



Banking News

RBA report reveals merchants plans

(22 October 2009 – Australia) The Reserve Bank of Australia, Payments Systems Board (PSB) has released its annual report showing changes to the way consumers make payments since the removal of the 'no surcharge rule' imposed on merchants.

Under the previous rule merchants were unable to pass on the cost of accepting credit cards to cardholders as a result of the changes merchants are rapidly adopting the surcharge of credit cards and charge cards since the RBA regulations came into effect.

Data from East & Partners' half-yearly merchant acquiring markets program show that there has been strong growth in surcharging by merchants over recent years, although the majority of merchants still do not surcharge.

In June 2009, just over one-third of very large merchants (those merchants with annual turnover exceeding \$340 million) imposed a surcharge on at least one of the credit cards they accepted.

The rate of surcharging among smaller merchants has also risen noticeably over the past several years, although it is still around half the rate of larger merchants. Data on merchants' plans to surcharge suggest that strong growth in surcharging will continue.

As at June 2009, only 6 per cent of very large merchants surveyed had no plans to surcharge in the near future, down from 46 per cent four years ago. Even among very small merchants, less than 30 per cent have no plans to surcharge – down from over 83 per cent in June 2005.

While there are no restrictions on the level of surcharges that can be applied, on average they have broadly reflected the relative merchant service fees of the schemes.

According to the East & Partners' research, surcharges on MasterCard and Visa cards have been around 1 per cent on average, and those on American Express and Diners Club cards have been around 2 per cent on average over the past few years.

The PSB annual report also showed there was a substantial rise in the value of cash withdrawals, both over-the-counter and at ATMs, in December 2008 and March 2009, coinciding with the Federal Government's stimulus payments.

There was a large rise in the number and value of EFTPOS cash outs in March 2009, possibly a reaction to the introduction of direct charging at ATMs.

Cash advances on credit cards, a small and declining means of accessing cash, accounted for only 5 per cent of the total value of cash withdrawals in 2008/09, down around half a percentage point over the past two years.

The value of ATM withdrawals, which account for around 63 per cent of the value of cash withdrawals, rose by around 4 per cent over the year, around the same as in recent years but slower than consumption.