

[Neal Goswami, Bennington Banner](#)

State lawmakers and retail advocates held a "signing" ceremony Thursday to highlight a new law aimed at curbing fees charged to retailers by credit card companies.

Vermont is the first state in the country to adopt a law prohibiting card companies from "abusive" practices, according to Bennington County Sen. Dick Sears, chairman of the Senate Judiciary Committee.

The new law, which takes effect Jan. 1, 2011, will:

- disallow credit card companies from preventing merchants from setting minimum charge amounts;
- prohibit card companies from imposing fines or penalties for merchants that offer discounts for customers who pay cash or use another brand of card;
- allow merchants to accept cards at one store location and not another.

"It's good for the consumer as well as the retailer. I think you will see lower prices when they're not forced to raise prices because somebody is buying a roll of toilet paper that costs the merchant more than what they made in profit for the roll of toilet paper," Sears said.

Republican Gov. James Douglas did not sign the bill, but allowed the bill to become law without his signature.

Rep. Bill Botzow, D-Pownal, chairman of the House Commerce Committee, said the bill imposes restrictions on credit card companies without going too far. "The bill
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doesn't overreach, but it sets us in the direction of providing what I think is very important, competition. Competition is key to commerce in this country and we need competition within the credit card industry as well," he said.

Merchants in Vermont are now on level ground with the credit card companies, Botzow said. "Up until now, the credit card companies made all the rules," he said. "The merchants had no say in the rules up until this particular action here."

The state law is based on measures U.S. Rep. Peter Welch, D-Vt., has been seeking in Congress since late 2008. Those measures appear very close to passage, Welch said.

"When Vermont acted I was able to go around to my colleagues and say, 'Hey, look at this, a state legislature on a strong bipartisan vote passed credit card legislation,'" Welch said. "It's a case of Willy's market going to Washington."

The federal legislation will also curb interchange fees, Welch said. The Federal Reserve will be able to review rates charged by credit card companies to determine if they're "reasonable and proportionate," he said.

"We're the only country in the world where Mastercard and Visa set the prices," Welch said.

State lawmakers stripped sections of the bill dealing with interchange fees because they likely violated interstate commerce laws.

Welch said passing restrictions on credit card companies appeared to be a long-shot at one time. "I had my doubts because they do have an enormous amount of power and the opposition was mobilizing up until today," he said.

Retail advocates hailed the new state law, too. Vermont Retail Association Executive Director

Tasha Wallis said the law should help convince Congress to act at the federal level.

"Vermont has shown that the state can be a leader on a hugely important issue," Wallis said. "Hopefully, their action will influence what's happening in Washington right now."

Vermont Grocers Association President Jim Harrison praised lawmakers for taking on a tough industry. "It's not easy when you're dealing with national, very strong interest groups in Visa and Mastercard. This isn't the end of the world for them," Harrison said.

Credit card companies fought "tooth and nail," regardless, Sears said.

"It was quite an experience. It was one that I'll never forget," Sears said. "I think it was an opportunity for us to actually help the small businesses in this state, the retailers, our grocers, as well as consumers. And we learned a lot about the credit card industry and the things they do and how Mastercard and Visa have monopolized the business."