QANTAS

RESPONSE TO RBA REVIEW OF MERCHANT CARD PAYMENT COSTS AND SURCHARGING

The Qantas Group (the **Group**) welcomes the opportunity to contribute to the Reserve Bank of Australia's (**RBA**) Review of Merchant Card Payment Costs and Surcharging Consultation Paper released on 15 July 2025.

As a merchant and participant in the broader payments system, our response to the paper is based on the key areas of focus, specifically surcharging, interchange fees, transparency, and timing.

The Group maintains that any regulatory changes that apply to only a subset of payment options are likely to have impacts on the use and growth of unregulated payment options, having unintended consequences on the entirety of the payments ecosystem.

While the Group recognises that consumers may receive greater price certainty from the RBA's proposals, broader benefits should not be overstated. To achieve the suite of consumer and merchant advantages outlined by the RBA, the review of the payment system must be holistic and should align with the intent of the proposed changes to the *Payments Systems (Regulation) Act 1998* (**PSRA**), both from a policy perspective, and from an implementation perspective. This would ensure that market distortions arising out of any reform are kept to a minimum.

The Group submits the following:

- removing surcharging for specific card networks as proposed will not achieve the purported consumer benefit and will ultimately reduce consumer transparency and optionality, encourage the use of more expensive payment methods, and place upward pressure on the price of goods and services, including airfares;
- prior to removing surcharging, the RBA should explore mandatory unblending of merchant service fees to ensure the policy aim of lowering acceptance costs cannot be diluted, particularly for smaller merchants;
- if the RBA makes any change to the surcharging framework, this should be targeted. This could be achieved by applying the no-surcharging rules to debit card offerings only, which would expand free forms of payment for consumers without removing the transparency the current surcharging framework provides for credit offerings;
- further capping of interchange fees will have unintended consequences which will ultimately erode the financial benefits expected by the RBA, including likely increases in credit card fees and interest rates; and
- if any reforms are implemented, the RBA should ensure that the impacts of each reform are isolated and measurable.

The Group welcomes the opportunity to discuss and clarify any of the submissions made.

RESPONSE

Question 1: 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.

The Group is of the view that the removal of surcharging on designated card networks will not deliver the RBA's desired consumer outcomes. Removing the transparency and optionality built into the current surcharging framework means that consumers will not be able to make an informed decision based on payment cost as they can today. This will inevitably place pressure on the prices of goods and services, and the consumer detriment arising from this should not be understated.

The surcharging mechanism today provides transparency for both consumers and merchants. Consumers can make a judgement on an applicable surcharge depending on their chosen form of payment, and merchants can decide to surcharge based on their commercial requirements. This transparency and optionality is particularly important for consumers in higher value purchases such as airfares, where the cost of payment is a more significant sum of money and more likely to be a driver of choice for consumers when compared to smaller purchases.

The current surcharging framework also permits merchant cost recovery of not only interchange fees, but other fees associated with merchants taking a payment. Meaning that while the RBA is proposing reductions to interchange fees, the balance of the payment fee incurred will result in a further cost borne by merchants. For the Group, the inability to recover these costs by way of a surcharge will ultimately create upward pressure on the price of flights.

The proposed recommendations will also place pressure on the other costs of payments, further eroding the proposed benefits, specifically through an anticipated increase in scheme fees that follows an interchange reform. Since the United Kingdom (**UK**) removed surcharging in a similar manner, businesses have been estimated to pay at least an additional £170 million annually in scheme and processing fees compared to seven years ago.[i] The RBA setting an expectation that scheme fees should not rise without clear explanation is unlikely to achieve its desired outcome, particularly where we have seen clear evidence of the opposite.

Mandating the removal of surcharging for Mastercard, Visa, and EFTPOS alone will likely change how merchants manage payments and how surcharging is applied on non-regulated payment products, causing potentially unintended consequences. If merchants subsequently choose to remove the distortion caused by the surcharging reform and forego surcharging altogether to provide equality across payment types, this is likely to result in an increase in price applied to all consumers, regardless of their method of payment.

Many of these issues can be mitigated by the RBA if it undertakes a wider review of all forms of payment and other ecosystem participants. This includes, for example, exploring mandatory unblending of payment fees, and aligning any changes with the amendments to the PSRA.

Alternatively, the RBA's concerns around the increased inability to avoid surcharging could be alleviated by initially looking to remove surcharging within debit only offerings (Option 2). This option would expand free forms of payment, while ensuring optionality and transparency is retained across credit offerings, best supporting the RBA's objectives.

