Consumers Saved with Debit Reform

- Debit reform directly saved consumers money even though the banking industry lobbied and litigated aggressively to keep debit fees high to reduce those savings.
- Economist Robert Shapiro found that retailers pass along 70% of savings from debit reform. As a result, consumers saved $5.86 billion in 2012 alone, with merchants saving an additional $2.64 billion which could be used to hire more staff and invest in the business.[1]
- Collectively, these savings supported more than 37,000 jobs[2] – a significant economic stimulus.
- *Moody's Investor Service* has reported that debit reform savings have shielded consumers from higher prices that would have resulted from increases in other operating costs for businesses such as transportation and fuel costs: "As merchant acquirers pass on debit fee savings to retailers, we believe retailers will use them to help shield customers from the impact of these other rising costs."[3] The report also noted, "While on the surface it would be easy to presume that retailers would benefit from a reduced debit interchange fee, we do not expect retailers to see a material improvement in their earnings due to the Durbin Amendment."
- The data shows that there was inflation in the U.S. economy in the years after debit reform, and that debit reform helped protect consumers from the impact of that inflation.
    - Cost increases, as reflected in the Producer Price Index for retail trade industries, rose 9.4 percent from the time reform went into effect in October 2011 through the end of 2016, while price increases to consumers, reflected in the Consumer Price Index, increased only 4.3 percent.[4]
    - Those numbers demonstrate clearly that merchants shielded their customers from the majority of the cost increases the merchants themselves faced.
    - And, that has held true during the recent increased inflation. During 2021, for example, the Producer Price Index rose by 9.7 percent while the Consumer Price Index rose by 7 percent.[5]
- If merchants were hoarding swipe fee savings and not passing them along to consumers, retail profit margins would have increased after debit reform. But the facts tell a much different story. For example, in the grocery industry, pretax profit margins in the two years

---

[1] *Id*. at

[2] *Id*. at

[3] "New Debit Rules Hurt Banks and Reshape the Payment Processor Market," Moody's Investor Service (June 20, 2012) at 10.

[4] Producer price index figures from the St. Louis Fed can be found here: https://fred.stlouisfed.org/series/PCUARETTRARETTR and consumer price index figures from the Minneapolis Fed can be found here: https://www.minneapolisfed.org/community/teaching-aids/cpi-calculator-information/consumer-price-index-and-inflation-rates-1913.

[5] The U.S. Bureau of Labor Statistics' release on the producer price index can be found here: Producer Price Index News Release summary - 2021 M12 Results (bls.gov) and the 2021 increase in the consumer price index can be found here: CPI Home : U.S. Bureau of Labor Statistics (bls.gov).

prior to debit reform were 2.3 percent – and following debit reform those margins fell to 2.1 percent (in 2012) and 1.9 percent (in 2013).[6]

- The leading report the credit card industry uses to try to say that merchants did not pass-through savings in fact proves the opposite. The report says, "Relative to the average savings per gallon that we estimate in Table 6 ($.0076/gallon) this represents only a 53 percent pass-through of gas retailers' Durbin savings."[7]
  - They also noted that in fact their estimate is low due to some of their results being "noisy" – that is, there were other factors impacting price too. The report states: "Further work on Durbin's impact on gas margins is necessary and these are rough and preliminary estimates. We find it more likely that the upper bound on passthrough we estimate for high-debit zipcodes reflects Durbin's impact than the estimate for low-debit zipcodes, where results are noisy."[8] So, the leading report cited by the credit card industry, which the industry claims shows consumers don't save, actually shows that 53 percent of savings goes directly to consumers and that savings are likely higher than the paper estimates.
  - "This is consistent with the observation of Wang et al. (2014) that many merchants do not know that their interchange expense decreases following Durbin's enactment. However, in zipcodes where Durbin looms large—**where interchange expense falls significantly—retailers do revise prices quickly**."[9]
- Banks also often point to an opinion survey by the Richmond Federal Reserve to claim that consumers did not save from debit reform.[10] This opinion survey, which was not a peer-reviewed study, failed to take inflation into account. The actual data shows that merchants held prices down as their costs increased.

---

[6] "Grocery Store Chains Net Profit," FMI available at FMI | Grocery Store Chains Net Profit.

[7] Vladimir Mukharlyamov and Natash Sarin, "The Impact of the Durbin Amendment on Banks, Merchants, and Consumers," Penn Carey Law: Legal Scholarship Repository (Jan. 31, 2019) (available at The Impact of the Durbin Amendment on Banks, Merchants, and Consumers (upenn.edu)).

[8] *Id.* at 31.

[9] *Id*. at 32.

[10] Renee Haltom and Zhu Wang, "Did the Durbin Amendment Reduce Merchant Costs?" (Dec. 2015) at 4, available here.