees on the collection of taxes?” he asked. “It doesn’t make any sense.”

Barclay also noted that the fee percentage varies — though the government has negotiated it down to an average of 1.4 per cent, many small businesses pay upwards of two per cent, he said.

With files from Michael Lewis