

No budget relief for Canadian small business as Big Banks keep ‘swiping’ inflated credit card fees

Why should small business shoulder a larger credit card ‘swipe fee’ than business giants, asks **Gary Sands**? The interests of those smaller businesses and the communities they serve, must transcend those of flourishing banks and multinational credit card giants.

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By **Gary Sands** Contributor
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As Canadians grapple with affordability of various commodities such as gas, food and other essentials, Finance Minister Chrystia Freeland’s failure to provide relief for Canada’s small and medium size businesses from high credit card interchange fees remains inexplicable.

You don’t need to be an economist to grasp that while there are a number of factors influencing affordability, the estimated \$10 billion siphoned out of their collective pockets annually has a huge impact on how our small and medium size businesses can afford to price their goods, invest in their businesses and remain job creators.

Anyone with a credit card is aware of the high fees that credit card companies and banks tack on to transactions for international purchases or any transaction involving a foreign currency. Yet many Canadians are probably not aware that in the opaque payments industry, for every credit card transaction made, an interchange charge, commonly referred to as a “swipe” fee — and in this context an entirely appropriate name — is also paid by the merchant. These fees in Canada, which as the 2021 federal budget noted, “are amongst the highest in the world,” take an enormous bite out of the bottom line of all small and medium size businesses. At the same time, inexplicably, these businesses pay higher fees than big corporate giants, putting them at a distinct competitive disadvantage.

The banks and credit card companies, like a Greek chorus, have wailed to governments past and present that any reduction in swipe fees would jeopardize the reward points consumers enjoy. As the payment industry behemoths cry poverty into their tear-dampened hankies, it should be noted that the lower swipe fees enjoyed by big business have no impact on the loyalty points for their customers, who use the *same* credit cards, to conduct the *same* transactions, as they would at a small business.

Just a few years back, Visa and Walmart engaged in a public spat over what Walmart felt was for them, unfair swipe fee rates. Walmart stopped accepting Visa cards at some locations, prompting Visa to counter with full page ads claiming that to give in to Walmart’s demands for even lower fees would be allowing them to be “using their size and scale to give themselves an unfair advantage.” When Visa and Walmart subsequently ended up making a deal, undoubtedly replicated for other large corporate entities watching from the sidelines, the end result was exactly what Visa said it would be — Canada’s small and medium size businesses were put at a competitive disadvantage.

It is also clear that the payments landscape that existed during the time of the Visa-Walmart spat is decidedly different than the one that exists now and will exist in the postpandemic world. COVID has resulted in a massive consumer migration away from cash to credit cards and online transactions. This further compounds the already significant pressures that our small businesses are facing as they seek to rebuild from the economic damage inflicted by the pandemic.

All of this makes Freeland's hesitancy to see Main Street receive the same breaks afforded to Bay Street curious, at best. The government made a commitment last year to ensure small and medium size businesses interchange fees would "...benefit from pricing that is similar to large businesses." This was followed up by a consultation in the fall of 2021 where specific questions were posed to business trade associations.

Now, the minister claims further discussion is needed in what appears to be a Sisyphus-like consultation process. Exactly what information does the government need that has not already been discussed and dissected over the years that these fees have been an issue? It has been over a month since the most recent budget was tabled, and there has been a deafening silence from the government as to when this additional consultation will be taking place and what it will be addressing.

According to the government, affordability for Canadians and stimulating growth opportunities for businesses were top priorities in its April budget.

When \$10 billion or more is carved off the bottom line of Canada's businesses to enrich the coffers of credit card companies and banks, there is obviously a deleterious impact on affordability in many sectors. As well, in terms of encouraging business growth, those billions in lost revenue actually inhibit growth.

So, on both counts — tackling affordability and stimulating business growth — the lack of action on swipe fees in the 2022 budget was clearly a lost opportunity.

The need to end discriminatory and arbitrary swipe fee rates imposed on Canada's small and medium sized businesses is clear. Tackling affordability and helping those smaller businesses and the communities they serve must transcend the interests of flourishing banks and multinational credit card giants.

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