

Congress of the United States
Washington, DC 20510

April 15, 2022

Alfred F. Kelly, Jr.
Chairman and Chief Executive Officer
Visa Inc.
P.O. Box 8999
San Francisco, CA 94128-8999

Michael Miebach
Chief Executive Officer
Mastercard
2000 Purchase St.
Purchase, NY 10577

Dear Mr. Kelly and Mr. Miebach:

It has been widely reported that Visa and Mastercard plan later this month to raise many of the fee rates that your companies charge merchants and their customers for credit and debit card transactions.¹ We strongly urge you not to do so.

In 2021, according to the Nilson Report, Visa and Mastercard charged merchants a total of \$77.48 billion in credit card fees and \$28.06 billion in debit card fees.² These fees, most of which are interchange fees, are deducted out of transaction amounts for credit and debit card purchases and are ultimately borne by consumers in the form of higher prices for goods and services. Raising your interchange fee rates even higher will undoubtedly increase the already high costs consumers are facing and add to inflationary pressures, which is the last thing American families deserve right now.

If Visa and Mastercard operated in a market environment with real competition, we would not be troubled by your planned fee increases. However, the current electronic payment system is a clear duopoly that your companies dominate, and you impose fees and rules that merchants, consumers, and small banks have no real choice but to accept. Because normal competitive market pressures and economics are not currently at play to constrain your fee rates, we are speaking out.

We note that your companies and your large institutional card-issuing banks were enormously profitable in 2021 even though you refrained from raising interchange fee rates last year.³ This is

¹ AnnaMaria Andriotis, "Visa, Mastercard Prepare to Raise Credit Card Fees," *The Wall Street Journal*, March 8, 2022, available at <https://www.wsj.com/articles/visa-mastercard-prepare-to-raise-credit-card-fees-11646743166>

² *The Nilson Report*, Issue 1216, March 2022 at p. 9.

³ See Visa Inc. Fourth Quarter and Full-Year 2021 Financial Results ("Visa delivered strong fourth quarter and full-year results, with double-digit net revenue, net income and EPS growth), available at https://s1.q4cdn.com/050606653/files/doc_financials/2021/q4/Visa-Inc.-Fourth-Quarter-and-Full-Year-2021-Financial-Results.pdf; Mastercard Incorporated Reports Fourth Quarter and Full Year 2021 Financial Results, ("Net revenue increased 23%), available at https://s25.q4cdn.com/479285134/files/doc_financials/2021/q4/4Q21-Mastercard-Earnings-Release.pdf; "U.S. bank profits rose nearly 90% in 2021, FDIC says," *The Washington Post*, March 1, 2022, available at https://www.washingtonpost.com/business/economy/us-bank-profits-rose-nearly-90percent-in-2021-fdic-says/2022/03/01/32370668-9955-11ec-9dab-a746cf5f9e32_story.html

not surprising; interchange fee rates are collectively set by your two companies in a way that insulates the rates from normal market pressures, and your fees already significantly exceed the actual cost of processing credit and debit transactions. In China, credit interchange fees have been capped at 0.45%⁴ since 2016; if that rate was not enough for profitability, we suspect both of your companies would not be working so hard to convince the Chinese Communist Party to allow you to operate in China.⁵ Visa and Mastercard could actually play a constructive role in reducing inflation by cutting your interchange fee rates, which are currently much higher than what we would see in a competitive market environment instead of the present duopoly.

We also note that your companies often promise to reduce interchange rates for certain transaction categories only to raise rates in other categories, resulting in an overall net increase in fees charged. It appears you are making the same promise for your planned rate increases this month. Merchants and American consumers are not fooled by such bait-and-switches. Further, reports that your companies are promising to condition interchange rate levels on merchants' use of your companies' proprietary security technology may raise antitrust concerns. Such reports warrant closer scrutiny.

Bottom line: We urge you to withdraw your plan to raise credit and debit card fees on American business owners and hard-working American families. As Americans are dealing with the highest rate of inflation in decades, your profits are already high enough and any further fee increase is simply taking advantage of vulnerable Americans.

Sincerely,



Richard J. Durbin
United States Senator



Roger Marshall
United States Senator



Peter Welch
Member of Congress



Beth Van Duyne
Member of Congress

⁴ See Federal Reserve Bank of Kansas City, "Public Authority Involvement in Payment Card Markets: Various Countries – August 2021 Update", at p. 5 available at: https://www.kansascityfed.org/documents/8287/PublicAuthorityInvolvementPaymentCardMarkets_VariousCountries_August2021Update.pdf

⁵ See, e.g., Visa Annual Report 2021, pp. 19-20 ("In China, UnionPay remains the sole processor of domestic payment card transactions and operates the sole domestic acceptance mark. Although we have filed an application with the People's Bank of China (PBOC) to operate a Bank Card Clearing Institution (BCCI) in China, the timing and the procedural steps for approval remain uncertain."), available at https://s29.q4cdn.com/385744025/files/doc_downloads/Visa-Inc_Fiscal-2021-Annual-Report.pdf; Mastercard Incorporated Fiscal Year 2021 Annual Report, at p. 21 ("In China, we are currently excluded from domestic switching and are seeking market access, which is uncertain and subject to a number of factors, including receiving regulatory approval. We are in active discussions to explore solutions."), available at https://s25.q4cdn.com/479285134/files/doc_financials/2021/ar/2021-Annual-Report-NO-EMAIL-ALERTS.pdf.