

Memo to merchant associations: Please stop trying to protect us!

(August 1, 2013) It is with considerable frustration that the Consumers' Association of Canada keeps hearing merchant associations claim they are acting in the consumer interest in pursuing changes to Canada's credit card system. To set the record straight, consumers have not – and are not – seeking any changes to an acceptance system that has served them well.

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While consumers may have periodic complaints about their relationship with their credit card company, the issue recently addressed by the Competition Tribunal involves the relationship between merchants and credit card networks. Merchants want to pay less for credit card acceptance. Depending on the day, they will either claim they are paying these fees or that the fees drive up prices for all consumers. It is when using the latter claim that merchants claim they are seeking to protect consumers.

On behalf of Canadian consumers, a message for those merchant associations: please stop trying to protect us. The measures merchants are trying to impose, like surcharging or having the right to reject certain types of credit cards, are anti-consumer.

Where surcharging has been allowed, as in Australia and the United Kingdom, investigations have found out-of-control merchant surcharging on consumers. In fact, it has become so bad that Australia is now taking steps to curtail excessive surcharging. It is also important to note that Canadian merchants were not seeking the right to surcharge just so-called premium cards. They wanted the right to surcharge all credit cards, and where that right has been granted, no distinction has been made between premium and regular credit cards. Everyone gets a surcharge.

As for the notion that a merchant should be allowed to reject certain types of Visa or MasterCard credit cards, this is an area where merchants need to be protected from their own associations. No country in the world has allowed this and it would create chaos at the point of sale if consumers have no confidence their particular card will be accepted.

Arguments about the impact on consumer prices are a red herring. Credit card acceptance is a cost of doing business, and one that delivers many benefits to merchants, as anyone with experience handling cash or bad cheques would know all too well. Merchants may claim such costs add 1-3% to the price of a good, but all business costs do so – and clearly other costs plus their own mark-ups make up the other 97-99% of the price of a product. If merchants are so concerned about consumer costs that they feel 1-3% is critical, then they make want to look at cutting into their 50-80% mark-ups on most products.

Likewise, if governments are concerned about consumer costs, there are far bigger fish to fry, such as the up to 15% in sales taxes Canadian consumers pay, or the impact of things like tariffs and supply management on the price of goods. Those dwarf any potential price impact of credit

card acceptance fees.

The National Post's Terence Corcoran described the merchant campaign as a "shakedown of the credit card industry." It has never been about consumers, as evidenced by the fact that everything the merchants have advocated for is clearly anti-consumer. This is about merchants wanting to reduce one of their costs of business and they have co-opted some politicians and the Competition Bureau in that effort.

Merchants should be reminded that they have no business without customers. If merchant associations continue to lobby for anti-consumer measures, consumers should avoid those merchants. Moreover, if merchants want to improve their bottom line, they should focus on customer service – not penalizing people trying to make a purchase in their store.

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