



Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

Testimony to the Senate Finance Committee
SB 520– Consumer Protection – Credit or Debt Surcharges -- Limitation
Position: Favorable

The Honorable Pam Beidle
Senate Finance Committee
3 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

Feb. 14, 2024

Honorable Chair Beidle and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a nonprofit group that works to protect Maryland consumers and secure safety, transparency and fair treatment for Maryland drivers and car buyers.

We support **SB 520** because it mandates sensible limits on surcharges for the use of the credit cards many consumers now rely on and protects us against abusive extra credit card fees.

While cash was once king, credit cards are now basic to the way most consumers spend their money. 84% of consumers had a credit card in 2021, including 94% of consumers with incomes more than \$50,000/year.¹ Indeed consumers are routinely advised that making purchases by credit is the smart choice: that credit cards are safer than carrying cash, help you build credit and track your spending, come with protections against fraud you don't get if you use cash or a debit card, and can help you earn valuable rewards or rebates for your routine spending.²

As online shopping boomed and cash became harder to access during the pandemic, more and more of started using credit cards to pay for most of our expenses – and indeed many younger people barely use cash at all.

At the same time, it has also grown increasingly common for merchants to charge us extra fees for using credit. In a 2023 Lending Tree survey, 69% of credit card users reported being charged extra fees – and 32% said they had not been notified of those fees in advance.³ New credit card fees are especially conspicuous in the restaurant industry– so much so that the *New York Times* last August chose to highlight that trend in a feature piece citing restaurants charging “convenience fees” of up to 5% for credit card use.⁴

To be fair, the use of credit does cause additional costs for retailers and restaurants – with credit card firms charging vendors fees up to 4% of the transaction (and usually 1.5% to 3.5%) for a

¹ <https://www.forbes.com/advisor/credit-cards/credit-card-statistics/>

² <https://www.nerdwallet.com/article/credit-cards/why-every-purchase-should-be-on-a-credit-card>

³ <https://www.lendingtree.com/credit-cards/study/processing-fees/>

⁴ <https://www.nytimes.com/2023/08/14/dining/restaurant-credit-card-fees.html>



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credit card charge. Surcharges in response to those costs have been legal in Maryland since 2013 – and appear also to have grown more common here in recent years.

But the fees do impose additional burdens on cash-strapped consumers who rely on credit. Lending Tree's survey found that 57% of consumers thought those fees should be illegal.⁵ And many states have acted to prohibit or restrict them. Connecticut, Massachusetts, and Puerto Rico have banned such surcharges altogether. Seven other states have rules on the books that do so but those rules are now tied up in legal disputes.⁶

Indeed just last week, a new law in New York State took effect that not only limits such surcharges to the amount the credit card company actually charges the retailers for the transaction – just as **SB 520** would do in Maryland – but requires merchants to display credit card surcharges in the prices they show consumers before they make a purchase (i.e. at a retail store or on a menu).⁷

SB 520 does not prohibit surcharges (or even mandate such price disclosures) but reasonably limits them to no more than the fees the credit card companies charge retailers. That allows merchants who feel they need to do so to recover the costs of those fees but protects consumers against excessive or highly expensive extra credit card fees. And that works quite reasonably, I think, to address the needs of both consumers and small businesses.

We support SB 520 and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

⁵ <https://www.lendingtree.com/credit-cards/study/processing-fees/>

⁶ <https://www.paystand.com/blog/passing-credit-card-fees-to-customers-a-state-by-state-guide>

⁷ <https://www.cbsnews.com/newyork/news/credit-card-fees-surcharge-new-york-businesses-restaurants-prices/>