REVIEW OF RETAIL PAYMENTS

CONSULTATION PAPER MAY 2021

TOPIC FOR THIS COMMENT: 1.4 SURCHARGING

**“The Board has reached the view that there is not a clear public interest case for requiring any BNPL providers to remove their no-surcharge rules at this time”.**

I have read with interest the conclusions of your report and note the arguments for the above decision. I support the desire to foster competition, note that BNPL only accounts for a small share of payments in the economy and accept your conclusion that competition may well lead to reduction in BNPL fee levels. However there are issues, which suggest that the no-surcharge rules by BNPL providers are already acting against the “public interest”.

1. The BNPL service differs from a credit card facility as the cost of the credit facility for any failure to meet payments is paid by the merchant, who is effectively using the higher returns from customers using Eftpos, Visa or MasterCard - costing 0.25% to 0.50% - to subsidise the returns from customers using BNPL at a cost of 4% to the merchant. This is not only inequitable but the lack of transparency is against the public interest.
2. While merchants selling items approaching $1,000 in value *may* respond to requests for discounts from customers using Eftpos or debit cards, this is not universal. Surely it is in the public interest that ALL customers are treated equally and not just those with a commercial background who are able to insist.
3. BNPL is now being accepted in locations such as pharmacies where individual payments are smaller than goods like TVs, fridges or computers. But the payments over the year can be considerable for medicines not on the PBS. So the no-surcharge rules will lead to people who are struggling with their finances to pay for their medicines subsidising other customers using BNPL. This is against the public interest.
4. The decision to allow the no-surcharge provision for BNPL is directly contradictory to the 2011 decisions of the Payments Board, which permitted (indeed encouraged) merchants, retailers and restaurants to add differential surcharges for the use of various credit cards. This has been most positive as ALL credit card fees have fallen and a substantial amount of payments now use Debit cards or Eftpos at much lower costs.
5. Clearly there is a demand from some customers to pay in instalments; others may wish to use a credit facility with a bank. Let both be encouraged with merchants able to add surcharges to reflect the varying costs.
6. Transparent competition between credit cards, debit cards, Eftpos and BNPL would achieve the best outcome for both merchants and customers.

The Australian public deserves FULL DISCLOSURE and EQUITABLE TREATMENT when choosing the form of payment which they prefer.

BNPL providers should be obliged to remove the no-surcharge rule which is clearly against the public interest.

Ian McGaw

9 JUne 2021