

Submission on Merchant Card Payment Costs and Surcharging

Thank you for the opportunity to provide feedback on the significant issue of merchant card payment costs and surcharging. As a national association board member, I have seen firsthand the heavy impact of these costs on businesses across various sectors and appreciate the RBA's effort to address these challenges.

1. Disparity in Costs for Big vs. Small Businesses

The imbalance between large and small businesses in terms of card payment costs is a fundamental issue. Small businesses pay on average three times the fees that large businesses do—amounting to an overwhelming cost of \$1.7 billion annually. This disparity highlights a need for the RBA to address the cost barriers for smaller businesses, which often lack the negotiating power of larger corporations.

2. International Examples of Fee-Free Digital Payments

Many countries have successfully implemented fee-free or reduced-fee digital payment models. For example, in India, the government's Unified Payments Interface (UPI) has made digital payments accessible and cost-effective, resulting in rapid growth in cashless transactions. Similarly, Hong Kong's Faster Payment System (FPS) and the EU's Payment Services Directive 2 (PSD2) have facilitated lower-cost digital payments. The United Kingdom has also seen positive results from its regulatory frameworks that cap certain payment fees, supporting businesses in managing their payment-related expenses. These examples set benchmarks that Australia could consider, benefiting both merchants and consumers while encouraging a shift towards cashless transactions.

3. Personal Experience with Unfair Surcharging

From personal experience, excessive surcharges can deter business operations and impact customer satisfaction. Recently, I encountered a situation where a merchant was charged a substantial surcharge for a standard transaction, sharply increasing the final cost. Such instances highlight the need for transparent, regulated surcharging practices that protect both merchants and consumers from unwarranted fees.

4. Rising Business Costs

With rising costs in various business areas, the financial burden of merchant card fees has become increasingly unsustainable. Enhanced transparency around these fees, paired with a regulatory framework to reduce transaction costs, would provide much-needed relief to businesses, enabling them to manage expenses more effectively and remain competitive in the market.

Thank you for considering these points. I am hopeful that future regulatory measures will address these issues to create a fairer, more competitive payments environment in Australia.