

17 July 2008

Merchants win collective bargaining powers over US interchange fees

The US House Judiciary Committee has voted 19-16 in favour of a bitterly contested bill that will allow US merchants to engage in collective bargaining over the interchange fees charged on credit card payments.

The vote was warmly welcomed by retail lobbyist the Merchants Payments Coalition. "The Committee issued a loud, bipartisan wake-up call to credit card and financial services industry," says the MPC in a statement. "The Committee not only reported the bill with 10 Democrats and 9 Republicans voting to report it, but defeated every poison pill amendment by similar bipartisan margins."

The Electronic Payments Coalition, representing the interests of banks and credit unions, reacted angrily to the vote, labelling the legislation as a "sweetheart deal for giant retailers".

The legislation will enable retailers and banks to circumvent anti-trust laws by negotiating as a group on the level of fees charged for plastic payments. The Department of Justice has been given the power to act as an honest broker, reporting back to Congress on the progress of negotiations.

The legislation additionally requires merchants to pass along to customers any reductions in interchange fees secured through the negotiations.