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Navigating the Evolving Landscape of B2B Interchange Fees: Strategies for Cost Control and Compliance

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Credit card payments drive faster and more efficient cash flow, but with high costs. Interchange fees rank among the largest expenses for businesses that accept card payments. For B2B organizations, where transactions often involve high-value purchases and complex payment terms, interchange fees can quickly become a major cost center, second only to labor. B2B payments involve commercial cards, purchasing cards, and corporate accounts—each carrying its own cost structures and optimization opportunities.

Adding to the complexity, each card type has unique interchange fees which constantly change. Factors like card type, transaction method, regulatory changes, and card network updates all impact costs. Visa, Mastercard, and American Express regularly adjust their fee structures, while government regulations introduce new compliance requirements.

Unfortunately, there's no way to get around interchange fees. Credit professionals, finance teams, and accounts receivable (AR) managers must understand these fees to find opportunities to minimize their impact. Businesses can manage interchange costs by passing enhanced transaction data, promoting lower-cost payment methods, and strategically implementing surcharging.

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June Dates to Remember:

14th: Flag Day
15th: Father's Day
20th: Summer Begins

Understanding Interchange Fees in B2B Transactions

What Are Interchange Fees?

Credit card interchange fees, or "swipe fees," represent the costs businesses pay when they accept credit card payments. Card networks set these fees, and the card-issuing banks collect them. While interchange fees serve important purposes—such as mitigating risk and covering fraud protection, processing costs, and rewards programs—they also pose a significant expense for B2B businesses.

B2B transactions often involve corporate and purchasing cards, which typically have the highest interchange rates. According to the Nilson Report, interchange fees typically range from 1.5% to 3.5% of the transaction amount. Data from payments consulting firm CMSPI, reveals that swipe fees charged by big banks and card networks totaled $224 billion in 2023, nearly a third more than previously estimated. These costs add up quickly for a business processing millions in payments. 2.5-3.5% card fees can erode 25-35% of a typical B2B's 10% net profit margin.

How B2B Interchange Differs from B2C

Consumer purchases tend to be lower in value. In contrast, B2B transactions often involve higher-dollar purchases and more complex approval processes, with base interchange rates that typically exceed consumer card rates. Fortunately, card networks allow businesses to materially lower interchange costs by providing enhanced transaction data through Level 2 and Level 3 processing. The enhanced data informs the card networks that the transaction has lower risk, leading to lower costs. Credit card transactions fall into different processing levels, each with varying data requirements and interchange rates.

The Three Levels of Credit Card Processing

Level 1 Processing	Level 2 Processing	Level 3 Processing
	Enhanced Transaction Data	
The most basic level, used primarily for consumer credit card transactions, and carries the highest interchange fees. Card number Purchase amount Transaction date	Designed for B2B transactions, this level requires data from Level 1 and additional details. Tax amount Tax ID Merchant postal code Customer code	The most detailed level, used for corporate and purchasing cards. Also includes details from Levels 1 & 2. Merchant code Invoice number Product descriptions Unit prices Tax breakdowns

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Unique Interchange Considerations for B2B

In addition to the level of data submitted, interchange fees differ based on card type, transaction method (e.g., in-person or remotely), and type of business or industry. Many B2B transactions occur remotely, leading to higher fees because remote transactions typically have higher levels of fraud. Additionally, procurement processes often require businesses to use corporate or purchasing cards, which carry higher interchange rates.

Companies that fail to provide necessary Level 2 and Level 3 data on eligible transactions end up paying more than those that optimize payment processes. Businesses can benefit from understanding how different variables impact their interchange rates and taking steps to mitigate unnecessary costs. Key considerations include:

Card Types Matter: Commercial, corporate, and purchasing cards carry higher interchange fees than consumer cards. Merchants that accept corporate cards from their customer's procurement must factor these fees into their payment strategy.

Transaction Method Impacts Rates: Card-not-present transactions lead to higher fees due to increased fraud risk. If businesses process most payments remotely, they should explore ways to reduce interchange costs. Furthermore, you may incur additional costs for pre-authorizing cards or submitting a payment multiple times.

Data Can Unlock Savings: Enhanced transaction data (Level 2 & 3) reduces interchange rates for qualifying transactions. Card networks typically provide lower rates if businesses tokenize cards or verify addresses using Address Verification Services (AVS). Businesses that properly format and submit data at these levels can unlock significant cost savings.

