

Fee Reductions Plans - decoded

Interchange Plus

Definition:

- You pay the true interchange fee set by card networks (Visa/Mastercard) plus a fixed markup from your processor.

Limitations:

- Statements can be complex due to varying interchange rates.
- Monthly costs are less predictable compared to flat-rate.

Requirements:

- Requires clear processor contracts and pricing transparency.

Savings Potential:

- Low- Medium: Transparent pricing, better for merchants than flat rate or tiered plans

Surcharging

Definition:

- Payment Terminal/POS adds a specific fee (max 3%) to the customer's bill when paying by credit card to recoup card processing costs.

Limitations:

- Surcharging is illegal in some states and lower cap % in others.
- Cannot surcharge debit/prepaid cards in the US.
- May drive away price-sensitive customers.

Requirements:

- Merchants must notify card brands before surcharging.
- Display clear point-of-sale and entry disclosures to customers.
- Fee must not exceed the actual cost of acceptance and capped at 3%.

Savings Potential: 50-75%

- Moderate to high—theoretically eliminates credit card fees on credit purchases, but not well suited to businesses with high debit acceptance or low average ticket.

Dual Pricing

Definition:

- Merchants display both cash and card prices; customers pay the listed “cash price” or a higher “card price” that incorporates processing costs.

Limitations:

- Implementation can be confusing for staff/customers. May irritate customers expecting to pay the listed cash price (non-compliant).
- Some card brands scrutinize this strategy and may treat improperly executed dual pricing as non-compliant surcharging if cash prices are displayed and/or fees added to debit cards.

Requirements:

- Two separate price points posted or the higher ‘regular’ price (not a surcharge after the fact).
- Higher prices (or both prices) must be clearly displayed before sale.

Savings Potential: 80*-100%

- High — When properly implemented, more savings than surcharging by including debit cards. Best option for high debit / low average ticket merchants. *Tips are not increased

Cash Discounting

Definition:

- Merchant lists the higher prices inclusive of card fees by default. Customers paying with cash receive a discount at checkout.

Limitations:

- May irritate customers expecting to pay the listed price.

Requirements:

- Must show highest price as the posted price; cash discount applied at time of payment.
- Must avoid adding fees to transaction for using cards after-the-fact (which is surcharging, not cash discounting).

Savings Potential: 80*-100%

- High—shifts processing burden to non-cash customers, similar to dual pricing, but relieves the added fees for cash/check paying customers. *Tips are not increased

Strategy	Limitations	Requirements	Savings Potential (Rank)
Interchange Plus	Complex billing statements, fluctuating costs, zero risk	Transparent contract, pay for only what you collect on	3 (low-med)
Surcharging	Regulatory limits, customer pushback, State limits, minimal risk	Clear signage, 3% cap on credit, no added fee on debit/prepaid. Show surcharge on receipt	2 (med-high)
Dual Pricing	Confusion, scrutiny, card rules, medium risk.	Post higher regular prices (or both prices), do not leave cash prices posted. Do not show added fee on receipt	1 (Highest)
Cash Discounting	Minimal risk, pricing expectations	Post higher full price, discount for cash payments	1 (Highest)

Ranking assumes proper implementation—actual savings depend on volume, credit to debit ratio, average transaction amount, implementation, and customer behavior.

Common Confusions & Misuse

- Cash Discount vs. Surcharge: Cash discounting requires posting the higher price; surcharging cannot be “backdoored” as a discount after presenting a lower price.
- Dual Pricing vs. Surcharge: Dual pricing must show both prices in advance; otherwise, adjusting at checkout is likely considered surcharging.
- Non-compliant fees: Some processors market surcharges or “compliance” add-ons mislabeled as cash discounting, dual pricing, or non-cash adjustments — this can put merchants at risk of substantial card network penalties.

Best Practices for Compliance

- Always consult state law and card network rules before implementing surcharging or dual pricing.
- Post all required notices visibly at the point of entry and point of sale.
- Ensure that your receipts are compliant and do not show an added fee (unless surcharging)
- When surcharging, do not exceed 3% on credit, or apply fees to debit/prepaid cards in the US.
- Work with processors experienced with compliance (not just marketing “solutions”).
- Review program structure with legal or payment compliance experts regularly.