

[By Neal Goswami](#)

Small Vermont retailers are finding fault with a proposed settlement between Visa, MasterCard and several large banks and a group of retailers over credit card swipe fees.

Vermont Retail Association Executive Director Tasha Wallis said Vermont retailers, like larger retailers including Walmart and Target, are opposed to a \$7.25 billion settlement in an antitrust case against the card companies and banks. A lawsuit was filed by 19 stores and associations in 2005 seeking more than \$100 billion. The suit alleged that the card companies and banks colluded to increase the fees merchants are charged when a credit card is used by a customer.

Increased opposition

The proposed settlement was announced July 13 and has seen increasing opposition from retailers since then. Neither side has signed off on the deal, nor has it been approved by a judge.

The proposed settlement includes a \$6.05 billion payment to retailers, according to Wallis. But it doesn't specify how or when retailers would be paid, she said. Also included is an 8-month decrease in swipe fees, worth about \$1.2 billion to merchants.

The settlement would also allow merchants to charge customers a surcharge for swipe fees, something the card companies have previously prohibited. That means the cost would be directly passed on to customers. However, Wallis said many states have passed laws prohibiting that.

"There's a number of states that ban it Š so in over 40 percent of the marketplace it wouldn't work anyway," she said.

Additionally, a Vermont law passed in 2009 and a federal law passed in 2010 already allows Vermont retailers to offer customers a discount if they pay in cash or another manner that does not cost the merchant a fee.

Wallis said the Vermont Retail Association opposed the settlement because it will not prevent card companies and banks from continuing to raise fees in the future.

"As far as small, Vermont retailers are concerned, this settlement doesn't solve the problem they face, which is the market power the credit card companies have and the amount they can charge. There's nothing in that proposed settlement that addresses that issue," Wallis said. "It doesn't take the kind of bold steps to address the underlying market issues."

The swipe fees are a major issue for retailers. Wallis said it accounts for a large part of their costs. "For many of them, these uncontrollable fees are their third highest cost after rent and wages," she said.

The proposed settlement also includes a clause that would prevent similar suits against the card companies and banks in the future. "If there is a settlement agreement, that might make it harder to pursue legislative or congressional action in the future," Wallis said.

Vermont Rep. Peter Welch, an outspoken critic of the fees charged by banks, also criticized the deal. Welch and Sen. Dick Durbin, D-Ill., successfully guided legislation into a financial reform law in 2010 that limited fees on debit cards. Credit cards were not part of that legislation, however.

"This proposed settlement does not solve the problem of excessive fees or the opaque business practices of these financial institutions, but it is a step in the right direction. And it should send an unambiguous message to big banks and credit card companies: Stop ripping off your customers with excessive fees," Welch said in a statement issued after the settlement was announced.

Welch said card companies and banks are entitled to charged fair fees, but they have taken

advantage of merchants and consumers.

"Credit card companies and big banks have been overreaching for years on swipe fees simply because they could. With no one watching, they have been charging the highest fees in the world and running up billions of dollars in profits on the backs of small businesses and their customers," he said. "No one would begrudge them for charging fair and transparent fees for the convenience of credit card services. But greed took over and they now have their hands deep in the pockets of merchants and consumers. In the aftermath of this lawsuit, they should take a step back and change their business model. Failing to do so will be a costly mistake."