



EPAL CEO says pricing 'up to the banks'

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Eftpos Payments Australia was aware that two acquiring banks had opted into the new multilateral Eftpos pricing model by August 12. This was when it issued a press release saying Australia consumers "should face no new charges following planned changes to Eftpos interchange fees."

Eftpos Payments Australia's managing director, Bruce Mansfield, told the Federal Court yesterday that by early August two acquirers had opted into the new system, two had no plans to enter the system and two had yet to make their decision.

EPAL is defending a claim of misleading and deceptive conduct brought by the retailer, Aldi Stores, which says EPAL must have been aware of plans by the banks to increase merchant fees and would also have known that these increases would be passed on to customers.

In cross-examination yesterday, Mansfield was asked about the details of email exchanges with executives from several banks and retailers that appeared to suggest EPAL was being given information about higher consumer costs resulting from changes to the Eftpos pricing model.

Mansfield said interchange and scheme fees were taken into consideration by acquirers when they set merchant fees. But "it was up to the banks" to pass on some or all of the fees to their merchants.

In March, EPAL announced that it would change the structure of its interchange fees – the wholesale payments made between the consumer's bank (the issuing bank) and the merchant's bank (the acquiring bank) – for handling Eftpos transactions.

Under the old model, fees were paid by the consumer's bank to the merchant's bank. Under the new model, the direction of payments will be reversed.

Participants in the Eftpos system were given the choice of opting into the new interchange model.

Retailers, such as Aldi, are concerned they will face higher costs for Eftpos transactions as acquirers recover their costs. This will put pressure on their margins.

Mansfield said the two acquirers that had opted in by August 12 accounted for 42 per cent of Eftpos transaction volumes. Of these two, one had "no plans" to pass interchange fees on to merchants.

A lot of the market participants were yet to decide what they were going to do.

"Banks don't normally comment to us on merchant pricing," Mansfield said.

Aldi's group national IT director, Alexander Richards, told the court that Aldi has two acquiring banks, Westpac and National Australia Bank, but that it put its acquiring business out to tender two weeks ago.

Richards said the company was changing its point of sale system and it was appropriate to call for tenders for the acquiring business at the same time.

He said the company was aware that its Eftpos costs were likely to go up and it was doing what it could to reduce costs.

Under cross-examination, Richards acknowledged that the company had written to politicians about EPAL's proposed changes. It had also approached EPAL and asked to be put on the same footing as Coles and Woolworths.

Richards said the current legal action was separate from its lobbying and negotiation activities.

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