Question 2: Do the proposed changes to interchange regulation promote the public interest by improving competition and efficiency in the payments system?

The Group is of the view that the proposed amendments to interchange regulation do not promote public interest, and may reduce consumer choice and innovation, decreasing efficient payment allocation. The further regulation of interchange fees will likely see the market presence of smaller issuers continue to erode, resulting in less innovation and fewer product options for consumers. Under the RBA's current proposal, the application of interchange caps to regulated entities only risks directing spend toward products outside the regulatory perimeter, even where these may carry higher costs. This weakens the link between true cost and usage, and risks undermining the reform's stated goal of improving efficiency.

The Group works with the majority of card issuers in Australia, including the major four-party scheme and three-party scheme issuers. Following implementation of the last significant interchange reforms in 2017, there was a notable shift in Visa and Mastercard credit card balances away from smaller issuers (including via issuer consolidation), with larger issuers increasing their share from 84% in 2017 to 93% in 2024.[ii]

In reducing interchange fees further, the RBA will likely see issuers increase customer fees and interest rates to support the real and increasing costs of issuing cards. According to the Bank of England, following the 2015 interchange reforms, average credit card annual percentage rates increased by approximately 4 percentage points above the rise in base rates.[iii] In Australia, current consumer reward card interest rates are generally lower than in the UK, as set out in Table 1. When this is considered together with the upward pressure on the price of goods and services caused by the removal of the ability to surcharge, the consumer benefits outlined by the RBA are likely overstated.

Table 1 Comparison of UK and Australian issuer published purchase interest rates

Jurisdiction	**Barclays**	**Virgin Money**	**British Airways (AMEX)**	**HSBC**	**Average interest rate**
United Kingdom	29.9%	*26.9%*	29.7%	*29.9%*	*29.18%*
	ANZ	***CBA***	**NAB**	**Westpac**	
Australia	20.99%	20.99%	20.99%	20.99%	20.99%

Question 6: 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?

The RBA's proposal has the potential to enhance competitiveness and efficiency in the card payments system only if it is accompanied by consistent and enforceable transparency requirements across acquirers.

Today, there are some acquirers that offer bundled payment fees, or an Interchange+ pricing option, which means that scheme fees and additional charges are not transparent. If no changes are mandated in this regard, the fee transparency benefits arising out of the RBA's review will be diluted.

As part of driving transparency and competition, acquirers should be required to be consistent in terms of how they offer their pricing in accordance with an Interchange++ model, which provides transparency across interchange fees, scheme fees and any margins imposed. We would ask the RBA to consider this specific requirement to ensure full transparency around costs moving forward, particularly when the UK experience shows that only those on an Interchange++ (typically larger merchants) received full pass-through on savings, while smaller merchants with payments of up to £50 million received little to no pass-through post-interchange reform.[iv]

Question 13: What is your feedback on the proposed implementation timeline for these reforms?

The Group considers the proposed implementation timeline of 1 July 2026 to be compressed and risks creating unnecessary disruption. Implementing both reforms simultaneously means that the economic consequences will be difficult to isolate and measure. In addition, Least Cost Routing is continuing to grow, with its full impact on system efficiency and merchant costs still unfolding. Introducing further reforms before these effects are understood would add unnecessary complexity and obscure the contribution of each measure.

From a merchant perspective, the proposed date does not allow enough time to enact the necessary changes or have the necessary conversations with acquirers and schemes to support such a significant change. Most merchants will need to:

- understand the economic impact of the reforms, consider whether surcharging will be maintained for other forms of payments not covered by the RBA, and do so while minimising customer disruption; and
- negotiate with schemes that will be impacted by the changes to interchange rates. As context, there will be many merchants who will have commercial arrangements with the schemes today that will most likely change in the future. These conversations will take time particularly for those merchants who may incur costs today that are lower than the 30 basis points proposed by the RBA.

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[i] Payment Systems Regulator – Market Review of card scheme and processing fees, Final Report, March 2025.
[ii] Australian Prudential Regulation Authority, Monthly Authorised Deposit-taking Institution Statistics June 2025.
[iii] Bank of England, 2025, Quoted household interest rates – Representative credit card lending to households (APR). Bank of England Statistical Interactive Database. Data extracted for 2018–2025.
[iv] Payment Systems Regulator – Market Review into card-acquiring services, Final Report, November 2021.