

PayPal Faces Antitrust Lawsuit for Alleged High Transaction Fees



Leading payments giant PayPal (PYPL.O) is facing a consumer antitrust lawsuit filed on Thursday in a San Jose federal court. The case, brought forth by two consumers from California and Georgia, alleges that PayPal has crafted agreements with e-commerce merchants that artificially maintain high transaction fees.

Alleged Anti-Competitive Practices

The prospective class-action lawsuit asserts that PayPal's contracts impose restrictions on merchants, preventing them from using price incentives to direct consumers toward potentially more cost-effective payment options. This legal action marks the first-ever case to accuse PayPal of violating U.S. competition law through its "anti-steering" rules.

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PayPal's Response

In response to the lawsuit, PayPal released a statement indicating they are reviewing the legal action. The statement also asserted, "PayPal continues to put our customers first in everything we do, and we take this responsibility seriously."

Seeking Monetary Damages and an Injunction

The lawsuit seeks unspecified monetary damages, and an injunction against what it alleges are anticompetitive practices by PayPal. With more than 430 million active accounts and processing 41 million transactions daily, PayPal holds a significant position in the payments industry.

Challenging the Purpose of Anti-Steering Rules

The lawyers representing the consumers argue that PayPal's "anti-steering" rules do not serve any plausible pro-competitive purpose." They contend that eliminating these restrictions would enable sellers to "competitively price transactions" and allow consumers to secure discounts during checkout.

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A Comparison of Visa and MasterCard

The lawsuit parallels PayPal's actions and those of Visa and MasterCard in 2010 when they agreed to eliminate rules restricting price competition in a settlement with the U.S. Justice Department. The lawsuit states, "With payments transitioning into the digital realm, PayPal has simply ripped a page from the Visa and MasterCard playbook."

Don't be a silent ninja! Let us know your thoughts in the comment section below.

