

23 JULY 2024

# Retail Payment System

Costs to businesses and consumers of card payments in  
Aotearoa New Zealand: Consultation Paper

Submission Template



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Comments:

I am a consumer. This process really seems aimed at Banks and Merchants. And not consumers.

I work for a small Merchant. And to some extent my views are coloured by my experience with my company. Note that I am an employee and have no other stake in the company.

Surcharges.

I expect that surcharges should continue. The margins of more and more businesses are being squeezed and so I understand that surcharges will be necessary. In addition, while cash handling imposes costs, those who pay by cash should not have to cover costs incurred by those who choose to use cards.

I would expect the surcharge to reflect the costs associated with the card:

- I expect that surcharges would vary to reflect that costs vary by type of card (retail, commercial, international, etc), if that variation is justifiable.
- I expect that if the merchant's bank (Acquirer) is the same bank that issued my card (Issuer), then I would pay no interchange fee, although I would pay the merchant service fee portion related to the merchant's bank. I see the interchange fee in this case to be a windfall profit for the bank.
- I would expect the makeup of the surcharge to be clear to the customer. Each of its components shown separately.

Please see your table below.

## Purpose of this template

- 1.1 This template provides details on how to make submissions on our **Costs to businesses and consumers of card payments in Aotearoa New Zealand: Consultation Paper** and the confidentiality considerations.<sup>1</sup> It also provides the full list of questions outlined in the paper to assist with written submissions.

## Providing your views by submission

- 1.2 We are seeking your feedback on the views and questions raised in our paper, and on any other aspects of the retail payment system landscape that you consider relevant. Your feedback will help inform whether a review of interchange fee regulation is necessary.
- 1.3 In addition to written submissions using the process set out in this document, we also welcome requests to meet to discuss any aspects of this paper (within the consultation period) and are open to conducting facilitated feedback sessions with stakeholder groups. Please contact us if you think either of these alternative engagement options would be beneficial.
- 1.4 You do not need to respond to all the questions raised in this paper, you can instead just respond to the questions that relate to your business operations or experience.
- 1.5 Whilst we will accept a range of formats, our preference is for submitters to use this template. Responses can be emailed to [RetailPaymentSystem@comcom.govt.nz](mailto:RetailPaymentSystem@comcom.govt.nz) with 'Consultation on costs to businesses and consumers of card payments in Aotearoa New Zealand' in the subject line.
- 1.6 To ensure your feedback can be considered, please provide this to us by **12.00pm (noon), Monday 2 September 2024**.

## Confidentiality

- 1.7 While we intend to publish submissions on our website, we understand that it is important to parties that confidential, commercially sensitive, or personal information (confidential information) is not disclosed as disclosure could cause harm to the provider of the information or a third party.

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<sup>1</sup> Commerce Commission "Costs to businesses and consumers of card payments in Aotearoa, New Zealand: Consultation Paper" (23 July 2024) available at <https://comcom.govt.nz/regulated-industries/retail-payment-system#projecttab>

- 1.8 Where your submission includes confidential information, we request that you provide us with a confidential and a public version of your submission. We propose publishing the public versions of submissions on our website. We note that responsibility for ensuring that confidential information is not included in a public version rest with the party providing the submission.
- 1.9 Where confidential information is included in submissions:
- 1.9.1 the information should be clearly marked and highlighted in yellow; and
  - 1.9.2 both confidential and public versions of submissions should be provided by the due date.
- 1.10 All information we receive is subject to the principle of availability under the Official Information Act 1982 (OIA). There are several reasons that the Commission may withhold information requested under the OIA from disclosure. This includes, most relevantly, where:
- 1.10.1 release would unreasonably prejudice the commercial position of the supplier or subject of the information;
  - 1.10.2 withholding the information is necessary to protect the privacy of natural persons; and
  - 1.10.3 we received the information under an obligation of confidence, and if we were to make that information available it would prejudice the supply of similar information to us (by any person) where it is in the public interest that such information continues to be supplied to us.
- 1.11 If we consider that any of these potential reasons for withholding apply, we must still consider the public interest in release. As the principle of availability applies, the information may only be withheld if the potential harm from releasing it is greater than the public interest in disclosure. This ‘balancing exercise’ means that in some cases information can be released where nonetheless there is some possible harmful effect that might appear to justify withholding it.
- 1.12 We do not need to receive an OIA request for information for the principle of availability to apply. We can release information that in our assessment should be made publicly available. We will not disclose any confidential or commercially sensitive information in a media statement or public report, unless there is a countervailing public interest in doing so in a particular case. Such cases are likely to be rare.
- 1.13 We will consider any request from a party who wishes to keep their identity and/or the content of their submission anonymous. However, this request must be discussed with us first before the submission is provided to us. Submitters must justify any request for anonymity by providing reasons.

