



# Center for Competition and Market Regulation

## **A Legitimate Role for Unbundled Fees**

Labeling all unbundled fees as "junk fees" oversimplifies a complex issue, disregards the legitimate purposes of many fees, and risks harming both consumers and businesses by reducing choice, transparency, and economic efficiency.

### **Purposeful Differentiation:**

Many fees serve a legitimate purpose, such as covering the costs of specific services or incentivizing certain behaviors. For example, late fees represent the costs companies bear due to missed payments, and variable fees for expedited services allow consumers to prioritize based on their needs.

### **Consumer Choice:**

Unbundled fees often provide consumers with options. For instance, charging extra for faster delivery or premium services enables consumers to choose what best suits their preferences and budgets. Labeling all fees as "junk" disregards the value these options provide.

### **Transparency and Disclosure:**

Many fees are clearly disclosed upfront, allowing consumers to make informed decisions. Mischaracterizing these fees as "junk" undermines the transparency efforts businesses have made to comply with disclosure regulations.

### **Economic Impact:**

Eliminating or restricting unbundled fees could lead to higher base prices for all consumers, as businesses would need to spread costs across their entire customer base. This penalizes consumers who do not use additional services or incur penalties.

### **Encouraging Responsible Behavior:**

Certain fees, such as late fees or overdraft fees, incentivize responsible financial behavior. Removing these fees could lead to negative consequences, such as higher default rates or reduced credit availability.

### **Innovation and Competition:**

Fees allow businesses to innovate and compete by offering tailored pricing models. Labeling all fees as "junk" stifles this flexibility and could reduce the variety of products and services available to consumers.

### **Misrepresentation of Value:**

Not all fees lack value. Many are tied to specific services or benefits that consumers willingly pay for, such as expedited processing or premium features. Labeling them as "junk" misrepresents their purpose and value, and can ultimately contribute to consumer confusion.

### **Sector-Specific Needs:**

Different industries have unique pricing structures and fee models. A blanket label of "junk fees" fails to account for the legitimate and necessary variations across sectors.