



**Canadian Restaurant
and Foodservices
Association**

November 17, 2009

Mr. Tim Wilson
President
Visa Canada
40 King Street West, Ste. 3710
Toronto, Ontario
M5H 3Y2

Dear Mr. Wilson:

Thank you for meeting with CRFA to discuss restaurant operator concerns about credit card and debit card fees and processes. We continue to receive calls from our members who are very concerned and confused about new Visa debit products and we would appreciate it if you provide clarification. We are also requesting clarification from Visa processors but it would be helpful if you could specify which policies/rules are mandated by Visa and which policies/rules are at the discretion of processors/acquirers.

- Fees

We have already communicated to you our opposition to debit fees based on a percentage of transactions, instead of a fixed fee. We believe debit is equivalent to cash. It costs the same to process a \$5.00 transaction as it does a \$500.00 one. As a result CRFA and our members will continue to vehemently object to a percentage fee.

- Priority Routing

We understand that cardholders will be issued new debit cards that will include both Interac and Visa Debit. We believe that merchants should be able to choose the order in which payment networks are offered to their customers without being charged additional fees for exercising this right. However, we are hearing that customer cards are being encoded and point-of-sale equipment programmed so that Visa is the default option presented to customers. Can you confirm that this is the case and whether or not you permit or condone this practice?

Alternatively, we are hearing that processors are programming equipment to prompt customers to select between Interac and Visa Debit. This is problematic because customers will not know to select the lowest cost option for merchants or they will be incented to choose the Visa debit option for benefits such as reward programs. Can you confirm that you will allow processors to enable equipment so that merchants can switch the order in which payment options are presented to customers? Can you confirm whether or not you will be offering customer reward programs for using Visa Debit?

Because the roll-out of your new debit product is occurring at the same time new equipment upgrades are being introduced, we are hearing that priority routing programming is being undertaken without merchants' knowledge. Can you confirm if this is true and if yes, why you are permitting this to happen?

- Choice

CRFA believes merchants should choose which cards they want to accept – a choice made through express, written consent.

CRFA is hearing of processors using negative option acceptance to introduce new debit products to merchants. In one scenario, merchants are instructed to go online or call to decline new debit payment options – otherwise, these products are automatically added by their processor. In another scenario, merchants have been told that once they process their first Visa Debit transaction, their merchant agreement will automatically be modified to include new Visa Debit provisions. Can you confirm whether or not you permit negative option acceptance and what you are doing to ensure that processors are providing merchants with clear, transparent and accurate information about their options?

Can you tell us if and when Visa will be offering card-holders the option of Visa credit and Visa Debit on one card? If this is the case can you confirm that merchants will have the option of accepting Visa credit but not accepting Visa Debit?

- Charge-backs

Interac treats debit as cash without any charge-backs to merchants or requirements for reserve accounts. Some acceptance rules from processors indicate that the liability and charge-back rules for Visa Debit will be the same as Visa chip cards. This practice doesn't make sense since debit transactions, like cash, are final and irrevocable. Can you explain whether this has been mandated by Visa and why?

As we discussed at our meeting CRFA members are very unhappy about current credit card fees, rules and practices. They are also very concerned about the roll-out of new Visa Debit cards and what this will mean for their businesses.

As a result, CRFA continues to call on the federal government to provide greater oversight of the credit card and debit card payment systems in Canada to ensure that fees charged to merchants are reasonable, predictable, transparent, linked to costs, and do not include the cost of cardholder enrichments.

Your co-operation in clarifying your position on some of the questionable practices outlined above would be appreciated. Your response will be shared with our members. Please do not hesitate to contact myself or Joyce Reynolds if you require further information.

Yours sincerely,



Garth Whyte
President and CEO

c.c. Members of "Stop Sticking It To Us" Coalition members
The Hon. James Flaherty, Minister of Finance
Nancy Hughes Anthony, President, and CEO, Canadian Bankers Association
Melanie L. Airken, Commissioner of Competition
David Phillips, President and CEO, Credit Union Central of Canada