



# CARD PAYMENT COSTS ARE STILL TOO HIGH

## The 2018 Retail NZ Payments Survey Report

### How much do merchants pay to accept credit and contactless debit?

The 2018 Retail NZ Payments Survey shows that New Zealand merchants pay substantially more for accepting Visa and Mastercard credit and contactless debit transactions than merchants in comparable jurisdictions like Australia and the United Kingdom.

	Contactless debit	Credit
<b>New Zealand</b>	1.2%	1.6%
<b>Australia*</b>	0.6%	0.8%
<b>United Kingdom**</b>	0.2%	0.5%

\* Source: Reserve Bank of Australia Payments Data  
\*\* Source: British Retail Consortium Payment Survey

### New Zealand merchants pay too much

The survey shows that, on a weighted-average basis, New Zealand merchants pay twice as much as merchants in Australia, and between three and six times more than in the UK. The relatively high rates paid by New Zealand merchants continues a trend that has been officially recorded since the first Retail NZ Payments Survey was undertaken by Covec in 2015. Since the last published survey in 2016, recorded merchant service fee charges for credit cards are down slightly (from 1.7 per cent to 1.6 per cent) while merchant service fee charges for contactless debit cards are up slightly (from 1.00 per cent to 1.2 per cent).

Accepting debit payments using the domestic EFTPOS network (where EFTPOS or scheme debit cards are inserted or swiped into terminals) continues to be essentially free for most merchants in New Zealand. This is a difference between New Zealand and jurisdictions abroad.

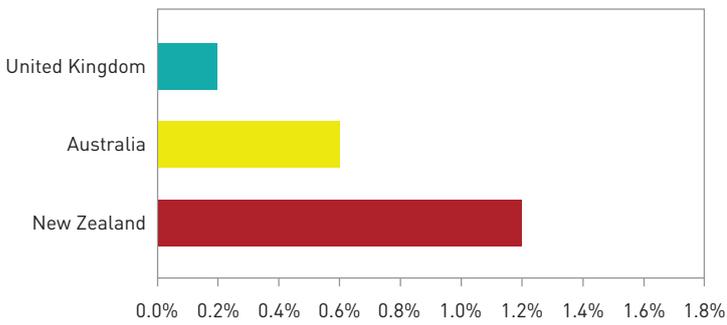
### Key issues for retailers

Most retailers do not apply a surcharge for credit card or contactless debit card use, so the costs of high bank charges for accepting credit and contactless debit cards tend to be spread across all consumers.

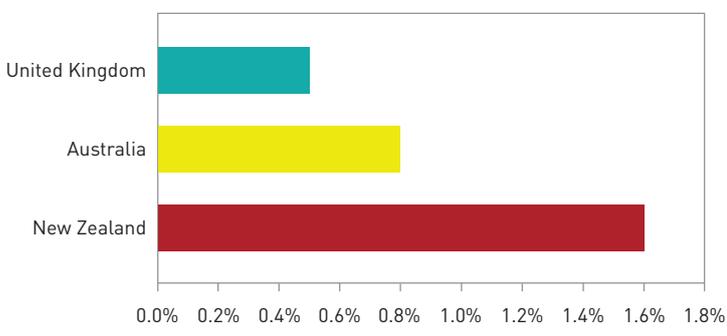
In New Zealand, merchant charges typically apply only when the “tap and go” or “paywave” functionality of a scheme debit card is used. However, there is an increasing consumer demand for contactless cards and technology, and this has the effect of imposing substantial additional costs on merchants and consumers.

One of the reasons for the recorded increase in average fees paid for contactless debit is that many merchants are on a bundled rate, paying the same fee for both credit and contactless debit transactions.

