

Insights

Illinois District Court Upholds Interchange Fee Restrictions

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Banks and credit unions are preparing for the loss of interchange fees on Illinois debit and credit card transactions following the court's decision in *Illinois Bankers Association et al. v. Raoul*, No. 24-7307 (N.D. Ill. Feb. 10, 2026), denying (in part) the industry's request for a permanent injunction against Illinois's Interchange Fee Protection Act (the "IFPA"). Passed by the Illinois legislature in 2024 with a delayed effective date of July 1, 2026, the IFPA prohibits (1) the assessment of interchange fees on an "electronic payment transaction" and (2) the use of electronic payment transaction data for any purpose other than processing the underlying transaction. The Act defines an "electronic payment transaction" as a transaction in which a person uses a debit card, a credit card, or other payment code or device issued or approved through a payment card network to debit a deposit account or use a line of credit, whether authorization is based on a signature, a personal identification number, or other means.

In late 2024, the court issued a preliminary injunction against the IFPA for national banks and federal savings associations, citing federal preemption, which was extended in early 2025 to include state-chartered banks. Credit unions remained subject to the IFPA. At the permanent-injunction stage, however, the court reversed course as to banks. They held that the IFPA's interchange-fee provisions do not prevent or significantly interfere with banks' (or credit unions') exercise of their respective powers because interchange fees are set by the payment card networks (not the banks themselves). The court did grant banks and credit unions injunctive relief against the IFPA's data restrictions.

What's Next?

The industry has appealed the decision to the Seventh Circuit Court of Appeals, and oral argument is scheduled for mid-May. Illinois has filed a cross-appeal seeking reversal of the injunction as to the IFPA's data restrictions while defending the court's ruling on interchange fees. With the IFPA scheduled to take effect in less than four months, it remains to be seen whether the Seventh Circuit will provide last-minute relief or whether the Act will become effective on July 1, 2026. If the Seventh Circuit does not intervene, banks and credit unions will face the choice of either foregoing interchange fees on covered transactions or suspending electronic payment transactions in Illinois entirely. Although the data restrictions were enjoined—eliminating the IFPA's private right of action under the Illinois Consumer Fraud and Deceptive Business Practices Act—financial institutions that fail to comply with the interchange-fee restrictions can still face civil penalties of up to \$1,000 per transaction imposed by the Illinois Attorney General's office.

Preparing for the IFPA

With the July 1, 2026 effective date quickly approaching, financial institutions should decide now how they will manage the IFPA's operational and financial impact. Although the IFPA permits interchange fees on all

transaction components other than taxes and tips, there is no indication that payment card networks can accommodate separating (and suppressing) fees for different components of a single transaction. As a result, financial institutions face the unenviable choice of either (1) continuing to process Illinois electronic payment transactions without interchange revenue while assuming associated financial risks (including fraud losses) or (2) to the extent payment card networks are able to block Illinois electronic payment transactions, refusing to accept Illinois electronic payment transactions after June 30.

While Illinois-based banks and credit unions will be most directly affected, all financial institutions should assess the potential impact of the IFPA on their operations. Unless the Seventh Circuit overturns the lower court's decision, the IFPA will apply to electronic payment transactions that occur in Illinois, regardless of whether the card issuer is an Illinois financial institution. Even institutions outside Illinois should consider the risk that customers may use their cards while visiting or traveling through Illinois, potentially exposing the institution to significant fines.

If your financial institution is considering restricting Illinois electronic payment transactions, now is the time to review customer agreements and disclosures and to evaluate any advance-notice obligations under state and federal law.

Krieg Devault's financial institutions attorneys are actively monitoring developments in the pending IFPA litigation before the Seventh Circuit Court of Appeals and are available to provide guidance on how to navigate the IFPA's impact if the court does not enjoin the interchange-fee provisions before July 1, 2026.

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