



Give Small Business Owners a Break: Why 2022 Needs to Be the Year We Lower This Credit Card Fee

Description

It's been a tough season for small businesses.

Supply shortages, coupled with rising prices, have forced many small businesses to take more losses than gains. Many are short-staffed, requiring managers and employees alike to work longer hours or execute jobs they don't normally do.

As if those weren't enough, the ongoing pandemic has caused another problem that drains small businesses of their profits. It's small enough to go unnoticed, yet, over time, it can result in a major loss: credit cards fees.

To avoid spreading germs, customers are using credit cards over cash. That might help "stop the spread." But it doesn't help small businesses. Every time a customer uses a credit card, a small portion is taken from the purchase price and sent to the credit card company. It's called an *interchange fee*, and, unfortunately, Canadian small business owners pay some of the highest interchange fees in the world.

What are interchange fees and how much do Canadian small businesses pay?

An interchange fee (or "swipe fee") is simply a fee that credit card issuers charge for every transaction. The fees are set by major credit card providers, such as **Visa** and **Mastercard**, and it comes off the purchase price.

Canadian businesses pay around 1.4% to 1.5% in interchange fees for every purchase they make. That means, for every \$100 you spend, around \$1.50 is shaved off and sent to the credit card issuer.

For perspective, most countries in Europe pay around 0.30% in interchange fees.

Do customers pay interchange fees?

Well, sort of.

In order to balance out the fee, small businesses will often increase the price of their goods. That means, cash-paying customers and debit card users are hurt the most: they're paying more money for a payment method they don't even use.

What should we do about interchange fees?

Again, this is profit that goes directly to credit card issuers, not to small businesses. And, in a year like 2022, where small businesses are suffering more losses than profits, perhaps the best thing to do is lower the fee.

Right now, there's a [growing movement in Canada](#) to reduce interchange fees. In fact, many small business owners and merchants are eagerly awaiting the amendments to the *Payment Card Networks Act*, which will hopefully lower interchange fees and bring more regulation to those who set them.

For some perspective, Visa reduced its interchange fee back in 2014 from 1.6% to 1.5%. And at the end of 2020, both Mastercard and Visa committed to reducing fees from 1.5% to 1.4%. A reduction of just 0.1% saved small businesses around \$1 billion every year.

If you want to help small businesses directly, perhaps you could be more conscientious about your form of payment. Paying in cash instead of card can help local businesses save money on fees, even if it means sacrificing rewards.

Of course, for large retailers, like Canadian Tire or Costco, these processing fees pail in comparison to profits. But for the local bookstore or the coffee shop on the corner, it might be kinder to use cash over credit cards.

CATEGORY

1. Personal Finance

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. mhibbs

2. sporrello

Category

1. Personal Finance

Date

2025/08/11

Date Created

2022/02/17

Author

sporrello

default watermark

default watermark