

From: Catherine Wolthuizen[SMTP:CWOLTHUIZEN@CHOICE.COM.AU]
Sent: Thursday, April 28, 2005 10:01:21 PM
To: Payments
Subject: Visa Debit
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Dear Dr Veale

I am writing to register the views of the Australian Consumers' Association in relation to the draft standards on EFTPOS and Visa Debit released for consultation in February 2005.

You will be aware of ACA's active interest in the Payments System Board's reform agenda across three party credit card schemes, EFTPOS, Visa Debit and ATMs. While supportive of the principles outlined in the October 2000 Joint Study, we remain concerned about the immediate and longer term impacts of the reforms.

Our concerns may be summarised as follows:

- * That the application of three different methodologies for credit card, EFTPOS and Visa Debit interchange may create a confusing and inconsistent approach to payments;

- * The significant differential proposed between Visa Debit and credit cards appears to risk a transfer of cardholders from Visa Debit to credit cards, which in ACA's view is not an efficient outcome for the payments system, nor a demonstration of public benefit from the reforms;

- * The removal of the Honour All Cards rule and the strengthening of acquirer market power may create a competitive disadvantage for the institutions currently issuing Visa Debit - which include regional banks, St George, credit unions and building societies (this appears to be a significant concern particularly for building societies and credit unions);

- * Visa Debit is a useful product providing important features and remains relevant to an efficient payments system.

The ACA would be pleased to discuss these issues further with the RBA. In the interim, we would encourage the Bank to reconsider the access and competitive issues the draft proposals may raise, and the very real prospect that this regulatory intervention will encourage greater incentives for credit card use and issuing (despite its overall higher cost, and higher personal cost for consumers).

To this end, I have attached an article I wrote earlier this year setting out these issues in more detail for your consideration.

Yours sincerely

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