

Congress Should Reject Welch Interchange Bill Which Would Overturn Consumer Protections

Purchase, N.Y. October 8, 2009 – Congress should reject legislation introduced by U.S. Rep. Peter Welch (D-VT) that would restrict MasterCard’s ability to set and enforce the network rules that provide extraordinary protection for consumers.

The Welch bill would hamper a cardholders’ ability to use their preferred method of payment, inhibit rules protecting consumers from deceptive pricing, and shift merchant card acceptance fees to consumers.

As Congress examines the unintended consequences of the Welch bill, we urge them to consider that voters clearly oppose paying higher fees so merchants can pay less for the benefits they receive from accepting credit and debit cards. In a recent public opinion survey, 75 percent of consumers said they oppose legislation regulating interchange once they understood it would cost them more through higher fees.

The Welch bill would also restrict MasterCard’s Honor All Cards rule, which requires merchants who choose to accept MasterCard to accept all MasterCard-branded cards. This would deny consumers the ability to choose to use a preferred method of payment and force consumers to carry more, not fewer, credit and debit cards.

The legislation could inhibit MasterCard rules aimed at protecting consumers from deceptive pricing by retailers. MasterCard has no rules prohibiting merchants from offering a discount for cash, or any other form of payment the merchant would prefer, but we do require that they let consumers know there are different prices depending on how they choose to pay. By eliminating this requirement, merchants could advertise only the cash price, but then charge another price when the consumer tries to use their MasterCard card to make a purchase.

Experience in Australia has demonstrated that when governments legislate fees rather than allowing a competitive free market to determine them, consumers are hurt. After the government legislated lower acceptance fees there, consumers ended up paying more to use their credit and debit cards and receiving fewer benefits, while there is no evidence that merchants cut prices to reflect the lower fees they pay.

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