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# Apple Pay feels the heat from US banks frustrated with fee scheme

Article

**The news:** After banks reportedly pressured **Visa** to revise how it processes **Apple Pay** transactions, the card network is rumored to be considering a plan that would reduce the fees the wallet earns on subscription payments, per The Wall Street Journal. The proposed change would take effect next year, people familiar with the matter told the Journal.

- When Apple Pay launched in 2014, US banks agreed to pay **0.15% for every credit card transaction** customers made using the wallet.
- But Visa may change its processing technology so banks only pay Apple Pay's fee on the first cycle of recurring automated payments.
- Apple objected to the change and is in discussions with Visa to find common ground; it's unclear whether the plan will go into effect.

**Key context:** When Apple Pay debuted, issuers and card networks feared Apple would extend its reach and brand loyalty too far into payments and eat into their market share. So Visa forged an agreement with the tech giant: Apple could decide which issuers and cards it would accept, and in exchange, Apple would not launch a competing card network.

Apple has kept its side of a bargain, but the 2019 launch of Apple Card and its subsequent popularity—placing Apple into more direct competition with issuers—might be a factor driving the fee reevaluation.

**Why this matters:** For now, the proposed change would only affect subscription payments, a small portion of overall payments but still a sizable market: Last year, revenues in **major subscription categories reached $54 billion** in the US, per Insider Intelligence pre-pandemic estimates.

But there are two potential implications:

- Other major card networks could follow Visa's lead, which would hurt a larger slice of Apple's payments volume. Fee changes could also expand beyond subscription payments.
- Combined, this could pose a risk to Apple's payments business, especially with **US Apple Pay users set to increase 9.7% this year**, per our forecasts: In its fiscal Q3 (ended June 26, 2021), Apple reported **$7.486 billion in revenues for its services segment**, which its payments business falls under.

**The bigger picture:** Apple is facing other payments challenges. EU regulators are reportedly preparing to charge Apple for antitrust practices concerning the NFC technology—which underpins contactless payments—on its iPhones, per Reuters.

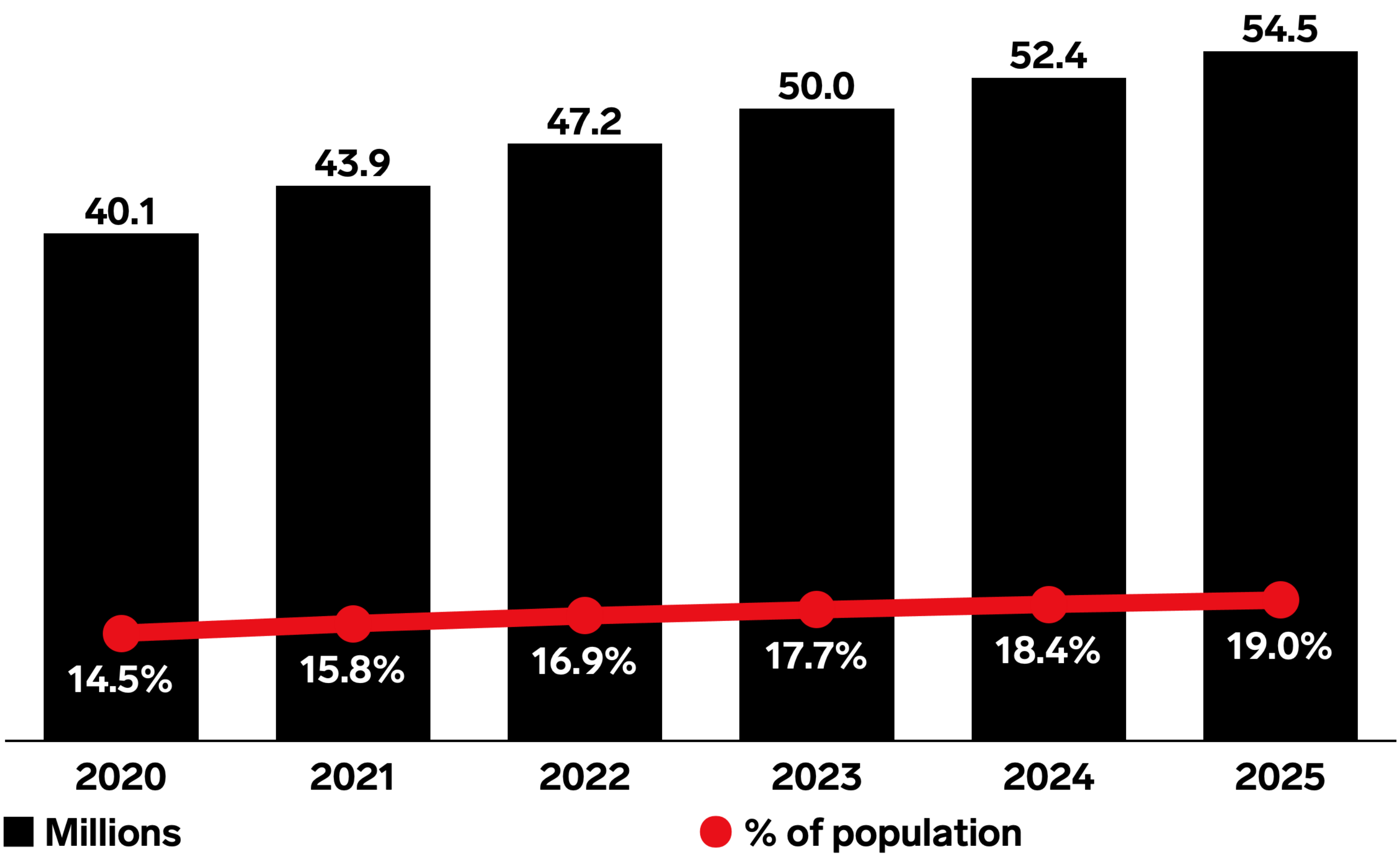
- Apple prevents other companies from using the tech to create payment solutions on iPhones—giving it a substantial share of the mobile payments market as the only NFC-based option for iPhone users.

- If the EU charges Apple, the tech giant could face a heavy fine and may have to share its NFC technology with other companies, potentially foreshadowing similar challenges in other markets.

***Related content:*** *To read more on Apple Pay's challenges and other factors affecting its business, check out the Proximity Mobile Wallets portion of the "US Mobile Payments Forecast 2021" report.*

# Apple Pay Users and Penetration

*US, 2020–2025*




*Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past 6 months using Apple Pay. A proximity mobile payment is a point-of-sale (POS) transaction made by using a mobile device as a payment method. Includes scanning, tapping, or swiping a mobile device at the POS to complete transaction; excludes purchases of digital goods on mobile devices, purchases made remotely on mobile devices that are delivered later on, and transactions made via tablets.*
*Source: eMarketer, March 2021*
*Methodology: Estimates are based on the analysis of the market presence of major mobile payment players; estimates from other research firms; and consumer smartphone, mobile payment adoption, and retail spending trends.*

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