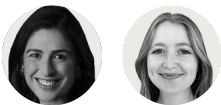


U.S. Accuses Visa of Monopoly in Debit Cards

The financial giant, which processes the majority of debit card spending in the United States, unfairly imposed fees on merchants and deterred rivals, the Justice Department said.



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By Lauren Hirsch and Danielle Kaye

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The Justice Department filed an antitrust lawsuit against Visa on Tuesday, accusing the financial giant of unfairly stifling competition in debit cards, the latest in a string of cases aimed at deterring monopolistic behavior by big companies.

For more than a decade, the government claims in its complaint, Visa has entered into de facto exclusive agreements with merchants and banks, encouraging them to route the bulk of their transactions through Visa's payment network. The company has maintained a monopoly in large part by imposing or threatening to impose higher fees on merchants that also use other payment networks to process debit transactions, according to the Justice Department.

The lawsuit stems from a sweeping investigation dating back years. It is part of a series of efforts made by enforcers under the Biden administration to target corporate middlemen, which it says needlessly increase fees, and take aim at power wielded by companies spanning technology to agriculture. President Biden in 2021 rolled out an executive order that made aggressive antitrust enforcement a pillar of his economic policy.

Visa is a very big middleman: It processed \$3.8 trillion in U.S. debit transactions in the year through June, generating over \$7 billion in processing fees per year, the Justice Department said. Those account for more than 60 percent of all such transactions.

"Visa's unlawful conduct affects not just the price of one thing, but the price of nearly everything," Attorney General Merrick B. Garland said in a statement accompanying the

complaint, which was filed in the Southern District of New York.

Visa's fees, which are largely invisible to the public, are paid by merchants and can be passed on to consumers, hitting younger and lower-income Americans the hardest, Benjamin Mizer, the Justice Department's third-ranking official, said at a press conference on Tuesday.

Julie Rottenberg, Visa's general counsel, said in statement: "Today's lawsuit ignores the reality that Visa is just one of many competitors in a debit space that is growing, with entrants who are thriving."

Ms. Rottenberg added, "This lawsuit is meritless, and we will defend ourselves vigorously."

The antitrust violations outlined in the government's complaint encompass all debit transactions using a physical card, as well as online or app-based purchases. Suppressing alternative card networks, which connect a card holder's bank to the merchant's bank when a purchase is made, has reduced competition in the market and "slowed innovation in the debit payments ecosystem," the Justice Department said.

The government also claims that Visa has deterred other companies, such as PayPal and Square, from entering the debit card market. It says that Visa has paid financial technology companies to be partners, rather than let them evolve into rivals, citing internal Visa documents.

"Visa abuses its monopoly power to thwart existing debit rivals and buy off would-be rivals at the expense of consumers, merchants, banks and the competitive process itself," Doha Mekki, the principal deputy assistant attorney general at the Justice Department's antitrust division, said in a statement.

The department's concerns with Visa are longstanding. Its antitrust division in 2020 sued to block Visa's \$5.3 billion deal to acquire the financial technology firm Plaid, arguing that Visa intended to stamp out a nascent rival. In that suit, the Justice Department said that Visa already had "a decisive market position through its online debit monopoly, and would unlawfully extend that advantage by acquiring Plaid."

Visa and Plaid abandoned their deal two months later.

Federal antitrust regulators have scrutinized Mastercard, too, over allegations that it has illegally suppressed competing debit payment networks. Visa and Mastercard together dominate the payments industry and have fought allegations that they maintain a duopoly. Last year, the Federal Trade Commission reached an agreement with

Mastercard that requires the company to share customer account information with competing networks and allow merchants to choose between rival networks.

The Justice Department has not yet decided what it will require from Visa to resolve the lawsuit, said a senior Justice Department official, who was not authorized to speak publicly. Analysts at Wells Fargo said they believed the review “will play out over a long period of time,” adding that “often these situations get resolved with manageable mitigation.”

Shares of Visa fell more than 5 percent on Tuesday, their steepest daily decline this year.

The lawsuit comes amid a broader focus by regulators on the finance industry. This month, the board of the Federal Deposit Insurance Corporation voted in favor of putting in place more stringent guidelines for evaluating bank deals. The same day, the Justice Department announced it was withdrawing from a framework established in 1995 that had guided how it had evaluated deals. The move will most likely toughen its scrutiny of banking mergers.

These actions in tandem send mixed signals about how officials will handle Capital One’s pending \$35.3 billion acquisition of Discover Financial Services, which banking regulators are currently reviewing. On the one hand, they could signify intense scrutiny of the industry by regulators. On the other, the lawsuit against Visa could draw attention to an argument made by Capital One and Discover that merging would create a stronger competitor to Visa and Mastercard.

The Biden administration recently faced a setback when a move by the Consumer Financial Protection Bureau to cap late fees on credit card payments at \$8 a month was temporarily blocked by a federal judge. Last week, former President Donald J. Trump revived the debate by proposing a cap on credit card interest rates.

In their crackdown on corporate intermediaries and “junk fees,” President Biden’s antitrust enforcers have also taken on companies including Live Nation Entertainment, which owns Ticketmaster, and RealPage, a maker of property management software.

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