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# Surcharges on EFTPOS now on the cards

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By Andy Ryan

Most of us have come to begrudgingly accept surcharges as a necessary evil of using a credit card.

A survey by consumer group Choice found that 88 per cent of respondents had paid a credit card fee in the past year.

As well as the interest charged on repayments and balances, customers find themselves slugged with cash advance fees for using a credit card in an ATM, monthly service fees, currency exchange fees (usually around 3 per cent of the transaction cost) for using the card overseas, balance transfer fees and, most contentiously, merchant surcharge fees.

Now it appears merchant surcharges could also apply to EFTPOS, thanks to a new fee system applied for purchases over \$15. From October 1, 2011, the retailer's bank will pay a fee to the customer's bank for any transaction using a 'savings' or 'cheque' account.

EFTPOS has been in Australia since 1988, and overtook credit card use in 2007 for the volume of transactions processed per month, according to the Australian Payments Clearing Association. Figures show that in 2011 \$13.9 billion worth of transactions, from 217.3 million transactions per month were made via EFTPOS.

Previously, the consumer's bank would pay roughly four or five cents per transaction. Now, the retailers will be charged between six and eight cents. A transaction that involves getting cash out, or any other combined purchase, will also attract a fee of 15 cents.

EFTPOS is owned by ePal – a company part-owned by the Commonwealth, ANZ, Westpac and NAB banks as well as supermarket giants Coles and Woolworths.

It is estimated the big banks could earn as much as \$150 million per year from the fees, while the increased cost is most likely to be passed on by retailers to consumers in the form of surcharges for EFTPOS transactions.

Back in 2003, the Reserve Bank of Australia (RBA) removed the 'no-surcharge rule' which had created a situation where the price of goods and services was driven up to cover the costs of processing credit card transactions by the retailer. This reform for the first time allowed retailers – and in theory, market forces – to determine the level of surcharges charged at the point of sale.

An investigation authorised by NSW Fair Trading and conducted by Choice magazine in late 2010 found that the number of retailers passing on surcharges to customers had grown from seven per cent in 2006 to almost 40 per cent (for larger retailers) in 2010.

Another issue was that retailers were using blanket surcharges, which were generally above the actual costs incurred for the use of the cards in the store. These broadly applied costs, known as blended surcharges, applied a flat percentage surcharge fee for all credit cards without taking into account the cost differences between using, say a Diners Club Card (average 4 per cent) and a MasterCard (average 1.8 per cent).

The fact that 64 per cent of respondents to the Choice survey still paid a surcharge when presented with one



The big banks could earn as much as \$150 million per year from new fees levied on EFTPOS transactions. But do you know what you are already paying?

Image: Matthew King

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indicates that there is very little understanding by consumers of how and when these fees arise, and a lack of disclosure by retailers as to their calculation and occurrence.

This is despite the fact that Australian Competition and Consumer Commission (ACCC) regulations require merchants to inform the customer if they will be charged any credit card fees, including the fee amount, before entering into a transaction.

With the marked trend in the increase in internet shopping it should also be a concern that buying online costs almost double in fees than in a store, with The Age reporting that "Surcharges on online transactions are about 4 per cent of the purchase value compared with about 2 per cent for traditional shop-front transactions".

Retailers argue they are merely covering costs passed on to them by banks, which receive almost \$5 million a day from shops, restaurants, hotels and internet booking systems to accept card payments.

The average merchant service fees are usually between 0.86 per cent to 2.1 per cent of the transaction, but an extensive review of credit surcharges by the RBA released in June, 2001, found that larger retailers had been charging surcharges above these levels.

The RBA has proposed placing a cap on the amount of surcharges merchants are able to charge, and also aligning this cap to the actual costs of the acceptance of the credit card.

This move is designed to discontinue the charging of credit card fees as a revenue raising measure, noted as widely used by airlines (such as QANTAS' \$7.70 for domestic and \$25 for international flight credit card booking fee), taxis (the 10 per cent Cabcharge card fee), petrol stations and hotels, as opposed to the fee reflecting the actual acceptance cost.

The reforms to surcharges are still being discussed within the RBA. In the meantime, Choice advises the best ways to avoid a surcharge include using EFTPOS or other debit cards. In instances where you cannot avoid a charge, use the credit card that attracts the lowest fee – Amex and Diners attract higher fees than MasterCard and Visa. If a retailer does not inform of a charge, or the amount of the fee, you can make a complaint to ASIC.

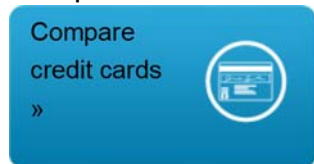
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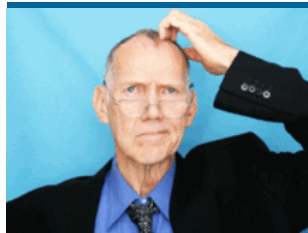
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