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DUAL-NETWORK CARDS AND MOBILE WALLET TECHNOLOGY

Submission to the Reserve Bank of Australia

ABOUT US

Set up by consumers for consumers, CHOICE is the consumer advocate that provides Australians with information and advice, free from commercial bias. By mobilising Australia's largest and loudest consumer movement, CHOICE fights to hold industry and government accountable and achieve real change on the issues that matter most.

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INTRODUCTION

There is potential for greater transparency, convenience and choice as mobile wallet technology becomes more available to consumers. Strong competition between issuers, schemes and mobile wallet providers will provide consumers with a greater number of options for which cards, and which networks, they use. This includes the provisioning of popular dual-network cards.

This submission focusses on the consumer experience of mobile wallet technology and highlights emerging issues for further discussion, including those that may negatively impact consumers. CHOICE has identified areas for further discussion on dual-network cards and mobile wallet technology, including the ability for consumers to freely store, choose and use cards in their digital wallets and a recommendation to continue consultation in this area as new issues emerge.

1. Implementing a standard for mobile wallets

In the consultation paper, the Reserve Bank of Australia (RBA) addresses debate surrounding the case for the creation of a new standard for mobile wallets.

Without regulation, whether by a standard or some other method, there are concerns that mobile wallet technology may not provide the best functionality or cost for consumers. A lack of regulation could also facilitate a lack of competition. This could include restrictions placed on the number of cards or issuers in wallets, or exclusive agreements entered into between banks, schemes and mobile wallet providers. Such agreements would result in poor outcomes for consumers, who would have less choice in their mobile wallet as a result, either through being locked out of multiple payment networks and or through unnecessary restrictions on the use of dual-network cards in mobile wallets.

Emerging issues should be monitored to ensure there is adequate protection for consumers as well as strong levels of competition that deliver improvements for consumers. A review and further consultation should be conducted in one year, alongside regular discussion of mobile wallets and dual-network cards in the RBA's Payment Consultation Group.

Recommendation

- The RBA continues to monitor emerging and ongoing issues with mobile wallet technology, and, if appropriate create a standard.
- The RBA engages in further consultation in one year.
- Regular discussion on dual-network cards and mobile wallet technology occurs at Payment Consultation Group meetings.

2. Unlocking choice for consumers

Mobile technology, if developed in the interest of card-users, can mean greater choice for consumers using debit or credit cards for every day transactions. It also has the potential to drive competition in the banking sector as consumers could more easily choose cheaper or better quality products.

To best promote competition, consumers should have no restrictions on the number or kinds of cards stored in their mobile wallet. Consumers should be able to store cards of competing schemes in mobile wallets and should be able to freely choose which scheme they are using and the point of payment. CHOICE is concerned that consumers may be stripped of the ability to choose their method of payment (e.g. EFTPOS or MasterCard) on dual-network cards. Ultimately, as owners of their card, consumers should have free choice at the point of payment or the ability to set their own preferences about the method of payment for a period of time or for types of payments (e.g. over certain amounts).

A merchant should never be able to dictate the method of payment for the consumer through technical overrides. In this paper, the RBA discusses previous voluntary undertakings by the three networks “not to prevent merchants from exercising their own transaction routing priorities when there are two contactless debit applications on one card.” The potential impacts of merchant routing on consumers, either on their personal finances or in their role as agents with the ability to drive change and increase competitive pressure in any market is not discussed adequately in this paper. There are practical differences with payment systems for consumers including different surcharges at the point of sale, different security guarantees in case of fraud and the ability to use additional features such as withdrawing cash at a checkout.

The most effective way of addressing the issue of the different costs a merchant incurs to accept different payment types is to continue the current system which allows a merchant to send price signals to consumers through surcharging based on the reasonable costs of accepting a payment. Should a merchant find a payment option too expensive they are

currently able to refuse to accept that payment type or charge a reasonable surcharge, rather than offer consumers one option and deliver another.

CHOICE would welcome further consideration of a rule which would require the legal separation of scheme activities and the processing infrastructure of card networks. This option could continue to deliver innovative payment options to Australians without locking payments technology to certain card networks. Equally, CHOICE supports further consideration of rules that would prevent the restriction of different payment options by networks, merchants or wallet technology provider being included on an application or mobile device.

Recommendations

- Consumers are able to store as many cards as they wish in their digital wallet, with no restrictions.
- Consumers, not merchants, are able to choose the method of payment on dual-network cards stored in mobile wallets.
- The RBA considers a rule that would require the legal separation of scheme activities and the processing infrastructure of card networks.

3. Clarity and transparency

Just as a consumer can see their card number or identifier, name and provider on their physical card, a card stored in a digital wallet must have all available information displayed clearly. As this technology emerges, guidance should be provided to banks, acquirers and mobile wallet technology providers on how to appropriately display details.

Cards should clearly state the option of payment (e.g. EFTPOS or Visa, debit or credit) and give clear instruction to the consumer on which method of payment they are using and potentially also its benefits or features (e.g. provides payment protection through a chargeback service). This may be executed by creating multiple 'cards' for dual-network cards with one card for each method of payment. It may also be made clear with a button on the card to select the method of payment before a payment can be processed. Consumer testing should help determine the most appropriate and feasible method of display.

Transparency on how consumers can use and sign up to mobile wallets is also vital. Banks must be clear about processes required to add a card to a digital wallet. As use of mobile

wallets increases, support services and easily accessible information for consumers will be vital.

Recommendations

- Consumers should be able to easily read and choose their cards within their mobile wallet.
- Consumer testing should be conducted to assess the best method of card display in mobile wallets.
- Banks and mobile wallets should provide support and information for consumers on mobile wallets.

4. Curbing costs

Consumers should not incur any unreasonable additional costs for using mobile wallet technology. Merchants and banks should be subject to existing laws when consumers use mobile wallet technology, such as the excessive surcharging legislation introduced in 2016, and coming into force for small businesses in September 2017. Consumers who choose to use different payment networks when making purchases using their mobile wallet should not incur unreasonable costs.

The RBA and ACCC, where relevant, should communicate estimates of appropriate costs of acceptance to merchants, banks and consumers to avoid consumer confusion.

Recommendations

- The RBA confirms that existing legislation on excessive surcharge applies to mobile wallet technology.
- The RBA and ACCC advise merchants on the appropriate cost of acceptance for payment via mobile wallets.