

Shops criticise banks' card processing costs

Banks have come under attack from retailers who have accused the financial institutions of promoting plastic rather than cash in order to boost their profits from the use of debit and credit cards in shops.

The high cost of processing debit and credit card transactions in shops has been roundly criticised by The British Retail Consortium (BRC), which points out that every £20 transaction costs them approximately 17 pence in charges. However, if they were to bank £20 cash the total charge to the retailer would only be four pence. The director general of the BRC sees this as extremely unfair saying: "Banks have abused their position for many years by imposing higher charges on retailers for processing card payments than banking cash. Clearly banks see using cards rather than cash means a further boost to their profits."

BRC research has found that debit and credit cards are used for 46% of all transactions in the retail sector. That means that cash is still the most popular way of paying for goods at the checkout. However, payment by cheque in shops, popular as recently as five years ago, has all but died out and has now been replaced by much easier to process debit and credit card transactions. Ease of use, speed of transaction and other added benefits have helped the general acceptance of debit and credit cards by customers.

One such benefit is that in order to promote their use, most [credit card deals](#) now include some level of purchase protection, allowing shoppers a form of insurance for the goods they buy using their card against breakage and theft.

The BRC criticism comes after the Office of Fair Trading (OFT) announced earlier this year that it would launch an investigation into the fees charged by the card issuers for processing debit payments, and also look into the charges that Visa and Mastercard apply on credit card transactions.

Of course, none of that makes any difference to the customer in terms of the way they compare credit cards in their wallet and decide which one to use, as the fees are invisible to the buyer - being totally borne by the retailers instead. But, retailers argue that prices are being pushed up because the banks are taking so much of their cut as transaction charges. This argument looks like it will run and run, but regardless the outcome is unlikely to improve the lot for the consumer; it is merely to decide who takes the profits – the banks or the shops.

About the Author

Elisha Burberry is an online, freelance journalist and keen movie-goer from Scotland. Her interests include travelling, cooking and photography.

Source: <http://www.tntarticles.com>