

Summary of business and consumer feedback received via online survey – Costs to businesses and consumers of card payments in Aotearoa, New Zealand – Consultation

Introduction

1. As part of our consultation on the paper [Costs to businesses and consumers of card payments in Aotearoa New Zealand](#), published on 23 July 2024, we provided businesses and consumers an opportunity to provide feedback using an online survey primarily. We would like to thank those people who provided feedback.
2. This document provides a summary of responses, including key statistics and overarching themes.
3. We received 74 survey valid responses.¹ Of these, we categorised 44 (59.5%) as responses from businesses, 27 (36.5%) as responses from consumers, and three (4.0%) as unknown.

Business responses

Merchant service fees

4. 32 businesses are on unblended or interchange plus pricing, 10 businesses are on a blended pricing plan, and two do not know.
5. 30 businesses responded that merchant service fee complexities drive surcharging challenges, 12 responded they do not think that merchant service fee complexities drive surcharging challenges, and two reported that they do not know.

What we have heard

6. There is a need to look beyond merchant services fees, eg, the cost of terminal software compliance, the vast amount of terminals controlled by multiple vendors.
 - 6.1 Respondents observed that when they want to move to a more cost-effective solution they may be blocked by their current vendor, locking in the fees they have agreed to pay.
7. There is a limit to what consumers can pay for goods. To pay staff a living wage, prices must be raised, this increases merchant service fees (as it is a percentage), compounding cashflow issues.
8. It is impossible for businesses to impose the direct cost of an individual transaction to the consumer actioning the transaction at the point of sale.
9. Businesses noted that merchant service fees are too complex, and this is part of the reason they choose not to surcharge. Given the complexity, blended pricing can be the only way to work out a surcharge.

¹ Note we excluded survey responses that did not include any contact information or replies.

10. Some businesses who have higher international customer bases (via online payments) have higher merchant service fees for these transactions. This can lead to higher surcharging practices, impacting domestic customers disproportionately.

Surcharging

11. 21 businesses currently surcharge. 22 businesses do not currently surcharge.
12. For businesses who do surcharge, key drivers are:
 - 12.1 Recovering costs.
 - 12.2 User should pay.
 - 12.3 No choice but to surcharge.
 - 12.4 Lots of other businesses in industry are surcharging.
13. For businesses who do not surcharge, key drivers are:
 - 13.1 Build cost into pricing.
 - 13.2 They would if they could.
 - 13.3 Not fair on customers.
 - 13.4 Uncertainty and complexity of merchant service fees.
 - 13.5 Others do not surcharge.
14. Of those businesses that surcharge, 16 reported that they would cease surcharging if the merchant service fee was less than 1%. Two businesses responded as being unsure. Three businesses reported they would continue to surcharge.

What we have heard

15. Businesses need to be notified of changes in fees, this flows on to surcharging.
16. New Zealand merchant services need to be closer aligned to world markets.
17. Many would consider not surcharging or accurately surcharging if there was a consistent percentage rate.
18. Many support the lowering and simplification of interchange fees, noting the difficulty in understanding statements and fees.
19. Many businesses raised the difficulties with moving acquirers (eg, three-year lock in periods that auto-renew).
20. It is too hard to compare acquirers and services. Businesses have to bank with some banks to use their acquiring services.

Consumer responses

21. Consumer feedback has been summarised into the following themes.
 - 21.1 Some consumers want American Express to be accepted by more (all) businesses.
 - 21.2 Some consumers mentioned the use of QR codes as a payment method internationally, at no cost. This should be the same in New Zealand.
 - 21.3 Many consumers believe businesses should not surcharge - it is a cost of doing business.
 - 21.4 Surcharging should be simpler for consumers to understand what they are paying.
 - 21.5 Many consumers believe fees should be lowered for businesses and there should be a limit on the surcharging rate.
 - 21.6 Contactless needs to be accepted everywhere so that people with a disability (eg, those who have a vision impairment) are not disadvantaged.