

ACCI Feedback on Review of Merchant Card Payment Costs and Surcharging

ACCI Submission

09 September 2025



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Recommendations

Surcharging

- Do not impose a blanket ban on surcharging.
- Instead, reduce underlying merchant fees so surcharges naturally disappear.
- If reform is pursued, consider a more balanced option:
 - Preserve the right to surcharge high-cost cards (credit, international).
 - Prohibit surcharges on low-cost debit cards only where Least-Cost Routing (LCR) is mandated and effective.
- If a ban goes ahead, mitigate impacts by:
 - Capping interchange and scheme fees at lower levels.
 - Mandating default routing to the cheapest network for merchants.

Interchange Fees

- Support reducing interchange caps if savings are passed through.
- Empower ACCC and RBA to monitor and penalise acquirers who fail to pass savings on.
- Introduce caps on foreign-issued card transactions.
- Guard against acquirers offsetting caps with new flat fees that burden small merchants.

Smaller Issuers

- Ensure reforms do not disproportionately burden smaller issuers.
- Monitor to avoid reforms entrenching the market power of larger banks.

Net Compensation

- Tighten loopholes in net compensation provisions to prevent issuers from receiving indirect benefits from schemes.

Merchant Service Fees

- Require acquirers to publish average costs of acceptance by merchant size and card type.
- Break down domestic vs international fees on merchant statements.
- Bring online fees down to match in-store costs.

Least-Cost Routing (LCR)

- Mandate LCR across all debit transactions, including mobile wallets and online.
- Explore dynamic LCR for more merchants.
- ACCC should monitor/enforce LCR implementation

Implementation

- Gradual implementation with transitional support for high-impact industries (hospitality, accommodation, tourism).
- Draft standards should be proportionate, with useful but not burdensome reporting obligations.
- Apply penalties for non-compliance, but allow flexibility for small businesses.
- Consider a modest delay to implementation to give SMEs time to adjust

Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to respond to the Reserve Bank of Australia's Review of Merchant Card Payment Costs and Surcharging consultation paper (July 2025).

ACCI is Australia's largest and most representative business network. Our members are state and territory chambers of commerce, national industry associations, and a council of business leaders from individual enterprises. Together, we represent Australian businesses of all shapes and sizes, across all sectors of the economy, and from every corner of our country.

While we represent businesses of all sizes, the breadth of our membership means we are the pre-eminent peak body representing small businesses in Australia, including family enterprises. Within our membership of around 70 national industry associations, many have small business owners from across a vast array of sectors, such as builders, mechanics, plumbers, electricians, pharmacists, restaurants, retailers, accommodation providers, vets, convenience store owners, dentists, and travel agents, to name a small fraction.

As over 97% of Australian businesses are small enterprises, reforms to card payment costs must carefully balance consumer interests with the operational realities of small merchants. Card acceptance costs are not abstract to these firms; they are day-to-day business expenses directly affecting viability, competitiveness, and consumer prices. Unlike large retailers, small businesses often lack the scale and bargaining power to negotiate with banks and payment providers. Ensuring reforms genuinely reduce costs, increase transparency, and enhance competition is central to safeguarding small business sustainability and protecting consumer choice.

ACCI supports the broad direction of the RBA's proposed package, particularly reforms that enhance transparency, promote Least-Cost Routing, and strengthen net compensation provisions. However, we caution against a blanket ban on surcharging, which would disproportionately harm small operators, reduce price transparency and risk inflationary outcomes. The success of the package will ultimately depend on ensuring that the benefits of lower interchange and scheme fees are passed through to merchants in practice, not absorbed by acquirers or hidden in opaque fee structures.

We urge the RBA to continue close engagement with business representatives, acquirers, schemes and regulators such as the ACCC to ensure that implementation is practical, proportionate, and delivers tangible benefits to small businesses. A balanced, transparent and competitive payments system is vital to Australia's economic efficiency and consumer confidence. ACCI and our members stand ready to work with the Payments System Board to help deliver these outcomes.

Q1. Removing surcharge on designated card networks

ACCI does not support a blanket ban on surcharging.

For small businesses, surcharging is not a revenue tool but a mechanism to recover merchant service fees. ACCI's 2024 submission highlighted that in hospitality, for example, more than three-quarters of businesses apply a surcharge, with 100% of surveyed businesses applying a rate under 2% purely to cover merchant service fees, and none applying surcharges for profit¹. This reflects broader practice across the small business community, which represents more than 97% of all Australian businesses.