Strategies to Reduce Interchange Costs

B2B merchants juggle many competing priorities, so payments should be easy. Credit cards offer guaranteed funds, fast settlement, and lower risk. Accepting credit cards leads to better customer experiences, more sales, and lower administrative costs. However, payment fees can quickly take a significant bite out of your net margins. Fortunately, there are options businesses can implement to reduce high interchange fees rather than accepting them as is. By applying the right tools and strategies, companies can reduce costs and improve efficiency. Key strategies worth implementing include:

1. Passing Enhanced Data (Level 2 & 3 Processing) and Tokenizing Cards

Many businesses overpay interchange fees because they fail to take advantage of Level 2 and Level 3 processing. By submitting additional details, companies qualify for lower interchange rates, potentially reducing fees by 0.5%-1.0% per transaction. Many processors support Level 2 and Level 3 data entry to maximize savings. Using tokenization and verifying addresses reduces risk of card fraud and can net savings from the card networks.

Enhanced data processing does more than just lower costs, it also improves transaction transparency and security. Providing detailed information reduces the likelihood of disputes, chargebacks, and fraud. B2B companies should prioritize training finance and AR teams to properly input Level 2 and Level 3 data, tokenize cards, and use AVS to avoid leaving savings on the table.

2. Encouraging Lower-Cost Payment Methods

Credit cards offer convenience, but they remain one of the most expensive payment methods due to interchange fees. Companies can reduce costs by shifting transactions toward lower-cost alternatives. For example, encouraging ACH and wire transfers in specific lines of business where credit card convenience is less beneficial can lower the total amount of fees. As stated below, surcharging oftentimes encourages use of lower-cost payment methods.

3. Using Surcharging to Offset Processing Fees

Many B2Bs seeking ways to optimize payment costs see surcharging as a useful targeted solution. Surcharging involves passing all or some of the credit card processing fees onto the cardholder in a highly transparent manner. This provides significant benefit to businesses in offsetting processing costs, with the cost of implementing the program often recouped in a matter of weeks. This is why 63% of B2B merchants desire an easy surcharging solution, but only 15% have one. Yet it's important to implement surcharging thoughtfully and in compliance with regulations.

Surcharging is more than just a fee added to a transaction. It's more like sales tax than shipping fees. Compliance considerations are significant. Surcharging also impacts many parts of a business beyond the invoice, from the general ledger to the sales cycle to legal, customer support, and beyond. To ensure full business preparation and avoid a negative impact, look for a surcharging program, not just a feature that adds a fee.

How Surcharging Can Be Used Strategically:

- **Increase Sales Without the Cost**: Offering multiple payment options is proven to increase sales by up to 30%; you make transactions easier if a customer has many ways to pay for them. Surcharging solves the dilemma for B2Bs that avoid credit cards due to the cost, even though their customers request the option.

- **Apply Selective Surcharging:** Businesses can apply surcharges only to certain business lines or transaction types where card fees have the largest impact.

- **Influence Payment Behavior:** By adding a surcharge to credit card transactions while promoting no-fee ACH options, businesses encourage customers to consider cost against convenience, moving some to use lower-cost payment methods. Over time, this shift can lead to substantial savings.

- **Enable Flexible Implementation:** Surcharging allows businesses to maintain margins while still offering credit card payment options. Rather than absorbing rising interchange costs, companies can strategically apply surcharges in limited and customized ways to protect profitability where it matters most.

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Regulatory Landscape & Compliance

Understanding Visa, Mastercard, and Amex Rules

Each card network enforces specific guidelines for interchange rates and surcharge compliance. Businesses must stay updated on rule changes to avoid non-compliance penalties and ensure cost-efficient processing. Visa, Mastercard, and American Express frequently update their interchange rates, introduce new processing requirements, and impose limits on surcharge amounts.

Average Interchange Fees by Card Type (as of February 2025):

Visa: 1.23% to 3.15% per transaction

Mastercard: 1.15% to 3.15% per transaction

American Express: 1.10% to 3.15% per transaction

These rates can vary depending on factors like the transaction method, merchant category, and cardholder rewards programs. Businesses should regularly audit their payment processing strategies to ensure they remain aligned with network rules and take advantage of cost-saving opportunities.

