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## SMEs to be slugged by new EFTPOS fee structure, entrepreneur claims

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Small businesses will be charged an interchange fee of five cents for every EFTPOS transaction valued at over \$15 under a new payment scheme announced by the payment network's regulator, EPAL.

The decision has been rejected by at least one rival player in the payments industry, with Tyro chief executive Jost Stollman saying SMEs will now be forced to cough up extra cash for EFTPOS transactions.

"I think this decision confirms the fears we have expressed. We raised several issues during the consultation process, and one of those was that the fee would be raised. And now that has happened."

EPAL announced this morning that after weeks of consultation with industry bodies, a new fee model will be introduced for EFTPOS network transactions. The new system is multi-lateral and will affect different businesses in different ways.

For charities, Medicare Easyclaim and for every transaction below \$15, the interchange fee will be set at zero cents.

For every transaction above \$15, a fee has been set at five cents. This compares to the current fee of 12 cents for transactions made on the international Visa and MasterCard networks through debit cards.

EPAL managing director Bruce Mansfield said in a statement this morning the new interchange fee represents a discount when compared to the 12 cents charged for debt cards – at the top of the RBA-regulated range for fees.

"Our new multi-lateral interchange fees should be considered alongside the separate scheme fees that apply to both EFTPOS and international scheme debit cards."

"When the significantly cheaper EFTPOS scheme fee is factored in, EFTPOS transaction charges will be three to four times cheaper for retailers than international debit card transactions," he said.

Mansfield argues that given 20% of EFTPOS transactions are below \$20, the new fee structure means businesses won't be penalised for continuing to offer EPAL services. He also points out that the reverse interchange fee is still at negative 15 cents, meaning merchants still have an incentive to provide cash out.

But Stollman says the new fee structures is worlds apart from the current model, where businesses are provided a reverse interchange fee of negative four cents for every EFTPOS transaction.

"The difference is quite large. So the merchants will actually be charged if the transaction is above \$15, which is still a significant part of the market."

"They previously received four cents from the issuer. In the old days this was the reward for the business for maintaining the infrastructure, now they are being told you will pay either nothing or five cents for the issuing side of the business."

Stollman says that while the merchant may not be charged for transactions under \$15, they still won't be receiving the extra four cents they used to. And for transactions over \$15, the merchant now has to decide whether he will pass that on to the customer.

"The fears we have expressed have become true. Now the merchant has to decide what happens here – will he absorb the fee into his margin, or will the acquiring bank put it into their margin?"

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"The merchant could decide to surcharge, or he or she may just choose not to offer EFTPOS anymore."

However, Mansfield says the new system – which is to take effect from October 1 – will be fairer for businesses wanting to offer EFTPOS for cheap transactions.

"EFTPOS is the way Australians prefer to pay and be paid and it is critical that we invest in the system's future. This is an historic milestone in Australia's payments industry, so we are giving all stakeholders ample time to prepare and will be implementing the changes in a timely and open manner."

Meanwhile, business has balked at a new draft bill released by the Government which plans to crackdown on credit card operators. The new laws would prevent fees for breaking credit limits, and stop people from exceeding their credit limit by more than 10%.

But the Australian Bankers' Association has balked at the new bill, with chief executive Steve Munchenberg saying it goes against what the Government had previously announced, and that the consultation period is too short.

"The problem that we see is that when a new customer comes into a bank now for a credit card, the bank will be conservative about what they will give them until they show they can service that debt and meet their repayments," he said in a statement.

"Then, after a year, a bank will write to them offering an increase. Now banks will be banned from doing that, so there's a situation where either the customers will have to ask the banks, or else the banks could provide a larger credit amount upfront."

The proposed legislation is expected to enter Parliament within the next two weeks.

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