Removing this flexibility would disproportionately affect small businesses that already face higher costs of acceptance compared to larger merchants, who enjoy scale discounts and stronger bargaining power. This is particularly acute in sectors where retail prices are fixed; for example, newsagents selling lotteries, magazines and newspapers, where cover prices are set externally. In such cases, surcharging is the only mechanism available to recover merchant fees. For hospitality operators in particular, ACCI survey evidence showed three-quarters of respondents expected a ban would have significant or moderate impacts on their operations. Only 30% said they could absorb debit-card costs if surcharging were banned, meaning 70% would either raise prices or consider reducing service levels or closing their doors¹.

For many merchants, surcharges also serve as a form of commercial leverage in negotiations with acquirers and schemes. Removing this right would weaken merchants' ability to push back on rising acceptance costs, further eroding competition and efficiency.

The most effective way to reduce or eliminate surcharges is not by banning them but by tackling the underlying merchant fees themselves. If acceptance costs are genuinely brought down, surcharges naturally disappear, as there is no cost left for merchants to recover.

From a public-interest perspective, ACCI recognises that consumers often dislike surcharges. However, forcing merchants to internalise costs risks simply shifting them into base prices, reducing transparency and creating inflationary pressure. A more balanced approach is to preserve the right to surcharge high-cost cards (credit, international) while prohibiting surcharges on low-cost debit transactions only where Least-Cost Routing (LCR) is mandated and functioning effectively. ACCI also notes that a debit-only surcharge ban has been raised as a more balanced and proportionate option. This would preserve the ability of SMEs to recover the higher costs associated with credit card acceptance, while addressing many of the consumer concerns around debit transactions.

Ultimately, ACCI cannot support the RBA's proposed approach to remove the current prohibition on 'no-surcharge' rules for debit, prepaid and credit cards for designated card schemes. However, if the RBA moves forward with this proposal, there are a number of potential levers that could be pulled to mitigate the effects on merchants, including capping interchange and scheme fees at much lower levels, and mandating that all card transactions, especially debit, default to the cheapest network for the merchant.

¹ [Merchant Card Payment Costs and Surcharging](#)

Q2. Interchange Fees

ACCI supports reducing interchange fee benchmarks, provided benefits are genuinely passed through to merchants. At present, interchange arrangements disproportionately disadvantage small businesses, who are more likely to be placed on higher-cost plans or “blended” fee structures that obscure the true costs of card acceptance². Lowering debit caps to 6 cents or 0.12% and reducing credit card caps to 0.3% should, in theory, lower costs, but without strict pass-through obligations, acquirers may re-package fees in ways that nullify savings.

Our 2024 submission argued strongly that the Australian Competition and Consumer Commission (ACCC), in conjunction with the RBA, should be empowered to monitor anti-competitive behaviour and penalise acquirers who fail to pass cost reductions to merchants. Small businesses lack the resources to contest complex fee structures and rely on regulators to ensure fairness.

Moreover, international card usage remains a pressure point. Introducing caps on foreign-issued transactions is welcome, but small merchants must have confidence that these caps are reflected in their actual merchant statements. ACCI also notes the risk that tighter caps may encourage acquirers to introduce new monthly or annual flat fees, which could disproportionately burden low-volume small merchants¹.

Q3. Considerations for smaller issuers

ACCI recognises that smaller issuers such as credit unions, mutual banks, building societies and regional banks play an important role in sustaining competition in the Australian payments system. These institutions often serve regional communities and SMEs, and provide tailored services that differ from the offerings of larger banks³. The RBA should ensure that reforms do not impose disproportionate compliance costs or revenue pressures on these issuers, as this could undermine diversity and competition in the issuing market.

For small business customers, the continued viability of smaller issuers is critical to maintaining competitive access to payment services. If interchange reductions or scheme fee changes force smaller issuers to exit or scale back, SMEs could face reduced choice and higher costs in the long run. The RBA should therefore consider transitional arrangements, proportional compliance obligations, and ongoing monitoring to ensure reforms do not unintentionally entrench the market power of larger institutions.