Regulatory Considerations for Fee Reduction Strategies

To be a compliant, certified surcharge, all applicable laws and regulations must be adhered to. While state laws often take precedence over network rules wherever they conflict, this can vary, and it is recommended that an expert handle compliance down to a state and regional level for any surcharging program. Non-compliance is aggressively enforced with $25,000 fines from card networks and even more from state attorneys general.

- **State and Regional Laws**: Some U.S. states and territories regulate surcharging, imposing restrictions or requiring additional disclosures, while others prohibit surcharging entirely. In some cases, they regulate the amount that can be surcharged.
- **Fee Transparency**: Businesses must clearly inform customers about surcharges before processing payments. Payers must be able to avoid a surcharge by either choosing a different payment method or terminating a surcharged transaction.
- **Compliance with Card Network Rules**: Each network caps surcharge amounts to your cost of accepting payments and requires specific disclosure practices.

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The Future of Interchange Fees

As technology evolves and regulatory oversight grows, interchange fees and B2B payments will keep changing. The B2B payments landscape is experiencing one of its biggest disruptions in decades—driven not only by technological advances but also by a new generation stepping into decision-making roles and redefining expectations. To stay competitive, companies must remain informed and proactive in navigating this shifting landscape. Key developments to watch include:

- **Emerging Payment Methods:** Real-time payments, blockchain solutions, and virtual cards have entered the payments mix alongside traditional credit card payments. If a business sees their customers adopting these methods, they should evaluate whether accepting them can help reduce processing costs.

- **Potential Regulatory Changes:** Governments worldwide assess interchange fees and surcharging practices, potentially leading to stricter regulations or fee caps. Companies should monitor regulatory updates to stay ahead of changes.

- **Advancements in Automation:** Modern payment solutions and integrated payment gateways help businesses optimize interchange rates and reduce costs. Businesses that embrace automation gain efficiencies while minimizing expenses.

Taking Control of Interchange Fees

Managing interchange fees requires an active approach, but businesses that understand the landscape and implement the right strategies can significantly reduce costs. Whether through Level 2 and Level 3 data submission, surcharging, or promoting lower-cost payment options, B2B companies can take control of their payment processing expenses. Staying ahead of regulatory changes and embracing payment innovation will ensure long-term success in an increasingly complex financial environment.

About the author:

Bruce Hubbard is the VP of Product and Delivery at InterPayments Inc., the leading Managed Surcharge Provider. Prior to his 7 years of experience in the surcharging space, he spent 20 years developing online banking, pioneering the first online bank and white-label banking systems at S1. He also has 14 years of experience in the aerospace sector, developing jet technology at Lockheed Martin and McDonnell Douglas.

International Reports

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rross@nacskc.com

Credit Professionals Alliance has been working hard to provide our clients with the most up-to-date webinars concerning today's challenges in the credit field. Watch your email for upcoming registration information on all of the following webinars.

June 3rd:	**The Future of Credit Management: *Insights from 400 Credit Leaders***
June 10th:	**Overcoming Barriers to AI Adoptions: *Building Trust and Delivering Business Value***
June 17th:	**How to Harness the Power of Trade Data in your Credit & A/R Portfolio**
June 18th:	**Rolling out a Credit Card Surcharge Program: *Hot Topics & Best Practices***
June 24th:	**Fast-Track Collections: *Leveraging Modern Tech For Maximum Recovery Without the IT Headache***

Be sure to check out our website www.nacskc.com/education.html for additional educational opportunities as these are constantly being updated.

Are you looking for Certification and Certificate opportunities? Credit Professionals Alliance can lead you in the right direction, contact Rhonda Ross for additional information at rross@nacskc.com or (913) 383-9300.

Educational Update:
Credit Research Foundation Webinars

June 2025

CRF offers a variety of educational programs: Proctored Courses, On-Demand Courses as well as webinars.

August 18-20, 2025	August Forum & Expo—Austin, TX
October 27-29, 2025	October Forum—Ft. Lauderdale, FL

It is very simple to participate: Go to http://www.crfonline.org and click on the Education.

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The following webinars are being offered by NCS Credit to register for these go to: https://www.ncscredit.com/education-center/events/

June 17th:	**The Importance of Gathering Job Information**
August 12th:	**Bond Claims and Public Construction**

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