

US Pays Dearly to Keep an Antiquated Credit Card System

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By John Morgan

Europeans wonder why the United States is at least a decade behind much of the developed world with its old credit card technology that has allowed cyber crooks to steal personal information from at least 100 million Americans.

[The Guardian](#) looked at some of the obstacles the U.S. faces in updating its outmoded card swipe system to the current chip-embedded cards used elsewhere.

One problem is that the U.S. market is so large that the technology transition would cost as much as \$8 billion. The nation has an estimated 10 million credit card terminals (those point-of-sale devices at retail cash registers) and 1.2 billion cards.

“Sometimes size isn’t a plus,” the Guardian said. “It’s difficult to get such a large market to adopt.”

A second problem is that there is apparent disagreement over who would pay for the technology upgrade: retailers; big banks; or card processors like Visa and MasterCard?

The Guardian said another factor is inertia. America has strong consumer legal protection for people whose credit card information is stolen, and also has historically low fraud rates compared to many nations.

There has been some hope the U.S. would simply leapfrog chip-embedded cards and move straight to widespread payment transactions by smartphone. But the Guardian noted that while many companies are experimenting with mobile transactions, there has been a struggle for consensus on how it would be implemented widely.

[USA Today](#) reported both banks and retailers are still balking at switching to the chip-embedded cards. Presumably, banks would bear the cost of distribution of millions of new cards, and retailers would have to pay for new scanning devices.

"Now we have an escalating rate of fraud that is creating a business need to address (this) more aggressively than five or 10 years ago," Randy Vanderhoof, executive director of the Smart Card Alliance, told the newspaper.

Visa and MasterCard have declared that banks and retailers still using the existing magnetic stripe technology after October 2015 will be responsible for fraud from hackers exploiting the old technology...

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