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9 September 2025

Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Via email: pysubmissions@rba.gov.au

Dear Head of Payments Policy

Public submission to the Reserve Bank of Australia: Consultation on
Merchant Card Payment Costs and Surcharging Review of Merchant Card
Payment Costs and Surcharging – Consultation Paper (15 July 2025).

Introduction

Thank you for the opportunity to respond. Oolio appreciates the RBA's open consultation on proposals that materially affect Australia's small business hospitality sector.

We provide responses to each of the 14 consultation questions, together with practical recommendations drawn from our on the ground work with venues, our December 2024 submission to the Reserve Bank of Australia (RBA), and relevant domestic and international evidence.

About Oolio. Oolio is an Australian technology company specialising in point of sale (POS) software and payment services as a payment service provider (PSP) for hospitality. We support more than 22,000 venues - local cafés, pubs, clubs, and restaurants - primarily across Australia and New Zealand, with recent expansion into the United Kingdom (UK), United States (US) and Europe. Our products are designed for the realities of hospitality: thin margins, late trading hours, high service expectations, and the need for reliable, end to end support at peak times. More information about Oolio may be found here:
<https://www.oolio.com/>

Our purpose. At Oolio, we believe hospitality is more than service, it is about bringing people together in celebration. Our purpose is to elevate every gathering by empowering venues with seamless technology that enhances experiences, fosters connections, and makes every moment memorable. Through innovative solutions, exceptional service, and a passion for hospitality, we help businesses create effortless and joyful celebrations. By championing

the spirit of togetherness, we inspire warmth, inclusivity, and excellence in every experience we support.

Why we are responding. Our advocacy reflects the position of our customers, predominantly small and medium-sized enterprises (SMEs): owner-operators and family businesses with limited bargaining power, tight net margins, and little capacity to absorb sudden increases in the cost of acceptance (COA). For these venues, payments policy is not abstract; it directly affects menu prices, staffing, and viability. Many trade long hours to serve neighbourhood demand, accept high in-person card-present (CP) volumes and, increasingly, card-not-present (CNP) orders for online pre-orders and delivery. These venues create local jobs, train young workers, and provide social connection. When policy settings misprice payment costs, the impact is immediate - higher menu prices, staff reductions, or closure.

Note on terminology. Abbreviations used in this submission are defined at first mention:

- CNP (card not present) and CP (card present)
- LCR (least cost routing)
- COA (cost of acceptance)
- MSC (merchant service charge)
- PSB (Payments System Board)
- SMEs (small and medium sized enterprises)
- EEA (European Economic Area)
- IFR (EU Interchange Fee Regulation)
- EMV (Europay, Mastercard and Visa)
- 3DS (3-D Secure)
- IC++ (interchange-plus-plus)
- T&Cs (terms and conditions)

Executive Summary

- Do not ban cost-based surcharging. Card acceptance cost is not a uniform, fixed overhead like rent or water. It is triggered by each customer's card type and purchase channel (for example, high-cost credit versus low-cost debit; phone/online CNP versus in-person CP). Therefore, the customer's choice impacts the venue's unit economics. Removing cost-based surcharging would force low-cost users to cross subsidise higher cost choices. This is particularly acute where CNP transactions carry higher fees and fraud/chargeback risk borne by merchants.
- Lower, implement and sequence interchange reforms first. We support tighter caps (including for foreign issued and CNP transactions) before any change to surcharging, paired with transparency and scheme fee guardrails so savings are not recaptured elsewhere.
- Mandate practical transparency and dynamic competition tools. Require segmented publication of scheme/wholesale fees, simpler fee schedules, and default on LCR that evolves to dynamic LCR instore and online.
- Surcharging safeguards. Acquirer/PSP-configured, COA-capped, auto-adjusting surcharges (by card type/scheme/channel), with pre-authorisation disclosure.
- Implementation timing. If the Payments System Board (PSB) proceeds, 12 months from final standards is the minimum workable period to reprice, recontract, update software, adjust statements and train staff. A 1 July 2026 start is too soon if conclusions are delivered late in 2025.
- International evidence. Where countries banned consumer surcharges, merchant service charges (MSCs) did not fall because of the ban itself. Reductions came from separate interchange caps and were partly offset by rising scheme/processing fees, especially for SMEs.ⁱ

A practical analogy. If a café could not price differently for dairy versus almond or soy milk, dairy drinkers would subsidise higher cost alternatives and prices would rise for everyone. Payments work the same way: if merchants cannot reflect cost differences by card type and channel, cash/debit payers and in-person diners subsidise higher cost credit and CNP orders. Cost based surcharging preserves a fair, targeted price signal.

Responses to the RBA's Consultation Questions

Q1. Would removing surcharging on designated card networks best support the public interest?

