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Ellis Connolly
Head of Payments Policy Department
The Reserve Bank of Australia
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Dear Ellis,

On behalf of Pyng Payments Pty Ltd, we would like to make this submission to the Reserve Bank of Australia in response to the Issues Paper published in October 2024. We note that the Issues Paper poses several questions for feedback from the community and interested parties.

Pyng Payments Pty Ltd was incorporated in early 2024 primarily to provide the lowest cost method of making domestic payments for Australians through the use of account-to-account transfers using the New Payments Platform. Our key value proposition to both merchants and consumers is that we do not charge any transaction fees and we provide instant settlement. We are able to do this by reducing our reliance on third parties and acting as a facilitator of transactions through the existing banking system. We expect to charge a flat monthly fee to merchants in the future versus a transaction fee. Our key value proposition to consumers in particular is the fact that they will never to pay a payment surcharge again. Since inception, Pyng has been taken up by over 100 retailers and downloaded by thousands of consumers in Australia. Pyng is domestically owned and is aiming to become the preferred way for Australians to pay.

It is our view that the general payments system in Australia is competitive with merchant acceptance costs being relatively low especially when compared to other developed economies such as the US. We also in particular note that the launch of the New Payments Platform and the ability for various entities to connect to the New Payments Platform provides a major opportunity for competition in domestic and international payments. Pyng Payments was recently incorporated to bring the benefits of scale to smaller businesses who currently do not benefit from the fee benefits that larger retailers may be able to negotiate with schemes or payment service providers. Our particular interest in this Issues Paper is regarding surcharging and whether or not the surcharging framework remains fit for purpose as outlined in section 2.6 (Surcharging) in the Issues Paper.

Our broad philosophy when it comes to merchant card payments and surcharging is that the

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best long term “cure” for Australia is to enable greater competition within the payments space and to encourage innovation particularly when it comes to access to schemes such as the New Payments Platform. Our view is that the free market is likely to provide a more efficient and equitable outcome versus a heavy-handed approach to regulation.

One of the biggest challenges that currently exists in the surcharging framework is the disconnect and perception of surcharges between businesses and consumers. It is noted and we broadly agree that surcharges are not popular with consumers. Surcharges exist to create a price signal to incentivise consumers to switch and utilise different payment networks. Yet from our own experience and research, consumers often feel that they are powerless to negotiate against surcharges. On the other hand, from our own conversations with many merchants, merchants often feel that the level of surcharging is unimportant as most of these are automatically added on to their bill and at point of sale with little to no friction. This has resulted in a situation where various parties such as software providers have added their own fees to the cost of payment. Our recommendation is that the Reserve Bank of Australia should mandate payment service providers to explicitly get consumers to accept any surcharges prior to any surcharge being charged. By doing so, it is likely to make merchants more cognisant of the amount that is being surcharged. This would be similar to New Zealand where consumers must accept any surcharge before it is charged. It creates friction and therefore encourages merchants, in particular, to negotiate and offer other cheaper and more efficient payment rails including potentially offering a free option that has no friction.

We note that the Reserve Bank of Australia has posed a question regarding whether surcharging more broadly should be banned. As noted by the Bank, banning surcharges broadly may result in unwinding any benefits of the current framework as it would dull any price signals that exist between payment methods which could lead to higher merchant acceptance costs. Our view on this is that a broader ban on surcharges does not benefit consumers or merchants in any material way.

One key challenge that has arisen since the surcharging framework was introduced and in particular over the past five years is the flat rate or blended surcharge. While some payment providers argue that this provides a clear and consistent message to consumers, it effectively allows debit transactions to subsidise credit transactions. Where a consumer pays the same price to transact on a credit and debit network it is likely that he or she may pick to transact on a credit network where there are additional benefits (such as rewards). Our view is that while a blended rate may make sense, it does not achieve the goals of enabling surcharges. There have been some suggestions that a potential solution may be to ban debit card surcharges altogether. We note that there is a wide range of the cost of acceptance for debit transactions and this varies based on the network and scheme (EFTPOS vs Visa/ Mastercard), type of payments (tap versus insert) being used and the payment service provider being used (some

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that offer certain benefits versus others) as well. Each option of payment provides certain benefits versus others which can result in the differing cost structures even though they all are technically “debit” transactions. As a result, we do not believe that simply banning debit card surcharges will necessarily lead to any increase in efficiency and may actually hinder innovation in the debit space.

Our view is that a simpler solution would be to mandate all businesses to provide at least one fee free digital way for consumers to make payment. This would be in line with the fact that consumers currently cannot be surcharged for the usage of cash and similarly should not be penalised for using a digital method of payment. This could result in merchants wanting to adopt the lowest cost of accepting payments while providing a benefit to payment service providers that may want to invest in methods that are more expensive but may offer more convenience.

We are grateful to the Reserve Bank of Australia for bringing such an important topic to the forefront and we hope our submission provides some useful perspectives for consideration.

Should you have any questions at all, please do not hesitate to contact me.

Regards
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