

Redacted by RBA

16 October 2024

Australian Banking Association Inc.
PO Box H218
Australia Square NSW 1215

Attention: Ms Anna Bligh

Dear Ms Bligh,

Re: Service fees for credit and debit card purchases or payments

I understand from a recent media interview that the ABA opposes the currently proposed plan by the Federal Government to limit or eliminate service charges on consumer purchases using credit or debit cards.

I would like to know why these charges are necessary. If I make a \$5, \$500 or \$5000 card purchase or payment, the transaction cost to the vendor is the same. Yet, I am charged a fee based on a fixed percentage of the value of the transaction.

It seems to me that using a card to make purchases actually decreases the transaction cost to the vendor as cleared funds are instantly deposited into the vendor's bank account. However, whenever I make a cash purchase (as I often do), the vendor needs to count their cash takings before personally taking the cash to their bank where a teller will also count the cash before the deposit may be completed. Accordingly, I invite your advice as to why cash payments do not attract a service charge but card payments do attract such a charge.

Yours sincerely,



Dr E.J. Ancich
PhD, FIEAust, CPEng (Ret.)

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From: Reception [mailto:Reception@ausbanking.org.au]

Sent: Thursday, 31 October 2024 4:32 PM

To: Redacted by RBA

Subject: Correspondence

Dear Dr Ancich

Thank you for your email and taking the time to reach out to share your experience.

The law allows merchants to charge a surcharge fee when taking digital payments but they are limited to the reasonable cost of processing the transaction. As you note in your letter, there are indeed costs associated with cash acceptance, including handling and transport. The decision to impose or not impose a surcharge ultimately rests with the merchant, not the banks, and merchants will make these decisions on a commercial basis. We note that there are underlying costs of payments that do vary based on the size of the transaction.

While it is certainly true that more and more Australians are choosing to use digital payment methods as they are usually more convenient and more secure, the ABA recognises that many people prefer to use cash for a variety of reasons.

You may also be interested to know that the Reserve Bank of Australia, which sets these rules around what merchants are allowed to surcharge, is currently consulting on [Merchant Card Payment Costs and Surcharging](#). The RBA Issues Paper canvasses these questions in greater depth and seeks feedback from interested parties.

Regards

ABA Reception



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Australian Banking Association Limited. ABN 60 117 262 978.



The ABA acknowledges that our office sits on the traditional land of the Gadigal people of the Eora nation and that our member banks and their services are located across many traditional lands of Aboriginal and Torres Strait Islander peoples. We pay our respect to all first nation peoples and thank them for their custodianship of our country over thousands of years.