Answer: No. The small-business reality is simple: when a customer chooses a higher-cost payment method or channel, the venue's unit economics change on that transaction. Eliminating cost-based surcharging would replace a targeted, avoidable fee with higher menu prices for all, reduce transparency, and weaken competitive pressure on higher cost cards. In hospitality, card acceptance cost is choice specific, not universal: the cost of the same coffee changes with card/scheme and channel (for example, credit versus debit; CNP versus CP), while the water and rent do not. Removing surcharging forces low-cost users to cross subsidise higher cost choices and impairs service quality in a razor thin margin sector.

CNP matters. Online and phone orders (CNP) carry structurally higher costs and fraud exposure. Merchants typically bear liability for many CNP chargebacks – even with tools such as 3D Secure (3DS). A ban would compel in-person debit customers to subsidise CNP users.

International evidence. In the EEA/UK, the surcharge ban under PSD2 did not lower MSCs by itself; the IFR interchange caps did, but later offset by rising scheme/processing fees, with limited passthrough to SMEs. The policy lesson is to cap costs and police fees, not remove the price signal merchants need.ⁱⁱ

Alternative Option: Retain cost-based surcharging (reflecting COA), permit channel specific surcharges (CP versus CNP), and require default on/dynamic LCR so merchants can steer to lower cost rails instore and online. Add preauthorisation disclosure in POS and online checkout to avoid surprises.

Q2. Do the proposed changes to interchange regulation promote the public interest?

Answer: Yes, and they should be implemented first. We support lower caps across debit and credit (including foreign issued and CNP transactions), with prompt effect and before any surcharging changes. Lower caps reduce cross subsidy, especially for small venues that pay near cap rates.

Why sequencing matters. Some stakeholders argue against lower interchange. From a small-business perspective, the opposite holds: without lower interchange caps, a ban on cost-based surcharging would leave SMEs

absorbing higher acceptance costs with no lawful way to pass them on. Interchange relief should be implemented first, and its pass-through made visible on merchant statements, before any change to surcharging is considered.

Q3. Further considerations for smaller issuers

Answer: Ensure reforms do not raise small issuer interchange above efficient cost but protect merchant savings by:

- (i) setting passthrough expectations backed by monitoring;
- (ii) ensuring dual network debit availability to enable LCR; and
- (iii) being vigilant that scheme fees do not backfill interchange cuts.

Q4. Do the proposed changes to the net compensation provisions achieve the objective?

Answer: Yes. Extending net compensation rules to overseas sponsored issuers closes avoidance channels and supports competitive neutrality. Compliance should be feasible.

Q5. Should card networks publish aggregate wholesale fee data?

Answer: Yes, with segmentation and safeguards. Publish quarterly by card type and scheme, CP versus CNP, and domestic versus international, and clearly flag mandatory versus behavioural fees. Transparency curbs opacity that allows scheme fees to drift upward even as interchange falls (as observed in Europe and the UK). Consider backstops that are binding safeguards such as caps, passthrough audits and escalation triggers. If scheme fee growth outpaces inflation without justification, the PSB should escalate to binding measures.

Why backstops matter - Experience abroad shows that when one component (interchange) is capped, others can rise (scheme/processing), leaving SMEs no better off. Segmented publication plus enforceable guardrails prevent silent re-inflation of merchant costs.

Q6. Should card networks work with industry to simplify and improve transparency of scheme fee schedules?

Answer: Yes. Today's schedules are complex and ambiguous, making it hard for SMEs to predict costs and for PSPs to implement effective LCR. Require plain language schedules, a common taxonomy (mandatory/optional/behavioural) and advance notice for changes. This is

essential to keep the price signal functional if surcharging remains, and even more so if it were curtailed.

Q7. Does the proposed expectation on scheme fees meet the objectives?

Answer: Helpful but insufficient. Expectations alone have a weak record of delivering SME benefits. We recommend a = comply or explain trigger: if scheme fee growth outpaces transaction values or inflation over a review window, networks must justify the increase or face escalation (see Q8).

Q8. Further regulatory measures in relation to scheme fees

Answer: Prepare a toolkit for escalation if unjustified growth persists:

- Cap scheme fee growth relative to inflation.
- Publish average scheme fees by transaction type to enable scrutiny and comparison.

These options align with international concerns about rising scheme fees and limited pass-through.

Q9. Should acquirers publish average merchant cost of acceptance (COA) to aid shopping around?

Answer: Yes. Publish standardised, comparable averages by merchant size and card type to form credible benchmarks. This will help SMEs identify outliers and spur competitive offers, provided confidentiality is preserved.

Q10. Should merchant statements include a domestic versus international breakdown?

Answer: Yes. Add domestic versus international and, where feasible, CP versus CNP breakdowns. This highlights the higher cost of foreign/CNP transactions and supports better acceptance and pricing choices. No sector should be exempt.

Q11. Changes to the RBA's expectation on LCR implementation

Answer: Move from "expectation" to default on LCR for eligible merchants and set a roadmap to dynamic LCR (transaction by transaction) instore and online. Require clear disclosure of LCR status and estimated savings on merchant statements. Technology constraints that once made dynamic routing difficult are rapidly falling; innovative acquirers/PSPs (including Oolio's partners) are nearing production grade capability.

