



Head of Payments Policy Department  
Reserve Bank of Australia  
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Via email: [pysubmission@rba.gov.au](mailto:pysubmission@rba.gov.au)

21 March 2012

Dear Board members,

### **A Variation to the Surcharging Standards: A Consultation Document December 2011**

CHOICE welcomes the Board's intention to vary the credit card standards to enable limits on credit card surcharges and notes the Board's preferred option to limit surcharges to a reasonable cost of acceptance of cards. Following on from our submission to the Payments System Board in July 2011, we have a few additional comments to make in response to the consultation document.

#### **Definition of reasonable cost of acceptance of cards**

We believe that any surcharge 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.).

#### **Blended Merchant Service Fee**

We have had several reports of merchants being charged a single merchant service fee blended across all credit and debit transactions. We are concerned that this practice does not allow the merchant or consumer to be sent the appropriate price signal on the costs involved in competing payment mechanisms. As debit transactions typically cost only a small fraction of credit transactions we believe consideration should be given to mandating separate merchant service fees for debit transactions.

#### **Consumers need confidence especially in online space**

As noted in our previous submission, CHOICE is particularly concerned with excessive surcharges in online transactions. Without ubiquitous payment alternatives and clear entry-point surcharging signals, payment system monopolisation potentially leads to excessive surcharges potentially being used for additional revenue raising.

### **Unlocking the power of consumers**

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### **Any fines imposed need to be returned to consumers**

Under the preferred option, we understand that the card schemes will be responsible for both monitoring merchant compliance and also enforcement. Should enforcement action result in fines being levied on merchants we believe that this money needs to be returned to consumers and we would be happy to assist in creating an appropriate structure for this.

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 Board for the opportunity to provide additional comments on the review of credit card surcharging, and we hope this additional feedback is 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

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