

Credit Card Surcharges

Payment options such as credit and debit cards make transactions quicker and simpler, but they also impose additional obligations on merchants who use them. New restrictions on card payment surcharges were imposed on all merchants on 1 September 2017 (large merchants had the restrictions imposed on 1 September 2016).

The ban is contained in the Competition and Consumer Act. The Australian Competition and Consumer Commission has been granted with powers to investigate cases of possible excessive surcharging, and they have been granted enforcement powers if they find excessive surcharging.

It's important for all AFRA members to get their arrangements right! If you're still coming to grips with this, we have set out the basic requirements below.

What are the restrictions?

Merchants are allowed to impose a surcharge on card payments but the surcharge cannot be 'excessive'. Basically you are not allowed to charge customers more than what it actually costs you to process the payment.

For example, if a payment facilitator (such as a bank) charges you a 1% surcharge when you accept a payment made with a Visa credit card, you need to apply the applicable percentage to a customer who pays using a Visa credit card. You cannot apply an 'average' cost across all customers that pay with a credit card because some cards incur higher transaction costs than others. If you apply an average to all clients who pay with cards, then some customers would be subsidising other customers' payment choice. This is an example of excessive surcharging.

What amounts can you charge?

By 1 September 2017, all merchants should have received a statement from their payment facilitator that sets out the average cost of acceptance for each of the relevant cards.

If your payment facilitator has not provided you with this information, we recommend that you contact them as soon as possible and request it.

You can charge your customers a flat amount to cover your reasonable costs or you can charge your customers, a percentage of the transaction amount.

You can also charge your customers additional costs that are directly related to accepting that particular type of card, such as the cost of fraud prevention services paid to an external provider, insurance that covers the charge back risk, reversal fees and charges for cancellation of products or services or gateway fees that you pay to a payment service provider.

To know what you are allowed to charge customers paying with card, you need to speak to your payment facilitator or consult your bank or review the statements showing fee and charges from your payment facilitator. These should contain a summary of all the costs you currently pay which are associated with card transactions.

If you do not have a statement from your payment acceptance provider (for example, because you have not been established for long enough) then you should make fair estimates of your payment costs based on all available information that you have.

You are not required to impose a card surcharge.

You can incorporate the cost of surcharges, as well as other costs associated with card transaction such as maintaining your commercial relationship with a payment facilitator into the prices of your goods and services. However this pricing structure must apply to all of your customers, not just those who pay with cards.

Which cards are affected?

Currently the surcharge restrictions apply to payments made by:

- Eftpos payments
- MasterCard Debit
- MasterCard Credit
- Visa Debit
- Visa Credit
- American Express cards issued by banks.

Other card systems may opt in to the new surcharge restrictions. If that happens, then merchants may be required to apply the surcharge regulations to those cards as part of their contract with acquirers and payment facilitators and payment systems.

These cards may not all incur the same transaction costs so it is important to speak to your payment facilitator and confirm what the actual costs of accepting other cards are.