



**December 12, 2024**

Head of Payments Policy Department

Reserve Bank of Australia

GPO Box 3947

Sydney NSW 2001

Via email: [pysubmissions@rba.gov.au](mailto:pysubmissions@rba.gov.au)

## **Submission to the Reserve Bank of Australia**

Merchant Card Payment Costs and Surcharging – Issues Paper

Dear Head of Payments Policy,

Sniip welcomes the opportunity to provide a submission to the Reserve Bank of Australia (RBA) on merchant card payment costs and surcharging.

Our submission looks at three issues:

- Wholesale costs impact Fintechs like Sniip,
- Surcharging on debit cards, and
- Avoiding potential unexpected consequences of a proposed ban on surcharging that may impact consumer-selected innovations.

### **About Sniip**

Sniip solves a consumer problem by enabling users to pay any bill with any card, while earning full loyalty points or rewards, regardless of card issuer or bank account, via a mobile app.

Founded in 2013, Brisbane-based Sniip is one of Queensland's most highly regarded financial technology companies, having developed proprietary payments

technology specifically designed to solve customer issues.

In 2019, Sniip partnered with BPAY to unlock payments to more than 60,000 BPAY Billers in Australia. A year later, we partnered with American Express, and in 2023 we launched payments to a billers BSB & Account Number to any business in Australia.

In its current form, Sniip is a mobile-based bill-payment service empowering both individuals and businesses to pay any bill on their own terms, using any payment source.

We are passionate about providing individuals and businesses with freedom to take control of their finances, while enjoying the benefit of earning full reward points on their payments for both personal and business bills.

### **Wholesale payments costs**

The wholesale cost of processing card payments impacts both merchants and consumers and erodes margins for fintechs that are focused on innovating around the payment.

As such, any relief from wholesale processing costs, such as interchange and scheme fees, that can be achieved by the RBA's deliberations in this review, would be welcomed by many fintech innovators and improve efficiency.

Australia's payments system is world class, largely due to the RBA's oversight, but wholesale costs are still relatively high, particularly in a market that has such high take-up of electronic payment methods.

### **Surcharging**

Sniip acknowledges the RBA's focus on surcharging practices to enhance fairness

and transparency for consumers.

Reducing the wholesale cost of card fees would help reduce surcharging, while also easing the burden on merchants.

It is worth noting, however, that consumer concerns are heightened by surcharges for excessive blended retail rates charges by some Payment Service Providers (PSP) for processing basic debit card transactions. These rates disproportionately impact customers paying with their own funds.

For instance, a flat rate of 1.6% is often imposed on merchants to cover both debit and credit cards and surcharged back to consumers, despite debit card transactions typically costing only 0.5% or less.

With debit cards comprising up to 80% of merchant transactions, this approach unfairly inflates costs for many businesses and consumers.

### **Customer-centric innovation**

If the RBA was to move forward with any ban on surcharging, this restriction should not apply to service fees levied to consumers for innovations they have been specifically requested such as:

- A consumer has specifically selected a service to be performed that is not usually available on a standard card transaction, or
- A consumer has downloaded an app to perform a service or services not usually available on a standard transaction.

An exemption should be applied to value-added services requested by consumers that enhance the payment experience, such as carbon offsets for transactions, charity payments or the ability to access or use rewards that would not otherwise be available.

The associated cost for such a service should be borne by the consumer, rather than

the merchant, as a service fee, and not subject to a surcharge ban.

For example, Sniip is an app that provides consumers with an opportunity to use any payment method, including American Express, to make bill payments that would not otherwise be possible using that card.

A service fee is levied on the consumer by Sniip for this innovation that they have chosen to use.

This service fee should not be considered a “surcharge” under any new regulation. We rely on charging a service as our primary source of revenue to provide this service and flexibility. As opposed to a retail trader, Sniip has no underlying good or service that contains its own margin.

Clearly, such an exemption from a surcharge ban should not be extended to new form factors or platforms that simply offer new ways to make a standard card transaction.

Sniip’s business model differs fundamentally from such practices. We operate as a customer-centric enhancement, focused solely on improving the bill payment experience.

By downloading the Sniip app and reading the terms and conditions, our users have chosen to benefit from advanced technology that streamlines payments and provides choice and flexibility in payment methods not available from banks or billers.

Importantly, while a service fee applies for certain premium payment methods, Sniip also offers fee-free bank account payments, and we absorb the transaction costs for these payments.

Changes to surcharging regulations could significantly impact providers like Sniip if such an exemption is not overtly called out by the RBA.

## **Conclusion**

Sniip welcomes the RBA's focus on merchant card payment costs and surcharging. Any initiatives to reduce the wholesale cost of processing card payments would be welcomed by many fintech innovators and improve efficiency.

Sniip acknowledges and supports the RBA's focus on surcharging practices to enhance fairness and transparency for consumers for basic card processing at merchants.

However, it is critical that regulatory frameworks account for the unique value provided by innovations that rely on customer selection, and do not impose unnecessary burdens in terms of additional reporting.

Any new regulations to ban surcharging should include an exemption for customer-selected innovations, overtly called out by the RBA to avoid ambiguity.

In this way such businesses can continue to deliver customer-focused solutions without compromising sustainability or service quality.

Sniip remains committed to supporting transparency and fairness while advocating for a balanced approach to surcharging reform that recognises the distinct nature of customer-centric innovation.

We appreciate the opportunity to contribute to this important review and welcome further discussions on these proposals.

Sincerely,

Damien Vasta

Founder and CEO

Sniip Ltd