

DOJ: Visa / Plaid Deal Would be Bad for Online Debit Market and Consumers

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Government Sues to Block Deal Intended to Erase Disruptor

Referring to Visa Inc. as a monopolist in the online debit services industry, the Department of Justice on Nov. 5 sued to stop the payment card giant's proposed \$5.3 billion purchase of Plaid, Inc., a relative new and successful fintech company that connects 200 million consumer bank accounts to 11,000 U.S. banks. The DOJ Antitrust Division says Plaid is developing a payments platform that would challenge Visa's monopoly which generates billions of dollars in transaction fees. Visa's 2019 revenues were approximately \$23 billion, while Plaid earned approximately \$100 million.

"... Visa is attempting to acquire Plaid, a nascent competitor developing a disruptive, lower-cost option for online debit payments. If allowed to proceed, the acquisition would deprive American merchants and consumers of this innovative alternative to Visa and increase entry barriers for future innovators," said Assistant Attorney General Makan Delrahim.

According to the DOJ, Plaid's technology allows developers to plug into consumers' various financial accounts, with consumer permission, to aggregate spending data, look up balances, and verify other personal financial data. Because it accesses data on behalf of so many fintech app customers, it has become the leading financial data aggregation company in the United States. Plaid's intention to build a bank-linked payments network would compete with Visa and threaten its monopoly. That's the reason for the acquisition, the complaint alleges, to protect Visa's hold on this market and maintain the lucrative fees it can charge.

"Visa has dominated online debit for years and has protected its monopoly with exclusionary tactics that have prevented rivals, including Mastercard, from expanding or entering," according to the government. The case was brought in U.S. District Court for the Northern District of California under Section 2 of the Sherman Act and Section 7 of the Clayton Act.

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