



What Is Visa Inc.?

Description

Visa is one of those companies you've likely heard of, even if you're not quite sure what it is or what it does. Its logo is emblazoned on millions of credit cards, and it boasts almost universal acceptance by merchants. Clearly, the brand is a dominating presence in the world of finance. But what function does it serve, and how does it relate to credit cards and the multitude of payments Canadians make every day?

Visa is an American corporation that operates in the electronic payment-processing industry. Its role is to facilitate credit card, debit card, and prepaid card payments made by consumers and businesses. The company processes a staggering volume of transactions (think billions) each year through its vast network called VisaNet.

Founded in 1958 by **Bank of America**, Visa reigns as the undisputed king in the payment-processing industry, controlling 50% of the market. Its main competitors are **Mastercard**, **American Express**, and **Discover**.

Is Visa a credit card?

Though Visa plays a pivotal role in streamlining credit card payments, it isn't a credit card company. Visa doesn't issue credit cards, nor does it extend credit to borrowers. Instead, it authorizes, clears, and processes credit card payments through its network, acting as a middleman between financial institutions and merchants. It's more accurate to classify it as a technology company rather than a traditional financial institution.

Financial institutions, such as banks and credit unions, are directly responsible for issuing credit cards. They're also the ones that provide cardholders with access to funds through a revolving credit line.

How Visa works with card issuers

Visa partners with financial institutions to issue credit cards, debit cards, and prepaid cards to the

public. This arrangement is made through a branding relationship where the [card issuer](#) imprints Visa's logo on the cards they issue to their customers. Payments made on Visa-branded cards are routed through Visa's network.

Sometimes, banks will enter into a co-branding Visa partnership with non-financial companies, such as retailers, hotel chains, and airlines. Some examples include the **Amazon** Prime Rewards Visa Signature card and the My **Best Buy** Visa card.

For the most part, Visa and card issuers have distinct roles. In the case of credit cards, the issuers assume responsibility for

- Collecting and processing credit card applications;
- Establishing criteria for accepting and denying applications;
- Assessing applicants' creditworthiness, income, assets, etc.;
- Setting the [annual fee](#), credit limit, fee structure and [APR](#);
- Developing the rewards or [cash-back](#) program, if applicable; and
- Suspending cardholders' accounts that violate the contract terms and conditions.

Visa's role encompasses the authorization, clearing, and settlement of payments originating from Visa-branded cards. Essentially, it does all the work in the background to ensure transactions are processed effectively and efficiently.

How Visa works with merchants

To accept Visa card payments from customers, merchants must agree to abide by Visa's terms and conditions and set up the infrastructure to facilitate payments. The latter entails entering into a contract with a payment-processing company (such as Moneris Solutions) to install a point-of-sale system in-store or equivalent online. This firm accepts Visa payments from the merchant's customers and sends them to Visa's network, VisaNet. In turn, Visa works with the customer's bank to authorize, clear, and settle the transactions.

How does Visa make money?

Visa generates the majority of its revenue from the following three sources:

Service revenue: This is revenue Visa earns from card issuers for providing them with services related to payments products, like credit cards. It's assessed monthly and based on the total dollar value of transactions initiated by card issuers' customers.

Data-processing revenue: These are the small but numerous fees that cover the cost of authorizing, clearing, and settling transactions. Visa charges card issuers these fees on a per-transaction basis.

International transaction revenue: These are fees levied on [currency conversions](#) resulting from cardholders' cross-border purchases.

Are there any benefits to using a Visa card?

Visa competes with Mastercard and other card networks for branding partnerships with card issuers. It differentiates itself by offering cardholders various benefits, grouped into three categories: traditional, signature, and infinite.

Depending on the type of Visa card you own and the benefits tier it belongs to, you could have access to the following:

- Emergency card replacement
- Airport lounge access
- Insurance services
- Zero fraud liability
- Concierge service
- Purchase protection
- Extended warranties
- Travel and emergency assistance

Though Visa offers a wide range of benefits, card issuers have complete discretion in deciding which ones to contribute to their accountholders.

Is it better to use a Visa or Mastercard?

The most critical aspects of credit cards, such as rates, fees, and rewards programs, are established by card issuers. Therefore, your best bet is to evaluate financial institutions and their respective card offerings and not ponder whether you should go with [Visa or Mastercard](#).

Both card networks enjoy broad merchant acceptance, partner with numerous financial institutions, and provide an assortment of benefits. When compared side by side, the differences between the two are immaterial.

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