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Australian Bankers' Association rejects call for credit card surcharging cap

By Michelle Hammond
Tuesday, 26 July 2011

The Australian Bankers' Association has rebuffed a proposal to cap the surcharge fees imposed by credit card customers, much to the dismay of EFTPOS payment platforms.

The ABA says it has "reservations" about introducing restrictions into the payments system, calling for a system where market forces dominate the fees merchants choose to impose.

The success of this model would rely on businesses being transparent at the point of sale about payment alternatives and their costs.

"It's much better for people to be upfront about how they're charging customers... It should be clear that the price for using credit cards is different," ABA chief executive Steven Münchenberg said in a statement.

The Reserve Bank is reviewing the abolition of the "no surcharge" rule after it discovered some merchants were gouging customers with excessive credit card fees.

The RBA is considering capping the size of the surcharge fee, possibly as a percentage of a transaction value, and determining whether businesses should disclose their own acceptance fees to customers as justification.

EPAL, the company which develops the EFTPOS system, said in its submission to the RBA that better disclosure is needed.

It is calling for merchants to be given accurate information from their banks about the cost of acceptance broken down by different card types. Most merchants get billed a "blended" merchant service fee, which does not distinguish between card types.

"The practices described in the RBA's consultation paper – excessive surcharging and blended surcharging – are concerning," ePAL chief executive Bruce Mansfield says.

"Both practices have the potential to create misleading price signals as to the cost of card acceptance and retard the positive effects of the right to surcharge."

Similarly, ePAL rival Tyro Payments – which describes itself as "the merchant's EFTPOS" – says the banks should rein in big businesses imposing excessive credit and debit card surcharging on customers.

A recent CHOICE survey identified airlines, telcos, travel agents, utilities, Cabcharge and petrol stations as among the worst offenders. The top five companies were Telstra, Aldi, Qantas, Virgin Airlines and Caltex.

"I think and hope that surcharging is here to stay, but a fair and transparent one... Merchants should expect from their banks safe and efficient payment and surcharging solutions," Tyro chief executive Jost Stollman says.

"Tyro is happy to provide its merchants the required technology, should the industry move towards cost-based, 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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