Q4. Net compensation provisions

ACCI supports the RBA’s proposal to tighten the net compensation provisions, which close loopholes that allow issuers to receive indirect benefits from schemes that undermine interchange regulation. These reforms protect competitive neutrality and reduce the risk of hidden costs being shifted back onto merchants, especially small businesses already struggling with higher acceptance costs.

² [241217 SB - RBA Review of merchant card payment costs and surcharging](#)

³ [customer-owned-banking-association.pdf](#)

Q5. & Q6. Transparency of wholesale fees

ACCI strongly supports proposals requiring card networks to publish quarterly aggregate interchange and scheme fee data. These measures are consistent with ACCI's longstanding call for transparency to drive competition. Currently, interchange and scheme fee schedules are complex and opaque, making it difficult for merchants (especially SMEs) to assess whether they are being charged fairly⁴. By way of illustration, Visa's scheme rules currently extend to around 920 pages, while Mastercard's are 484 pages. Such rulebooks are effectively inaccessible to SMEs, underscoring the need for simplification and transparency.

Providing aggregate data, combined with mandatory direct reporting of fees to individual merchants, would empower small businesses to benchmark their costs and negotiate better deals. It would also apply competitive pressure on card schemes, which have historically raised fees without clear justification.

Reducing complexity in scheme fee schedules is equally important. As ACCI has noted, small merchants lack the resources to decode highly technical pricing structures. The RBA's expectation that networks work with industry to simplify fee schedules is strongly supported, but must be accompanied by enforceable requirements and timelines. Voluntary commitments risk perpetuating the status quo.

Q7. & Q8. Scheme fees

ACCI supports the RBA's expectation that scheme fees should not rise without explanation. However, given the persistent growth in scheme fees, ACCI considers stronger measures may be needed. Our 2024 submission recommended the ACCC be tasked with investigating whether scheme fees deliver competitive outcomes for merchants and consumers.

ACCI also stressed that broader measures, such as mandatory LCR and retention of surcharging rights, are critical to maintaining competitive pressure on scheme fees. Without these, scheme fees may continue to rise even under greater disclosure requirements.

Q9. & Q10. Merchant service fee transparency

ACCI supports requiring large acquirers to publish average costs of acceptance by merchant size and card type, alongside a breakdown of domestic vs international transactions on merchant statements. Current opacity in merchant service fees leaves small businesses unable to compare plans effectively or to assess whether they are receiving the benefits of reduced interchange.

Publishing average cost of acceptance data will help smaller merchants understand their position relative to peers, while itemised statements will allow them to see where international card usage imposes higher costs. Together, these reforms should increase the ability of SMEs to shop around and incentivise competition among acquirers.

ACCI members have also consistently noted that merchant service fees for online transactions are substantially higher than for in-store transactions, yet receive far less regulatory attention. For many small businesses, particularly those operating hybrid online/in-store models, this is one of the largest pain points. Bringing online fees down in line with in-store costs should be a priority in order to deliver fairness and efficiency.

⁴ [241217 SB - RBA Review of merchant card payment costs and surcharging](#)

Q11. Least-Cost Routing (LCR)

ACCI strongly supports mandating LCR across all debit transactions, including mobile wallet and online. As our 2024 submission made clear, voluntary uptake has been patchy, and some merchants report that enabling LCR was uneconomic or difficult to access. Mandating LCR would create consistency, drive down costs, and improve transparency ¹.

Dynamic LCR should also be explored for merchants where costs previously outweighed benefits. Importantly, the ACCC should be tasked with monitoring and enforcing LCR implementation, given the reluctance of some providers to enable it. Without mandatory LCR, small businesses risk being locked into higher-cost networks, undermining the purpose of interchange reforms.

Q12. Preferred package

ACCI supports many elements of the package—lower interchange caps, transparency reforms, LCR promotion—but the proposed blanket surcharge ban would significantly undermine benefits. Evidence shows surcharging is used solely for cost recovery, not revenue raising, and small businesses cannot absorb merchant service fees without passing them into base prices.

A balanced package should therefore:

- Retain targeted surcharging rights for high-cost card types.
- Mandate LCR across all debit transactions.
- Enforce pass-through of reduced interchange to merchants.
- Require publication and simplification of scheme and merchant service fees.

Only such a package will deliver competition, efficiency, and fairness for small business and consumers.

