Canadian businesses pay billions in credit card fees. Lowering them should be a campaign issue

By **Star Editorial Board**
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Canadians are all too familiar with the fees and interest charges that come with using credit cards — and just how quickly those add up if their bills aren't paid in full every month.

But there are other costs to using cards that consumers don't see on their monthly statements and merchants are raising alarm bells — again — about those fees. And for good reason.

When consumers swipe or tap their cards in a store, whether it be for groceries or new shoes, or use them for online purchases, the merchant pays a transaction fee to the card companies and banks.

The fees are higher for online purchases than those in stores, and small businesses often pay higher percentage fees than large ones. And those fees add up fast.

Canadian merchants paid upwards of $9 billion in credit card interchange fees in 2019, according to the Retail Council of Canada.

That's up from just (if such a word can even be used here) $5 billion or so in 2013.

Canada has some the of highest credit card interchange fees in the world. And with the pandemic shift to even more online purchases and card transactions being preferred over cash in stores, merchants are pleading for government help.

The retail council, along with many other business groups, want the federal parties to commit to reducing these fees.

That, of course, mirrors a similar call they made in the 2008 federal campaign.

“Canadians pay among the highest credit card fees in the world,” Diane Brisebois, president and CEO of the retail council, said back then. “We’re one of the few countries in the world where the government hasn’t seriously looked at this and decided to regulate.”

Flash forward 13 years, and several governments later, and not much has changed.

In 2015, the average interchange rate was reduced from 1.65 per cent to 1.5 per cent. And in 2020 a voluntary five-year deal with Visa and MasterCard dropped it to 1.4 per cent.

That’s not nothing. But the hundreds of millions in savings from those changes are offset by consumers using their cards more than ever.

More can and should be done to protect Canadian merchants, especially the smaller ones, from unreasonably high credit card transaction fees.

Many other countries have already been far more aggressive in forcing those fees down. France limits interchange fees to 0.28 per cent and Australia limits them to an average of 0.5 per cent.

Credit cards are a convenience both to consumers and merchants and there’s bound to be a cost to that. But, as other countries have shown, those costs don’t have to be so gougingly high.

The bulk of those billions in merchant fees don’t even go to the credit card companies but to the issuing banks. That should come as little surprise to Canadians since banks do seem to find a way to make money hand over fist on everything.

In its election platform, the NDP pledges to cap credit card merchant fees at a maximum of 1 per cent. The Conservative platform doesn’t mention card fees.

The Liberals’ 2021 budget launched consultations — underway now — aimed at “lowering the cost of doing business by reducing credit card transaction fees.”

Credit card use is growing and the pandemic has dramatically sped up consumer moves to online retail. Ottawa needs to catch up with a regulatory framework that ensures more fairness, especially for smaller, independent businesses.

As an executive of the Canadian Federation of Independent Grocers puts it: “This is a huge issue that I don’t think is getting the attention it deserves.

Business groups are right to draw attention to this in the midst of an election campaign. The next federal government should reduce gouging merchant fees.