# Using Credit Cards About to get More Costly for Consumers

July 16, 2012 - For many years now, everyone who shops has been paying for the privilege of those who shop using credit cards. That's because Visa and MasterCard have contractually bound merchants to charging those using a credit card exactly the same thing that they charge those shopping with cash. And the fees that the merchants pay the credit card companies have been buried in the price of goods whether or not they were purchased with a credit card. But due to a law suit settled last week, all of that is about the change. Get ready for the signs from merchants that they will offer lower prices to their cash customers.

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The settlement agreed to by Visa, MasterCard and a number of large banks is being called the largest antitrust settlement in American history. As a result, the companies involved in the settlement will give merchants $6 billion for overcharging them and limiting the pricing schemes available to them.

The fees that merchants are charged are known as swipe fees. These fees often include a minimum amount plus a percentage of the sale. Swipe fees amount to more than a $30 billion revenue stream annually for banks and credit card companies.

Under the terms of the settlement, merchants will now have the flexibility to assign swipe fee charges solely to consumers who use a credit card for purchases. But that flexibility doesn't necessarily mean that all merchants will take advantage of the new rules. Since we are in the middle of a severe economic downturn, many merchants will likely be reluctant to make such a change. That's especially true given the fact that many consumers are now getting by because they can charge some of their purchases. Many merchants are likely to be reluctant to upset those consumers.

The settlement goes into effect right away, so some consumers are likely to benefit soon. Merchants are also likely to benefit as credit card companies will now have to compete more vigorously in the amount they charge merchants. The end result of the settlement is likely to be reduced swipe fees for many merchants, although it could take some time for that to happen.

byJim Malmberg
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