

AP+ debit card changes welcome but will mean little to ordinary Australians without serious industry and RBA support

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Independent Payments Forum Australia today congratulated Australian Payments Plus (AP+) on taking three, long-awaited and necessary steps towards fairer debit card fees for small businesses and their customers - but warned there was still a very long way to go to have any meaningful impact.

As debit cards are the “new cash” and Australia’s favourite retail payment method, today’s AP+ announcements are very welcome, but they also come with a lot of cryptic caveats and will mean little without regulatory and industry support.

“While there is a lot more to be done, today’s announcement is a positive step which begins to address the massive disparity between debit card fees charged to small businesses and their customers compared to big business,” IPF co-founder Warwick Ponder said. “To succeed it will need commitment from both the industry and the regulator. Lower fees have been available for some time, what we really need to see is a commitment real change that leads to lower costs for everyday Australians. This is currently impeded by of issues such as fixed pricing plans which don’t return wholesale pricing benefits to small businesses.”

“We expect to see a lot of announcements and posturing ahead of the RBA’s up-coming review into card fees and surcharging, but that needs to equate to real change and lower fees on the ground.

“Now it’s up to the industry and the Reserve Bank of Australia to ensure any benefits flow to all small businesses to reduce their costs, lower prices and help reduce the amount of payments surcharging.”

The three AP+ announcements are below with commentary from IPF:

1. The long-awaited start of mobile wallet routing – but only on new cards loaded in wallets like Apple Pay, and “dependent on handset manufacturer ... “For some devices this will be available progressively by bank while for other devices this will be where a new card is registered following a software update”. **IN OTHER WORDS, THIS ROLLOUT WILL TAKE ABOUT THREE YEARS MINIMUM.**
2. Lower interchange rates for some “eligible” small businesses – to 2c for instore payments and 3c for online. (The media release does not explain which small business will be eligible and if rates for big business will also be lowered. AP+ has not yet responded to IPF’s questions on this.)
3. Issuer scheme fees will be reduced by 22% and acquirer scheme fees by 5%, commencing from 1 May 2025. (The announcement does not say what the actual amounts are and AP+ has not yet responded to IPF’s questions on this. The information is not published on AP+’s website:
<https://www.auspayplus.com.au/brands/eftpos-interchange-fees>)

AP+ said today: ‘RBA analysis showed eftpos fees were already 40% lower on average for debit cards and now will be lower.

IPF co-founder Brad Kelly said that unfortunately, most small businesses do not see the benefits of these lower fees.

“IPF hopes the international schemes, which currently process the majority of debit transactions in Australia and are given bank “priority” on more than 40 million debit cards, respond with similar changes,” Mr Kelly said.

Mr Kelly said today’s announcement proved what the Independent Payments Forum and others have said for a long time about routing transactions on mobile phones, in the face of aggressive industry push back and denial.

“Least Cost Routing on mobile is possible and should have started years ago as it has been in Europe and the US,” Mr Kelly said. “Unfortunately, small businesses currently pay much higher fees for mobile transactions and are likely to do so for years to come, even though these transactions operate on the same payment rails, using the same card and access the customers own money from the very same bank account.

“It is likely that the benefits of least cost routing on mobile will not be seen in full for three years, and those benefits will not be passed on to merchants under the current pricing plans. Instead, they may simply boost profit margins for banks and other payment providers.”

“In August the RBA said it expected providers to continue enabling LCR, and to pass the savings on to merchants. We are yet to see this happen for small business in most cases.”

IPF also welcomes today’s transparency from AP+ on progress with routing debit transactions in online. AP+ said routing now accounts for around 35% share of all debit card payments made online.

“This is good progress but again it was delayed for many years due to unnecessary, aggressive industry push back and denial,” Mr Kelly said.

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About Independent Payments Forum

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