# Changes to credit card rules could hurt Canadian consumers

## Opinion: ‘No-surcharging’ and ‘honour all cards’ rules benefit both shoppers and retailers

**BY TERRY CAMPBELL, SPECIAL TO THE VANCOUVER SUN** APRIL 9, 2013



### Credit card rules are under review.

Canadians don’t know it, but there is an active public policy debate underway that could negatively impact how and where Canadians use their credit cards and the rewards programs they value.

What’s being proposed is the elimination of two credit card system rules which currently benefit Canadian consumers. The first, the “honour-all-cards” rule, requires that if a retailer says it accepts Visa or MasterCard, then it must accept all cards with the Visa or MasterCard brand. And second, the “no-surcharging” rule prohibits retailers from adding a surcharge — a retail checkout fee — to customers paying with a credit card. (Stores can now offer a discount for other forms of payment, but few do).

So why are these rules important and what would it mean for credit card users if they are eliminated?

A lot, in fact.

Let’s assume the no-surcharging rule is eliminated and stores can charge their customers extra for credit card transactions. The fees retail stores pay to accept credit cards are already reflected in how stores price their products. Surcharging would be an additional charge to consumers.

In 2003, Australia allowed surcharging in the hopes that retailers would pass on the cost savings to consumers. But that hasn’t happened. In fact, some stores are imposing surcharges that are much higher than the cost of their credit card acceptance, sometimes double. So Australian consumers are effectively paying twice for retailers to accept credit card payments.

The Consumers’ Association of Canada is strongly opposed to eliminating this rule as are 84 per cent of Canadians according to its research. It’s easy to see why.

And what about the honour-all-cards rule? Imagine that you’re in the grocery store with a cart full of groceries. You wait patiently in the checkout line but, when you offer your MasterCard as payment, you’re told that the store accepts some MasterCards but not yours.

Embarrassing? Frustrating? Maddening? All of the above. But that’s exactly what could happen if the honour-all-cards rule is eliminated.

In addition to the negative impact on consumers from changing these rules, retailers also leave out some important facts from the whole debate on credit cards.

Retail stores have many expenses that are part of their costs of doing business, including rent, wages and utilities. While they do pay a fee to accept credit cards, these fees are a small part of their overall expenses. By contrast, paying with cash is one of the most expensive forms of payment and has higher security costs and safety concerns for a store’s employees.

Retailers receive many benefits from credit card acceptance. Credit cards provide retailers with fast and safe guaranteed payment that can reduce lines at the checkout. If every payment transaction took an extra 30 seconds, that would add another 27 million hours of staff time each year. And credit card payments allow retailers to offer customers credit without taking on the risk.

Retailers who enjoy the benefits of accepting credit cards already build their costs into the price of goods and services. But it seems retailers now want to build that in twice. Is that fair?

If either the rule on no surcharging or on honour-all-cards is eliminated, the retail experience for Canadians could be drastically changed, and not for the better.