



Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Via email: pysubmission@rba.gov.au

24 July 2012

Dear Board members,

A Variation to the Surcharging Standards: Final Reforms and Regulation Impact Statement June 2012

As previously communicated, CHOICE welcomes the Reserve Bank's intention to vary the credit card standards to enable limits on credit card surcharges and notes the Bank's intention to limit surcharges to a reasonable cost of acceptance of cards. Following on from our submissions to the Payments System Board in July 2011 and March 2012, we have a few additional comments to make in response to the draft Guidance Note.

Publication of more detailed data

CHOICE welcomes the Bank's announcement that it will publish more detailed data on merchant service fees. In addition to the suggested data by merchant sector, we would also suggest that data is collected by merchant turnover, and also by type of sale (card present or not).

Ongoing monitoring of the variation

CHOICE welcomes the Board's intention to monitor the effect of this variation. As part of the ongoing monitoring, CHOICE believes that it is important for consumers to have a clear avenue to take up their concerns about excessive surcharges. While we understand that the card schemes will have comprehensive monitoring systems in place, reference in either the credit card standard or the guidance note to receipt of consumer complaints is in our view critical.

Draft Guidance Note

CHOICE welcomes the Bank's inclusion of the guidance note on what may be included in the calculation of the reasonable costs of card acceptance. However, as noted in our previous communication, CHOICE believes that a reasonable cost should be a cost-pass through of the average variable costs imposed by the acquiring bank. Importantly, this excludes fixed costs and any fixed or variable costs that are part of the retailer's own processes (for example, operating check-outs or accounts departments, etc.). While we understand that the Bank has taken a different view, we will continue to monitor merchant practices to ensure consumers are not being presented with excessive surcharges.

Unlocking the power of consumers

57 Carrington Road Marrickville NSW 2204

Phone 02 9577 3333 | Fax 02 9577 3377 | Email ausconsumer@choice.com.au | www.choice.com.au

The Australian Consumers' Association is a not-for-profit company limited by guarantee. ABN 72 000 281 925 ACN 000 281 925

One aspect of the draft guidance note that is of concern is the inclusion of point (d) - Any other costs that are incurred only for the acceptance of cards of the relevant schemes and not other payment methods. CHOICE is concerned that as currently stated, this clause in particular gives far too wide a scope, will make verification far too difficult, and may undermine the intention of the reform.

Any fines imposed need to be returned to consumers

As noted in our previous correspondence, we understand that the card schemes will be responsible for both monitoring merchant compliance and also enforcement. We remain willing to assist in ensuring that any fines levied can be appropriately returned to consumers.

In summary, CHOICE wants credit card surcharges to provide genuine price signals to consumers on the costs of different payment methods, thereby encouraging competition and innovation in the payments system and putting downward pressure on transaction costs.

CHOICE strongly supports measures to limit credit card surcharges to reflect transaction costs, along with steps to increase transparency, disclosure and reporting around credit card surcharging in all retail environments.

CHOICE thanks the Bank for the opportunity to provide comments throughout the review period, and we hope these additional points are useful. Please do not hesitate to contact myself or Elizabeth McNess on 02 9577 3344 if we can be of further assistance.

Kind regards,



Matt Levey
Head of Campaigns
CHOICE

Unlocking the power of consumers

57 Carrington Road Marrickville NSW 2204

Phone 02 9577 3333 | Fax 02 9577 3377 | Email ausconsumer@choice.com.au | www.choice.com.au

The Australian Consumers' Association is a not-for-profit company limited by guarantee. ABN 72 000 281 925 ACN 000 281 925