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Excessive Surcharging – Tyro’s RBA submission calls on the banks to rein in the abuses

BANKS should rein in Australian big business which imposes excessive credit and debit card surcharging on consumers, says Tyro in a submission to the Reserve Bank of Australia.⁽¹⁾

According to East & Partners, almost 30% of Australia’s 320,000 EFTPOS merchants imposed an average surcharge of 2.5% on credit and debit card transactions. 10 % applied a surcharge of 5 % and more.⁽²⁾

Larger businesses tend to gouge customers more, particularly online, leaving them with little or no choice.

A CHOICE survey identified airlines, telcos, travel agents, utilities, Cabcharge and petrol stations as among the worst offenders. The top five companies that respondents recalled surcharging were Telstra, Aldi, Qantas, Virgin Airlines and Caltex.⁽³⁾

The scale of the problem is huge, with EFTPOS transactions worth \$380 billion in Australia this year.

“Tyro calls on the banking industry to rein in the abuses and to start providing cost-based EFTPOS surcharging solutions to the merchant community,” Tyro CEO Jost Stollmann said today

“Tyro supports the Reserve Bank of Australia’s aim to promote efficiency and competition in the Australian payment system by giving all participants choices on the basis of cost based price signals. As such, Tyro believes the merchants’ right to surcharge should be retained.”

The banks and schemes can provide a fair, efficient and cost-based EFTPOS surcharging solution. These are the required changes:

1. Giving consumer choice. The regulator should insist merchants who surcharge to also offer surcharge-free alternatives such as cash, BPAY or direct debit transfer.
2. Providing a solution. The banks should take ownership and offer surcharging as part of their EFTPOS solution automating the process and sharing the surcharging data between schemes, banks and merchants.
3. Insuring full transparency. The regulator should require banks to print the merchant service fee charged to the merchant and the subsequent surcharge charged to the consumer on every EFTPOS receipt.
4. Eliminating excessive surcharging. The regulator should allow the schemes to cap surcharging in function of the actual cost of the card used.

These changes would eliminate today’s practice of calculating surcharges through mental arithmetic or through the point of sale system.

⁽¹⁾ Reserve Bank of Australia Review of Card Surcharging: A Consultation Document
⁽²⁾ East & Partners Merchant Acquiring & Cards Market Program
⁽³⁾ Choice Report: Surcharging in Australia on behalf of NSW Fair Trading

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As a result, the merchant who surcharges actual costs would be able to legitimise the surcharged amount. The merchant who refrains from passing on the cost would be able to highlight this advantage to his customer while the merchant who raises the surcharge over and above his own merchant service fee would give the card holder the opportunity to challenge his pricing.

“Surcharging is here to stay. It is time for the industry, schemes, issuers and acquirers, to drop the battles of yesterday,” Jost Stollmann said.

“The world is moving on. Australian consumers expect fair and transparent pricing and merchants expect safe and efficient payment and surcharging solutions.”

Tyro is happy to provide its merchants the required technology, should the industry move towards cost based (differential), fair and transparent surcharging. The disarmingly simple alternative is to eliminate or significantly reduce the interchange fee and with it the surcharging requirement.

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About Tyro Payments Limited

Tyro is Australia’s EFTPOS innovation institution and is the first new entrant into the EFTPOS business in more than 14 years. Tyro holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution (SCCI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA). Under this authority Tyro provides credit, debit, EFTPOS, gift and loyalty card acquiring and Medicare claiming and rebating services, but may not take money on deposit.

Tyro’s transparent payment solutions are uniquely merchant focused, enabling reduced fees, greater productivity, better cost management and a superior payment experience for consumers.

Tyro is a wholly Australian-owned company with no external venture capital. The company has been fully funded by the Executives, Directors, independent and 3 strategic investors.