

26 August 2025

Reserve Bank of Australia
Merchant Card Payment Costs and Surcharging Consultation Team

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Dear Merchant Card Payment Costs and Surcharging Consultation Team,

**RE: Review of Merchant Card Payment Costs and Surcharging
Consultation Paper 15 July 2025**

Strata Community Association (SCA) Australasia is pleased to have the opportunity to respond to this public consultation.

SCA is the peak industry body for Body Corporate and Community Title Management (also referred to as Strata Management, Strata Title or Owners Corporations Management) in Australia and New Zealand. Our 5,000 individual and corporate members include strata/body corporate managers, support staff, Owners representatives and suppliers of products and services to the industry. SCA proudly fulfils the dual roles of a professional institute and consumer advocate.

More than 5 million Australians live in strata schemes across Australia, with 368,234 schemes registered and more than 3 million total lots (units).

We support the RBA's goals of reducing costs, increasing transparency and simplifying the regulatory framework.

In our role as the peak body, we are writing to express significant concern for the impacts of the proposed changes in the strata industry due to the unique, compulsory and non-discretionary nature of strata levies.

In addition to raising the concerns, we are requesting a limited set of exemptions from the policy options being explored to remove surcharging for strata levies and related essential payments in shared-ownership structures.

The following document outlines our concerns and reasoning for the request.

Overview

An owners corporation, body corporate, or strata company (referred to below as owners corporations), terminology varying by jurisdiction, is constituted upon the registration of a strata title scheme. It is the legal entity charged with the administration, control, and management of the common property within the relevant strata or community title development. Membership automatically includes all lot owners within the scheme. The entity bears responsibility for the maintenance, repair, renewal, and insurance of common property and shared facilities, including driveways, car parks, recreational areas, and ancillary structures.

Day-to-day decisions are generally delegated to a strata committee, which acts on behalf of the owners corporation. However, every lot owner remains a member of the corporation, holding both voting rights in its decision-making processes and a proportional obligation to contribute funds (strata levies) to administer and maintain the scheme's common property.

It is the uniquely shared ownership model that gives rise to our cause for special consideration and an exemption for payments of strata levies and other essential services within the strata industry, with the main points to support this being:

- **A collective entity:** As an owners corporation/body corporate is a **non-profit collective** managing shared property on behalf of all owners, decisions about payment acceptance are not commercial choices of a single merchant, but collective determinations with consequences for an entire community.
- **Payment choice:** Many owners prefer to use cards for levy payments, either for cash flow management, convenience or due to it being their preferred method of payment. Data collected from StrataPay, one of the most frequently used strata software payment systems in the industry, suggests that across the last 24 months and across a large sample of 550,000 lots:
 - Surcharging is applied to all card payments
 - Average quarterly levy payments are approximately \$1,500
 - 9.14% of levy payments are by card
 - 17.63% of owners used a card at least once in 24 months
 - 71.6% of schemes saw card use in 24 months
 - 4.65% of card transactions are from overseas cards
 - 7.7% of all schemes have overseas card payments.
- **Severe implications of late payment:** Unlike discretionary retail transactions, there are severe consequences to late payment of strata levies. Arrears are materially costly and harmful in strata. When owners fall into arrears, they may lose prompt-payment discounts (up to **20%** in Queensland), be charged statutory penalty interest (up to **30% p.a.**), incur recoverable collection costs (administration, reminder notices, follow-ups, and legal/recovery expenses), and **lose voting rights** while in arrears. These consumer harms quickly exceed typical card acceptance costs on the same transaction should an owners corporation decide not to accept card payments.

Special levies underscore the point. Around 8.2% of schemes raise a special levy each year, with an average call of an additional \$5,000. These lump-sum contributions often exceed household cash-flow buffers. Credit cards function as a practical safety valve to avoid arrears.

- **Compulsory and essential payments:** Strata levies fund building insurance (a statutory requirement in all states and territories), compliance, utilities, maintenance of common property. Unlike discretionary retail transactions, owners have no ability to opt out.

Following the potential removal of merchant payment costs and surcharging one of two scenarios will emerge in the strata industry, each with negative implications for 368,234 owners corporations across Australia and their 5 million residents.

- **Scenario 1:** Strata schemes remove the option to pay strata levies and other essential services by card, citing the inability to equitably recover the associated costs of acceptance.
- **Scenario 2:** Strata schemes continue to offer card payments for strata levies and other essential services by card, but as a collective ownership structure, each owner is penalised as a result.

Scenario 1: Owners corporations remove the option to pay levies by card

Based on consultation with our members, we believe a significant number of Owners corporations will remove the option to pay by card, as card use (the highest cost payment method) will increase as the choice doesn't impose surcharging on the individual, and owners in the collective who do not pay by card, will not wish to absorb the cost.

In this scenario, there are significant negative impacts for strata schemes, based on the unique nature of owners corporations.

The lack of an ability to pay by card will mean that for many owners, such as those who live overseas, or do not have access to adequate cash flow at that time, will not be able to make a payment, and consequently suffer the **severe implications of late payment** as outlined above.

For overseas owners, card payment channels are the only practical, timely option for payment. For the vast majority of owners corporations, telegraphic transfers are not available. Owners corporations intentionally do not publish trust account bank details to owners in order to prevent inefficiencies and misallocations arising from incorrect references, partial payments, or transfers without identifiers.

As can be seen by the industry card usage statistics above, the removal of the ability to pay by card will have significant implications for strata schemes.

Scenario 2: Owners corporations keep cards but cannot recover costs (no surcharging)

In this scenario, the owners corporation continues to allow cards to be used for strata levies and essential payments, but this causes each individual owner to subsidise the card users in their collective pool, leading to consumer harm through inequitable sharing of card costs and disharmony within the scheme.

There will likely be an increase in card usage (the highest cost payment channel) as the choice doesn't impose surcharging on the individual.

This will also create complaints and disharmony amongst owners.

By contrast, a narrow exemption allowing only cost-of-acceptance recovery at the point of payment aligns user-pays with fairness, maintains payment choice for households (including international owners), and avoids inequitable cross-subsidy in a compulsory setting.

Conclusion

SCA supports the RBA's core objectives. In the compulsory, shared-ownership context of strata levies, we request a narrow, point-of-payment surcharging exemption limited to strata levies and essential services payments to owners corporations. This preserves the integrity of the broader reform while avoiding predictable consumer harm and inequity.

We propose the exemption be framed with clear guardrails:

- Applies only to payments made to *strata or community title developments* (using a definition similar to the definition in r 4A of the Terrorism and Cyclone Insurance Regulations 2003 (Cth)).
- Surcharge must not exceed the cost of acceptance for the specific payment method.
- Surcharge displayed and applied at the point of payment only

This limited exemption would ensure:

- **Fairness** in protecting non-card-using owners from subsidising others in a mandatory payment system
- **Choice**, by enabling those seeking to pay a mandatory or statutory payment to be able to do so in a timely and practical manner.
- **Protection**, to ensure access to credit cards for those who need them as a buffer to pay an essential service, or as their only identified means of making a payment, as well as helping owners avoid disproportionate arrears penalties, recovery costs, and loss of voting rights.
- **Efficiency**, as it retains current payment structures, especially for international owners, who would have to consider the use of highly inefficient telegraphic transfers (if available).

If you wish to discuss any aspect of this submission, please contact Alisha Fisher, SCA Australasia CEO, alisha.fisher@strata.community.

Sincerely,
Alisha Fisher
CEO, SCA Australasia