1.14 Error! Reference source not found. provides the full list of our submission questions.

Please take a look inside the table for my comments:

Question number	Target Audience	Question
1	Merchants	<p>Do merchant service fee complexities drive challenges in determining whether and how you surcharge?</p> <p><i>While not a Merchant, as I said above, the answer is yes. The bank is little help in understanding these complexities.</i></p>
2	Merchants	<p>Would you consider lowering or even ceasing to surcharge if your merchant service fees were less than 1% for in person card payments?</p> <p><i>I can't talk for the owner, but I would imagine not. In a low margin business, every cent is precious.</i></p>
3	All stakeholders	<p>Is token portability an issue in New Zealand? If yes, what is stopping the implementation of the Reserve Bank of Australia's expectations here?</p> <p><i>I have googled Tokenisation and I am still confused. But if a token is unique to the combination of merchant, card and device, then it isn't portable by definition.</i></p>
4	All stakeholders	<p>We welcome further evidence of any other issues within the New Zealand retail payment system</p> <p><i>As a consumer you just pay the surcharge. You can't see how it is made up. You can't see if it is reasonable.</i></p>
5	Schemes, Issuers, Acquirers	<p>What do you consider an appropriate methodology for determining interchange fee caps in New Zealand? Why do you think this best meets the purpose of the Retail Payment System Act, and how would it be practically implemented?</p>
6	Schemes, Issuers, Acquirers	<p>What is the rationale for the heavy discounting of interchange fees to large businesses and the evidence to support the extent of the discounting observed?</p> <p><i>As a consumer, I'd like to see this.</i></p>
7	Mastercard, Visa, Issuers	<p>What evidence is there to support higher interchange fee rates for credit versus debit card payments?</p> <p><i>I'd like to see this too.</i></p>
8	Mastercard, Visa, Issuers	<p>We welcome quantitative evidence justifying higher interchange rates on domestic card not present transactions.</p>
9	Mastercard, Visa	<p>We are seeking evidence on the rationale and methodology used to set the difference between interchange fee rates on cards issued within New Zealand and foreign issued cards.</p> <p><i>Me too. But just regulate to remove the difference.</i></p>
10	Mastercard, Visa	<p>Why are two categories of rates for foreign-issued cards (inter-regional and intra-regional) necessary?</p> <p><i>Marketing by confusion.</i></p>

11	Mastercard, Visa, Issuers, Acquirers	<p>Who is liable for the fraud costs associated with transactions made using a foreign-issued card?</p> <p><i>The merchant. As in, if a card holder makes a transaction and then denies they did, the banks recover the transaction cost from the merchant. They don't ask the merchant for any proof the txn is valid.</i></p>
12	Mastercard, Visa, Issuers, Acquirers	<p>We are seeking quantitative evidence of differences between levels of fraud for domestic and foreign-issued cards.</p>
13	Mastercard, Visa, Acquirers	<p>We welcome evidence and rationale for why merchants are treated differently for interchange fee application.</p>
14	Mastercard, Visa, Acquirers, Issuers	<p>We welcome evidence of the impact of hard caps and percentage rates on compliance costs.</p>
15	Mastercard, Visa, Acquirers, Issuers	<p>Please provide evidence of any other aspects of the implementation of any changes to interchange fee caps that impacts compliance or other business costs.</p>
16	Acquirers	<p>How would you reduce merchant service fee rates for your customers on fixed or blended pricing?</p>
17	Acquirers	<p>How would you provide your customers with an overview of the intended impact on them of further price regulation?</p>
18	Mastercard, Visa, Issuers, Acquirers	<p>How fit for purpose is the current anti-avoidance provision? Please provide evidence of any challenges and whether there are other more efficient solutions.</p>
19	All stakeholders	<p>Please provide any evidence of other impacts a material reduction in interchange fees for Mastercard and Visa could have on the New Zealand retail payment system.</p> <p><i>I don't think interchange fees should be considered in isolation. Reduce the Interchange fee and the Banks portion rises to compensate if lost revenue.</i></p> <p><i>What we all need is to know the system is fare for every participant. No special deals. Complete transparency.</i></p>