

RBA Review of Merchant Card Payment Costs and Surcharging

22 August 2025

Australia Post welcomes the opportunity to respond to the Reserve Bank of Australia's (RBA) consultation paper on merchant card payment costs and surcharging. We support reforms that promote efficiency, transparency, and fairness in Australia's payment ecosystem, while ensuring that both merchants and consumers benefit from lower costs and more competitive services.

Surcharging practices and implications of reform

In our experience, most large Australian businesses – including our own – do not impose card payment surcharges on customers. Instead, we absorb merchant service fees within our broader pricing models. However, if regulatory changes were to remove the ability for merchants to surcharge entirely, there is a risk this could require businesses to review and potentially adjust their pricing strategies to recover costs in other ways.

Interchange fee reduction – missed opportunity for broader reform

We support the proposed reduction in interchange fees but consider that reforms should go further. We recommend that the RBA introduce caps on:

- **Scheme fees** (which are often opaque, complex and increasing over time. There is also common practice of blending fees by acquirers, in particular, cross border and domestic); and
- **Bank acquiring fees** (including hidden markups within blended pricing models).

Without limits on these non-interchange components, total merchant service fees may not fall meaningfully, and acquirers or schemes may simply shift revenue collection to these uncapped areas. Transparency and effective enforcement mechanisms should be in place to guarantee that retailers realise the anticipated savings.

We also recommend that blended pricing models be addressed through regulation or strong disclosure requirements, given they can mask the true cost of different card types and prevent merchants from optimising payment acceptance strategies.

Transparency and disclosure requirements

We strongly support the proposed improvements to pricing transparency and disclosure. Requiring acquirers, payment service providers (PSPs) and other intermediaries to present clear, standardised cost breakdowns will:

- Enable merchants to understand the true drivers of their costs;
- Facilitate genuine comparison of offers from different PSPs; and
- Encourage switching to lower-cost providers, fostering competition and innovation in the acquiring market.



Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as a team. We recognise their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

These measures are likely to deliver direct cost savings to merchants over time.

Gaps in the consultation paper

While the consultation paper makes useful proposals, it does not address several important reforms that could deliver further cost savings and efficiency gains:

- **Separation of debit and credit card fees:** The continued use of blended rate pricing models obscures the generally lower cost of debit transactions and inflates fees for merchants (particularly on low-cost debit card payments). Disallowing blended pricing and requiring separate disclosure (and charging) for debit and credit card transactions would enable merchants to make informed acceptance decisions and lower customer costs.
- **Mandating dynamic Least Cost Routing (LCR):** While LCR is encouraged, it is not universally offered, and many acquirers make it difficult for small merchants to access or configure. A mandated, dynamic LCR requirement would automatically route debit transactions via the lowest cost network at the point of sale, ensuring merchants and their customers benefit from lower transaction costs without needing complex manual settings.

Potential unintended consequences of reform

We note that the proposed reforms do not address mobile wallet transaction routing or Buy Now Pay Later (BNPL) payment costs. Without inclusion in the framework, these payment types could see increases in merchant fees as schemes and providers seek to offset revenue impacts from interchange caps.

We also note that small businesses – which already face higher merchant service fees on average – may not see significant cost reductions under the proposed changes. Given the high pass through of costs in this segment, consumers could ultimately bear the burden of any residual or shifted fees.

We commend the RBA's focus on improving the efficiency and fairness of Australia's payment system. However, a more comprehensive approach that addresses all major components of merchant costs, prohibits pricing practices that distort true price signals, and mandates LCR, will be necessary to ensure reforms deliver lasting, broad-based benefits to merchants and consumers alike.

Finally, we note the Government's current focus on cash as a payment method for both vulnerable consumers and overall payment system resilience. While the underlying mechanics of card and cash payments are different, the principle of impacts to consumer behaviour from surcharging (regardless of payment method) should be more broadly considered.

Any queries in relation to this submission can be directed to Kat Burela, Head of Industry, Policy and Regulatory Affairs at kat.burela@auspost.com.au.