### Average MSF for contactless debit cards



### Average MSF for credit cards

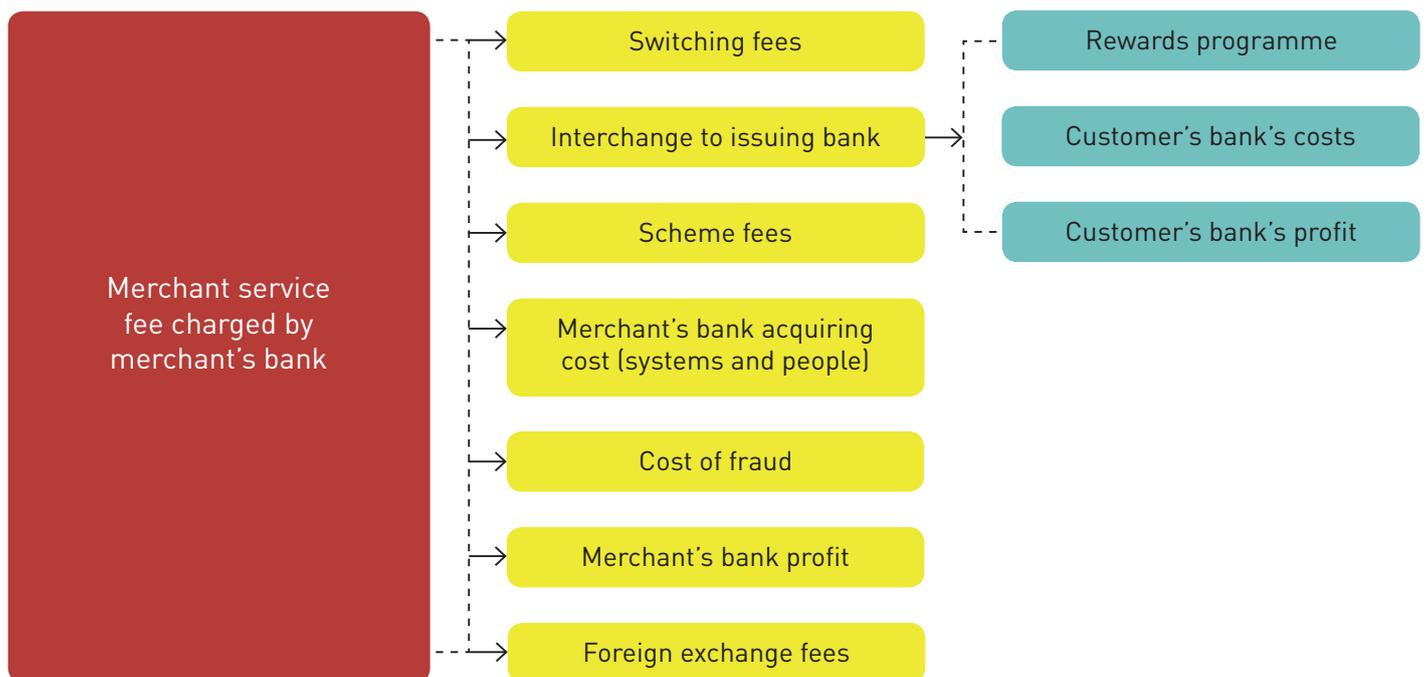




## What is a merchant service fee?

Merchant service fees are set by the banks. They reflect interchange fees and other card scheme fees, as well as bank charges. A merchant's bank pays the majority of the merchant service fee to the bank that issues the customer's card, and retains a smaller amount to cover processing and operational costs.

## What makes up a merchant service fee?



## What is interchange?

Interchange is a component of the merchant service fee paid by retailers. Maximum interchange rates are set by Visa and Mastercard, but each bank sets its own interchange rates within a cap set by the card companies. **All major banks apply the maximum possible interchange rates.**

**Methodology:** The 2018 Retail NZ Payments Survey reports average merchant service fees paid by Retail NZ members and non-members. Results have been weighted to ensure a representative sample across the sector.

The charges reported represent the fees actually charged by banks to merchants for accepting all credit and contactless debit card payments. The fees reported cover both cards issued by both domestic and foreign banks.