Mastercard and Visa's 'duopoly' the target of a new bipartisan bill that would reform the credit card sector

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About this content

A bill designed to combat the dominance of Mastercard and Visa in the credit card industry has drawn a significant lobbying backlash from banks, credit unions and more, according to reports.

The Credit Card Competition Act, introduced Wednesday by a group led by Rep. Lance Gooden, R-Texas, would require banks and other credit card issuers to offer at least two network choices for processing and facilitating transactions — one of which could not be owned by Mastercard or Visa.

The bill also drew Republican Reps. Jeff Van Drew of New Jersey and Tom Tiffany of Wisconsin, as well as Democrat Zoe Lofgren of California. A similar bill was introduced in the Senate cosponsored by Republicans Roger Marshall of Kansas and J.D. Vance of Ohio plus Democrats Dick Durbin of Illinois and Peter Welch of Vermont.

At the crux of the bill is the credit card networks that connect merchants to the institutions that issue credit cards. Those networks charge merchants fees whenever a customer pays with a credit card. The merchants, in turn, may pass those fees onto customers by raising costs.

Mastercard and Visa currently control roughly 85% of the credit card market in the US, according to reports. Meanwhile, card issuers JP Morgan Chase, Citibank, Bank of America, Capital One, Discover and American Express control about two-thirds of outstanding balances as card issuers.

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credit card issuance.

However, there are plenty of entities that don't see it that way, which has led to a "particularly intense lobbying offensive," according to reporting from Fox Business.

Aaron Stetter, executive director of the Electronic Payments Coalition, argued that those that would benefit are the large retail merchants paying the fees under the current system.

"Despite vigorous lobbying from Walmart and Target, this 'Big-box Bill' was deeply unpopular legislation when it was previously introduced last year – among both Democrats and Republicans," Stetter told Fox. "This legislation would hurt consumers by increasing costs, weakening payment security, harming small financial institutions, reducing access to credit for those who need it the most, and ending popular credit card rewards programs."

Merchants like Target, Walmart and others paid $126.4 billion in credit card swipe fees in 2022, 20% more than they paid in 2021. That cost the average family and extra $1,024 on purchases, according to an estimate from the Merchants Payments Coalition.

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Allowing merchants to process payments with other networks could reduce those fees, which advocates argue could save retailers and, in theory, their customers, at least $11 billion each year.

The National Federation of Independent Business is in that camp, along with various other industry groups.

"The Credit Card Competition Act is a beacon of hope for main street businesses like restaurants," said Emily Williams Knight, president and CEO of the Texas Restaurant Association. "... For the local restaurant, this is a David versus Goliath story they live every day, forcing lower margins and higher prices that multiply inflation for consumers."

Those lobbying against the bill point out that interchange fees fund transaction security and consumer rewards programs.

In a letter to Congress, a group of community and other banking associations wrote, "Allowing merchants to control network routing regardless of the issuing bank or consumers preference will translate into larger and more frequent security breaches, higher incidence of consumer fraud, as well as diminished or eliminated consumer rewards programs."

Gooden, for his part, isn't having it.

"It is blatant hypocrisy for the Big Banks to claim this legislation is anti-free market but at the same time criticize the bill for giving consumers and merchants greater choice in payment networks," he wrote in a letter to Texas community banks.

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