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## EFTPOS negotiating changes to interchange fees, but competitor warns small businesses will be hit with higher costs

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Small businesses may be hit with higher fees for electronic transactions after EFTPOS Australia said yesterday it is currently negotiating with the major banks about whether the existing fee infrastructure can or should be changed.

But the chief executive of a rival payments company has also said that if fees for electronic transactions are raised, bigger retailers will be able to absorb the costs more so than smaller companies.

EPAL managing director Bruce Mansfield said in a statement yesterday that the company is now negotiating with the big banks about changes to interchange fees – but a decision has not yet been made.

"Industry consultation is underway and talks are progressing well. Importantly, all participants understand the need for changes to underwrite the long-term future of EFTPOS to ensure a competitive and viable payments industry in Australia," Mansfield said.

"Changes to interchange fees will support our investment in the accessibility, security, convenience and efficiency of EFTPOS," he added.

Mansfield also said that "contrary to some inaccurate claims", the company was committed to making sure that merchants and consumers are treated fairly and that EFTPOS remains the most competitive debit payment system.

An interchange fee is a term that describes a fee charged by one financial institution to process transactions made by cards from another bank. These are usually charged when a Westpac customer makes a transaction on a Commonwealth Bank ATM.

These also apply to retailers, as many customers use cards that are not from the same company as the retailers' bank.

Currently, merchants are paid a certain amount of money if they accept an EFTPOS transaction. However, if they accept transactions through debit cards issued by Visa or Mastercard, they must pay a fee – this is why Woolworths said it would not accept transactions through debit cards last year.

All four of the major banks were contacted this morning regarding the negotiations, but none were available to reply before publication.

Mansfield is referring to comments made by competitive payment system Tyro Payments, an alternative payments company which says that smaller retailers may be at risk of higher fees, given that bigger retailers are able to negotiate interchange fees individually.

"The problem is that EPAL and issuers don't like handing out bank cards when they have to pay four or five cents per transaction when they get up to 12 cents for a debit transaction," chief executive Jost Stollmann said this morning.

"So what will possibly happen is that the interchange fee will rise to the cap of 12 cents – a rise of 17 cents per transaction. This could represent costs of over \$200 million."

Stollman says these fees are fine for larger companies, but that smaller businesses are not able to negotiate their own fees and they will be forced to pay higher costs. He says smaller businesses need to be involved in the discussions.

"Whatever the decision is, I think there should be a voice and representation of merchants beyond the big retailers. There needs to be a fair and open process."

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Stollman has made submissions to the Senate banking inquiry, also saying that SMEs should not have to wait several days to receive funds and that they should not have to put with "the frequent glitches, failures and outages of the big bank EFTPOS systems".

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