

Durbin-Marshall: Europeanizing the U.S. Payments System

Supporters of the Durbin-Marshall Credit Card Bill often point to Europe as a compelling case study. The U.S. payments system is the most hassle-free and worry-free in the world – **it makes no sense to point to other markets as examples for the U.S. to follow.**

In Europe, consumers pay more, receive less in rewards, and have fewer options.

A tale of two consumer outcomes:

- **Less Access:** More than 80% of U.S. adults use and have access to credit through credit cards. In continental Europe, those figures hover below 50%, and are as low as 18% in parts of Eastern Europe.¹ And a majority of those credit products in Europe are merely “deferred debit” charge cards.
- **Fewer Options:** Following new government mandates, the number of credit card options decreased by 14%² between 2014 and 2018.
- **Higher Fees:** The average annual fee on consumer credit cards went up 13%³ after government caps were imposed.
 - Cardholders pay fees 17% higher in Italy, 76% higher in Germany, and 105% higher in France than U.S. cardholders.⁴
 - In the U.S., fees represent just 5% of revenue, while that percentage is three to six times higher in the EU.⁵

A tale of two rewards programs:

Despite Durbin’s claims that rewards cards in Europe are “comparable or better than what’s offered in the states,” here are the facts:

- The value of rewards card in the U.K. are significantly below those in the U.S., with many UK cards offer ~0.25% cashback compared to the typical 1.5-2% cashback with U.S. issued cards.⁶
- “In 2005, the Spanish government introduced gradually tightening price controls ... In response, local issuers reduced the rewards available from cards.” (ICLE)
- “Many U.S. credit cards currently offer cardholders a range of benefits, often including purchase-protection insurance, car-rental insurance, travel insurance, and fee-free international transactions. These benefits were also common on cards issued in the EU prior to the introduction of [card legislation], but were removed afterwards.” (ICLE)
- “The evidence from Europe and Australia is that the CCCA would cause such rewards to be diminished significantly, harming consumers both directly and indirectly.” (ICLE)

¹Argus Advisory Research: Italy and Spain Country Reports (2023)

²Edgar, Dunn & Company. “Interchange Fee Regulation Impact Assessment”. January 2020

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^{4/5}Argus Advisory Research: Germany, France, Italy, Spain Country Reports (2023)

⁶Forbes Advisor, 2023

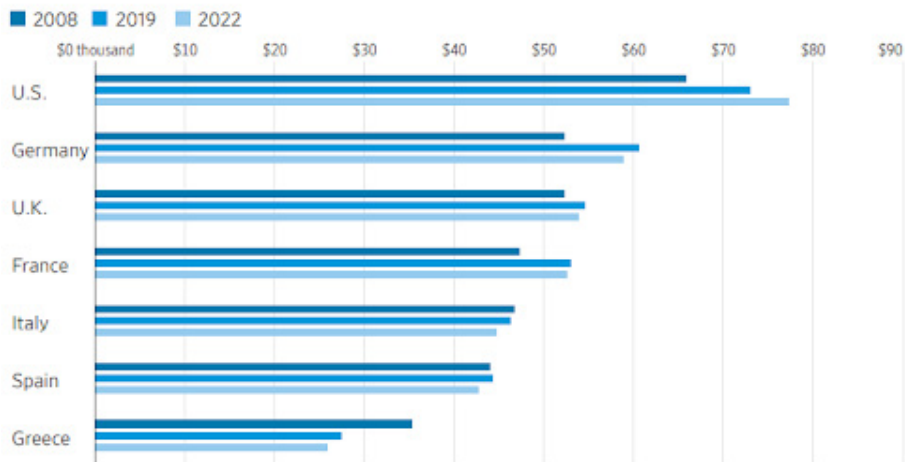
A tale of two economies:

- “The US economy is now considerably richer and more dynamic than the EU or Britain — and the gap is growing ... In 2008, the EU and the US economies were roughly the same size...Europe that has fallen behind — sector by sector.” (Financial Times)
- “Europeans are facing a new economic reality, one they haven’t experienced in decades. They are becoming poorer ... Adjusted for inflation and purchasing power, wages have declined by about 3% since 2019 in Germany, by 3.5% in Italy and Spain and by 6% in Greece. Real wages in the U.S. have increased by about 6% over the same period, according to OECD data.” (Wall Street Journal)

Mind the Gap

Americans have grown steadily richer since 2008, but Europeans are becoming poorer.

Average annual wages



Note: Adjusted for inflation and purchasing power.
Source: Organization for Economic Co-operation and Development

Economic data in Europe just went from bad to worse

-CNBC

Europe has fallen behind America and the gap is growing

-Financial Times

Why do supporters of Durbin-Marshall want to follow the EU’s trend of a slowing economy, higher fees, and less access?

EPC

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