



# OLR RESEARCH REPORT

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## **CREDIT CARD SURCHARGE**

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You asked about the impact of the recent class-action settlement with Visa and MasterCard on credit card purchases in Connecticut.

### **SUMMARY**

The class-action settlement between retailers, several major banks, Visa, and MasterCard allows merchants to impose a surcharge on credit card purchases. The impact of this class-action settlement is limited to credit card purchases in states that allow retailers to impose surcharges. Connecticut does not allow such charges. Therefore, the settlement has no impact on credit card purchases in Connecticut.

### **SETTLEMENT EFFECT ON CONNECTICUT**

In a recent class-action settlement, Visa, MasterCard, and nine major banks agreed to pay millions of merchants approximately \$7.25 billion to settle charges that they colluded to fix credit and debit card processing fees. The processing fee is the fee that a merchant is charged when a customer pays for a purchase with a debit or credit card. In order to process credit cards and debit cards, a merchant must negotiate a “merchant discount fee” either with his or her financial institution or, for Discover and American Express, with the credit card company directly. The negotiated fee is then subtracted from each customer transaction with a credit or debit card.

In states that allow retailers to charge credit card processing fees, the settlement allows merchants to pass the processing fee on to the consumer. This means that the merchant may charge more when a customer pays with a credit card. But the amount the merchant may charge is limited to the amount that would cover the processing costs.

This agreement applies only to credit cards and not debit cards. And it has no impact in Connecticut because state law prohibits a seller from imposing a surcharge on a buyer using any method of payment, including cash, check, credit card, or electronic means, in any sales transaction ([CGS § 42-133ff](#)).

Nine other states also have laws prohibiting retailers from charging these fees (California, Colorado, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma, and Texas).

For more information on credit card processing fees, see [OLR Report 2013-R-0015](#).

More information on the class-action settlement can be found at the [Official Settlement Site](#).

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