

SUBMISSION

Reserve Bank Review: Merchant Card Payment Costs and Surcharging

1. Background

I make this submission as a consumer. I identify as an older Australian, I am 71 years old, funded by superannuation income streams and part aged-care pension.

I am retired, live in Brisbane, and own my own home. I am in reasonably good health and consider myself 'representative' of a typical Australian, although my disposable income and spending would be far less than a person in full time work.

Like most Australians, I have been impacted by rising costs. In 2023 and 2024, the surge in supermarket prices, fuel prices, energy prices affected my spending.

For several years now, for convenience, I have all but stopped carrying cash. My savings are deposited with the Bank of Queensland and the ANZ Bank.

However, there are no BoQ or ANZ bank branches within 10 minutes of where I live in Bunya (4055) and none of their ATMs. I can use other ATMs but get charged a fee each time. All my banking is conducted online.

I have two credit cards with ANZ. I pay annual fees for these cards., as follows:

- ANZ Qantas Frequent Flyer - \$95 pa. Limited \$11500
- ANZ Reward Adventure - \$175pa. Limit \$6000

I only added the 'Adventure' card more recently (in 2021) and only because it provided travel insurance at no extra cost, and fee-free overseas transactions. It is likely I will cancel one of these credit cards to reduce my financial commitments.

I also have one debit card with the Bank of Queensland (BoQ).

2. Credit and Debit Card Surcharges Make No Sense

As a consumer, it seems unfair and unnecessary to pay a surcharge for the 'convenience' of using my credit cards or my debit card.

This especially as the 'surcharges' – are ubiquitous – which makes them unfair. Over the course of time, they add up to be a large amount of money.

Credit and debit cards are a 'convenience' that we – as consumers – were encouraged to embrace. This especially as banks and ATMs 'disappeared'. Yet, these surcharges now contradict most of the benefits of using a card.

It just seems nonsensical that I have to pay an annual fee to my bank to have a credit card – and **also** pay a 'surcharge' every time I use these cards with retailers.

It's a system that is encouraging me to abandon my cards and return to cash or direct debit payments. Is this the aim of the Reserve Bank?

And, if I access cash through a convenient (not my bank) ATM, I pay a \$2 fee. And if I don't use cash and use a card, I pay a surcharge. The system is just bizarre.

Some time ago, I was told that the 'surcharge' represented the cost of 'processing' card payments. But this is nonsense as there is no graded scale. Whether I buy a \$5 cup of coffee or an \$1800 smartphone, I pay the same 1.4% surcharge.

3. My Retail Examples

a) Swimming Pool pump

Recently, I had to replace a swimming pool pump. The cost was \$979. I would never carry this amount of cash and normally, I would pay by direct debit.

But in this case, because my savings were low due to other costs, I decided to use my credit card to take advantage of the '44 days' offered by ANZ.

I was shocked when my preferred retailer, Arana Pool Service, charged me \$992.71 for the transaction, a surcharge of \$13.71 or 1.4%.

There was no sign advising of this surcharge and this retailer had never imposed a surcharge previously. When I complained, the store told me they had 'no choice' because this was the fee charged to them by 'the credit card company' (their language).

The owner told me he was not 'big enough' to absorb the fee and had to pass it on to customers, even though he realised it 'was a rip-off'.

His competition includes other local pool stores (who also impose the surcharge) and Bunnings, where I can buy most pool chemicals etc with no surcharge. They are a huge retailer and absorb any costs like this.

I won't be using the Arana Pool Service again.

b) Overseas travel

I have been retired for many years now and try to travel as much as possible. But air tickets are expensive, and I am very conscious of costs.

My preferred airlines are Qantas or Virgin. I might also use Expedia.

Unfortunately, Qantas 'imposes' a surcharge when you use a credit card to buy tickets. A fare to London, for example, might cost \$2200.

If I use my ANZ credit card to buy the ticket, this adds 1.03% or around \$22.

On top of this, there may be a range of additional fees – for a preferred seat, cancellation insurance, and so on.

There is just no way to know whether an 'advertised' fare is real. It's a nightmare.

Similarly, my sister recently booked a cruise with Princess Cruises. She paid by credit card, and this added another \$50 onto her charge. She was furious.

Her friend paid by debit card and also had to pay a surcharge.

c) Royal Brisbane Hospital (RBH)

Recently, my elderly mother was diagnosed with cancer. This meant that she needed to attend the Royal Brisbane Hospital regularly for treatment.

Unfortunately, there is no parking at RBH except for their own parking station. This is a very expensive place to park.

On most occasions, we have paid the maximum fee of \$35 – and because we (my sister and I) carry no cash, we pay by credit card. The final cost \$35.43 – a 1.2% surcharge simply for the convenience of using a credit card.

To pay by cash, we would have to source a Bank of Queensland and withdraw cash. The whole purpose of credit cards is convenience. This is great example of how ridiculous the surcharges have become.

d) Impact on small retailers

Like most of my friends, I try hard to avoid paying surcharges on credit cards.

I go out of my way to choose retailers who do not impose surcharges, and inevitably, this has been leading me to the larger retailers (such as Bunnings).

Smaller retailers (like the Arana Pool Service) are losing customers (like me) because more and more people are refusing to pay these unfair surcharges.

When even the retailers themselves describe the fees as ‘a rip-off’ you know there is a serious problem. In my community, we all try to avoid these fees.

In the long term, while we have larger retailers absorbing these fees, it will increasingly direct people away from the ‘little guys’.

e) Misleading prices

The imposition of credit and debit card surcharges means that consumers like me are constantly misled about ‘real’ prices.

The best example is the competitive world of air travel. I will spend hours researching airfares, but the prices advertised are not genuine because the vast majority of people buy air tickets with credit cards and have a ‘surcharge’ imposed.

Whilst I am aware of this ‘trap’ most consumers (like my sister and her friend) get caught and end up with a sour taste in their mouths and an unwanted dent in their purses.

The same applies to electronic goods. Most people buy smartphones, televisions, microwaves, and other household goods with credit cards.

The advertised price (in big bold letters) does not include the surcharge – which can add \$20 or \$30 onto a purchase. No one reads the small print that might say there is a credit card surcharge – so we don’t have honesty in retail pricing.

Summary

I urge the Reserve Bank to ban credit card and debit card surcharges in Australia.

These ubiquitous and 'hidden' fees are unfair. It means there are no 'real' advertised prices in Australia, whether airfares, homewares, or electronic goods.

With these surcharges, you are penalising me for not carrying cash.

Yet, at the same time, I am charged for withdrawing cash from (my non-bank) ATMs. And bank branches and ATMs are disappearing making it harder to get cash.

As well as 'surcharge' payments, I am charged an annual fee to have a credit card. I do not understand this 'double-dipping' in the system.

Credit card surcharges are banned in Europe and the UK and it's a pleasure to travel in these places as I don't feel 'ripped off' like I do in Australia.

Thank you for considering this submission.

4. Contact Details

I can be contacted as follows:

Redacted by RBA