Q12. Does the PSB's preferred package meet the objectives? Variations for higher net public benefit?

Answer: The package contains strong elements, lower interchange, wholesale/cost-of-acceptance, transparency, and least-cost routing, but it would deliver a higher net public benefit if:

- (i) a Small/Medium-Sized Business Test is applied; and
- (ii) the reforms are sequenced and safeguarded.

Small/Medium – Sized Business Test (targeted protection).

Permit merchants with annual card turnover of \leq \$10 million to retain cost-based surcharging (capped at COA), including channel-specific surcharging (card-present vs card-not-present), with clear pre-authorisation disclosure. This preserves a fair price signal for small and medium-sized businesses while broader transparency and routing measures take effect.

Sequencing and safeguards

1. Reduce interchange first (including foreign issued and CNP) and confirm passthrough in merchant statements.
2. Lock in transparency (segmented publication; simpler schedules) and set enforceable scheme fee backstops.
3. Only then consider any surcharging adjustments, preferably retain cost-based surcharging with channel specificity and preauthorisation disclosure.

This order prevents savings from being re-absorbed via other fees, a risk seen internationally when surcharge bans were paired with incomplete fee controls.

Q13. Feedback on the proposed implementation timeline

Answer: We recommend commencement no sooner than 12 months after final standards. Hospitality operators, PSPs and acquirers need time for repricing and contract variations (including blended and IC++ plans), terminal and POS/gateway software changes (including LCR and surcharge logic), updated terms and conditions (T&Cs) and staff training. If conclusions are published late in 2025, a practical start is 1 July 2027 for structural changes.

Q14. Do the draft standards achieve the intended objectives? Gaps or clarifications?

- Tie surcharging logic to COA in terminals/checkout, preventing over surcharging while preserving the price signal.
- Require the acquirer/PSP to configure the MSF used for surcharges, binding it to the merchant's measured COA by card type, scheme, and channel (CP/CNP). Cap surcharges at COA and auto-adjust when COA changes.
- Define COA granularity (CP versus CNP; domestic versus international) to support accurate dynamic pricing and statements.
- Explicitly cover mobile wallets and tokenised payments so statement/reporting transparency keeps pace with consumer channel shift.
- Include an escalation clause: convert expectations on scheme fees to binding obligations if quantitative triggers are breached.

Additional Context and Evidence

- UK (Payment Systems Regulator, PSR). Detailed reviews show scheme/processing fees rose meaningfully since 2017, and cross border interchange set post Brexit has been found unduly high and is now subject to caps. Passthrough to SMEs was incomplete even as interchange fell (2014–2018).ⁱⁱⁱ
- EEA (PSD2 + IFR). The surcharge ban (2018) did not by itself lower MSCs; the separate IFR caps did, but retailer groups noted offsets from rising scheme fees.^{iv}
- United States (US). Bans (pre2013) did not restrain rising merchant fees; debit costs fell only where Regulation II capped interchange. Overall merchant outlays have continued to grow with uncapped credit and volume. Steering limits (for example, American Express (Amex) rules upheld in *Ohio v American Express*) reduce merchants' leverage.^v
- CNP fraud/chargeback liability. Merchants commonly carry the risk in CNP channels; the 3DS liability shift can help in some circumstances, if adopted.



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Conclusion

Local hospitality venues do more than serve food and drink. They provide first jobs, sponsor local sport, and host the gatherings that weave communities together. A settings package that lowers wholesale costs, shines light on scheme and acquiring fees, promotes routing competition, and retains fair, cost-based surcharging will protect these businesses while delivering clear benefits to consumers.

We appreciate the RBA's consideration and remain available to assist with implementation design and industry testing.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Kris Satish".

Kris Satish
Group CEO
OOLIO

Resources

- *RBA, Review of Merchant Card Payment Costs and Surcharging – Consultation Paper (15 July 2025), Chapters 2–5 & 7; Appendix A/D.*
- *PSR (UK), Market review into the supply of card acquiring services – Final report (Nov 2021).*
- *PSR (UK), Market review of card scheme & processing fees – Interim report MR22/1.9 (2024) and Final report MR22/1.10 (Mar 2025).*
- *European Commission, Study on the application of the IFR (2020).*
- *Euro Commerce, IFR Summary Handout (Sept 2020); 10year IFR anniversary statement (June 2025).*

ⁱ PSR (UK) Card-Acquiring Market Review – Final Report (Nov 2021) Ch 5

ⁱⁱ PSR (UK) Card-Acquiring Market Review – Final Report (Nov 2021) Ch 5

ⁱⁱⁱ PSR (UK) Scheme & Processing Fees – Final Report (Mar 2025)

^{iv} EuroCommerce IFR summary (Sept 2020)

^v **Federal Reserve (2023) Update - Regulation II** (Debit Card Interchange Fees and Routing, Supreme Court of the United States October 2017 OHIO ET AL. v. AMERICAN EXPRESS CO.)