Q13. Q14. Implementation and draft standards

ACCI recommends gradual implementation with clear communication and transitional support for sectors most exposed, including hospitality, accommodation and tourism. Small businesses in these industries often operate on razor-thin margins and cannot absorb sudden shifts in payment cost structures.

Draft standards must be enforceable but proportionate. Reporting obligations should provide useful, accessible information without imposing undue compliance burdens on smaller acquirers or merchants. Penalties for non-compliance are appropriate but should be coupled with flexibility to account for small-business capacity¹.

Conclusion

The Australian Chamber of Commerce and Industry appreciates the opportunity to contribute to this important review. Card payments are now an essential part of doing business, and reforms to interchange, surcharging, scheme fees and transparency settings directly affect the competitiveness and viability of Australia's 2.5 million small and family enterprises. Our members have consistently emphasised that while

consumers value convenience and choice, small businesses carry the burden of higher merchant service costs and lack the bargaining power of larger retailers.

The Australian Chamber of Commerce and Industry supports reforms that promote a more transparent, competitive and efficient payments system while ensuring that savings are genuinely passed on to merchants, particularly small and family businesses. Retaining targeted surcharging rights, mandating Least-Cost Routing, simplifying fee structures and supporting smaller issuers will be essential to achieve fair outcomes in a market where SMEs often lack bargaining power.

ACCI also notes that a modest delay to the implementation timeline could help businesses, especially smaller operators, better prepare for these changes and avoid unnecessary compliance costs. With clear guidance, proportionate standards and continued engagement, the reforms can deliver real benefits to small business and the wider economy.

For further information or to discuss the feedback on the merchant card payment costs and surcharging, please contact Dr Jodie Trembath, Director of Skills, Employment and Small Business, at jodie.trembath@acci.com.au.

Appendix

Questions for consultation:

- Q1: Would removing surcharging on designated card networks best support the RBA's objectives to promote the public interest through improving competition, efficiency and safety in the payments system? In particular, the RBA welcomes feedback on whether there are additional public interest considerations that should be taken into account for each policy option.
- Q2: Do the proposed changes to interchange regulation promote the public interest by improving competition and efficiency in the payments system?
- Q3: Are there further considerations for smaller issuers that the RBA should take into account to enhance competition and efficiency in the payments system?
- Q4: Do the proposed changes to the net compensation provisions effectively achieve the RBA's objectives and promote the public interest? Will Australian issuers sponsored by overseas entities be able to comply with the changes?
- Q5: Does the proposal for card networks to publish aggregate wholesale fee data achieve the RBA's objectives of improving competition and efficiency among the card networks? Does the proposal adequately balance the information needs of the market with commercial concerns?
- Q6: Does the proposal for card networks to work with industry to reduce the complexity and improve the transparency of their scheme fee schedules enhance the competitiveness and efficiency of the card payments system?
- Q7: Does the proposed expectation on scheme fees achieve the RBA's objectives of competition and efficiency in the payments system?
- Q8: Should the PSB consider further regulatory measures in relation to the level of scheme fees to promote competition and efficiency in the payments system?
- Q9: Does the proposed requirement for acquirers to publish their merchants' cost of acceptance enhance competition and efficiency by helping merchants search for a better plan? In particular, the RBA welcomes feedback on:
 - whether the size threshold for acquirers is appropriate
 - whether the category breakdowns (merchant size and card type) are likely to be useful to merchants without compromising commercial sensitivity
 - whether the quarterly frequency of publication is appropriate
 - what an appropriate implementation timeline would be.
- Q10: Does the proposal to amend the cost of acceptance reporting on merchant statements to include a breakdown for domestic and international cards promote competition by helping merchants receive more information about the fees they pay? Is there a public interest case to exempt taxi fares from this requirement?
- Q11: Are there any changes that should be made to the RBA's existing industry expectation on LCR implementation to improve competition and efficiency in the debit card market?
- Q12: Does the PSB's preferred package meet its objectives of competition, efficiency and safety in the payments system? Are there any variations to the package that the PSB should consider that would yield higher net public benefits? Is there any additional evidence that the RBA should consider before finalising its decision?
- Q13: What is your feedback on the proposed implementation timeline for these reforms?
- Q14: Do the draft standards in Appendix D achieve the intended policy objectives? Are there factors that have not been properly addressed or considered in the drafting of the proposed standards?

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

ACCI Members

State and Territory Chambers



Industry Associations



