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BRUSSELS MOVES CLOSER TO GETTING EUROPE'S SHOPPERS A FAIR DEAL ON PAYMENT CARDS – BUT THE EUROPEAN COMMISSION'S WORDS MUST NOW BE FOLLOWED BY ACTIONS

European Commission (EC) investigation highlights anti-competitive practices by banks and payment card companies

Xavier Durieu, Secretary-General of EuroCommerce, commented, 'Today's report by Europe's competition watchdog is yet another condemnation of the tricks Visa, MasterCard and the banks behind them play to maximise their income at the expense of Europe's shoppers. We are looking forward to the Commission tackling these issues head on its ongoing anti-trust actions against MasterCard and Visa.'

'Retailers want to see an end to the excessive €25 billion fees paid by them and Europe's other businesses and their customers to accept payment cards. Anti-trust enforcement action by the European Commission and national competition authorities is the only way to do that', Durieu added.

The Payment Card market is anti-competitive - at the expense of Europe's shoppers

The EC investigation confirms what retailers have been saying for years:

- Payment card companies and the banks behind them have been raking in excessive profits at the expense of Europe's shoppers for years - credit card issuers had a massive weighted average profit-to-cost ratio of 65% in 2004.
- Evidence shows that payment card schemes in 20 member states do not need these hidden 'interchange' fees in order to be profitable.
- Banks have set up barriers to new entrants allowing them to run payment card schemes at excessive profit levels without being challenged by more efficient operators.
- Lack of fee transparency prevents consumers from making an informed choice about what means of payment to use and the costs associated with them.



MasterCard and Visa are already under the anti-trust spotlight - the Commission can't delay any longer!

Xavier Durieu added, 'This report shows that there is no need for the anti-competitive interchange fees which push prices up for all shoppers. MasterCard and Visa are so disconnected from reality that they have the nerve to ask the European Commission to 'exempt' their anti-shopper interchange fees from the EU competition law. This report shows that there is no way that the European Commission could even consider giving these hidden fees any form of exemption from competition law. The Commission is due to rule on MasterCard and Visa's anti-competitive practices later this year - and we hope that means an end to rip-off card fees!'

Competition authorities and regulators in Australia, New Zealand, the US, Italy, the Netherlands, Spain, the UK and others are looking into the anti-competitive practices of payment card companies. Most recently, on 4 January the Polish competition authority ruled that the interchange fee was anti-competitive and fined the banks that had colluded in fixing prices.

Xavier Durieu concluded, 'The European Commission has no choice but to crack down on the unfair practices of the Visa and MasterCard and the banks that collude with them to fix prices, before SEPA is implemented. For too long, retailers and their customers have had to foot the bill for banks' excessive profits which result from illegal price-fixing by card companies. An unfortunate consequence of SEPA is the replacement of cheap and efficient debit systems with expensive, interchange fee based, Maestro. Europe must act - and act quickly - to ensure that shoppers get a fair deal on payment cards.'

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EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes over 100 commerce federations in 29 European countries, European and national associations representing specific branches of commerce and individual companies. Commerce is the closest link between industry and the 450 million consumers across Europe. It is also the largest consumer-related market service. It is a dynamic and labour-intensive sector, which plays a significant role in the European economy, generating 13 % of the EU's GDP through nearly 6 million companies. 95% of these are small enterprises, which are vital to Europe's economic and employment prospects. The sector is a major source of employment creation, providing jobs for 30 million people from all sections of society and is one of the few sectors increasing employment. www.eurocommerce.be

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