



STICKING IT TO US

STAND UP TO BIG CREDIT CARD COMPANIES

Frequently Asked Questions

What are interchange fees?

Interchange is a percentage of each transaction that **Big Credit Card companies** collect from retailers every time a credit or debit card is used to pay for a purchase. The fee varies with type of card, size of merchant and other factors, but as much as \$2 of every \$100 you spend goes to card issuers.

How much do hidden interchange fees cost consumers?

Interchange fees add to the price of everything we buy, even if we choose not to use a credit or debit card.

How are interchange rates determined?

There is no real competition in the credit card business. Visa and MasterCard control the vast majority of the credit card purchase volume. Visa and MasterCard each separately work to set the price of interchange fees. This hurts consumers and merchants.

Don't these fees just cover the cost of processing transactions?

Even though advances in technology continue to bring down the cost of transaction processing, interchange fees keep going up. Most of the money goes toward profits for the **Big Credit Card companies** and lavish incentive programs and corporate credit card benefits.

How do interchange rates in Canada compare to other parts of the world?

In Canada, MasterCard's lowest interchange fee is 1.70% for consumer and 2% for commercial. Visa's interchange rate for consumer (before the recent increases) was 1.75% and for commercial 2 %.

Sample of interchange rates in other countries - averages (2001-2006)

Australia – 0.45%

UK – 0.79%

Sweden – 0.90%

Belgium – 1.35%

US – 1.75%

Why are interchange fees so high in Canada?

Canada is one of the few industrialized countries in the world that doesn't regulate credit card fees, which is why they are among the highest in the world and continue to rise.

Do consumers who pay with cash also pay hidden interchange fees?

Canadian consumers pay the hidden credit card interchange fee on virtually every purchase they make, whether they use a credit card or not. The system is structured so that **Big Credit Card companies** make more money on each transaction when the price of retail goods increases. For example, even though the cost of processing a \$1 transaction is virtually the same as processing a \$100 transaction, the interchange fee paid on that \$100 sale is higher because the interchange fee is calculated as a percentage of the total sale. The higher the sale, the higher the fee.