

## Retail NZ Position Statement

**Demand for secure, fast and convenient digital payments is increasing in New Zealand. As participants in the payments sector, retailers should use advances in payments technology to support this demand now and in the future, as consumer and business demands continue to evolve.**

**Digital payments involve a broad set of participants, including customers tapping their card, phone or watch at the point of sale, or using an online shopping checkout; payment networks processing the transactions; technology companies providing point of sale infrastructure; banks that issue cards to their customers and work with retailers; and of course, retailers of all shapes and sizes.**

**There is an opportunity to reduce the complexity associated with digital payments and provide clarity around the role of each participant. This includes clarity over the costs associated with payments acceptance, from cash through new methods like mobile wallets.**

**Achieving this clarity requires joint action from Retail NZ, businesses (including retailers), banks, payment service providers, the Commerce Commission and other government agencies.**

### Context

In 1989 New Zealand introduced Eftpos, creating a world leading payments system. Many countries around the world looked to us as an innovator in this field. New Zealand has continued to lead in multiple aspects of payments innovation, including being an early adopter of contactless payments technology.

Consumers want to make payments via tap and go methods, using chip-based contactless cards, smart phones and watches. Contactless payment is quicker, simpler and more secure, as well as being easier for those with a disability.

However, there are costs associated with these payments. Businesses in New Zealand handle these costs differently – some absorb them or incorporate them into the price of products, while others pass on the costs to customers as a surcharge. A surcharge is a fee that a merchant adds to a consumer's transaction when they use a particular form of payment, including debit, credit and prepaid cards, and mobile wallets.

Making the cost structure of payments simple and easy to understand is critical to support ongoing uptake of new technologies, and to ensuring that payments on retail transactions are safe and seamless. It is essential that all parties involved in the end-to-end payments process work together for the best outcomes for all parts of the sector.

### What's the problem?

**The retail payments system is not transparent and merchant services fees remain high.**

- The payments system is too complicated for most people to understand. It needs to be simplified.
- Accurate advice and information must be available in user friendly formats, to ensure that retailers are making decisions on correct information.
- There is a lack of clarity and consistency around surcharging rules, so it is difficult for retailers to determine whether they should surcharge and how much, and how to disclose the surcharging in a clear and standardised way.
- Retailers' bank statements showing the components of the Merchant Service Fee can be confusing, so it is difficult for retailers to determine the full level of fees they are being charged.
- Without transparency, retailers can't easily compare prices and shop around to get the best deal.

**Surcharging for the cost of payments can be challenging.**

- Lack of information from banks makes it difficult for retailers to ensure that any surcharge covers only the actual costs incurred. This is compounded when different cards can have different fees.
- Surcharges can create a negative customer experience at point of sale.

## What's the problem? *continued*

### **NZ retailers don't have access to innovative options for in-person bank transfer payments that could bring costs down.**

- In-person bank transfers may provide a simple and cost-effective payments option for retailers, especially within the existing infrastructure. But the banking sector is not moving quickly enough to develop the technology required to enable simplified in person bank to bank transfers at the point of sale.

### **The Anti-Money Laundering and Countering Financing of Terrorism Act 2009**

- The AML/CFT Act makes it more challenging and costly for retailers to get a merchant facility from either a non-bank provider or a bank where they do not hold their main banking relationship.

### **Buy Now - Pay Later schemes come at a high cost to retailers.**

- Buy Now - Pay Later schemes have increased significantly in recent years and are popular with consumers. The price for retailers is often more than three times the cost of a credit card transaction.
- The Commerce Commission has so far chosen not to regulate Buy Now - Pay Later services, so the high charges persist.

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## What are the answers?

Retail NZ	Retailers
<ul style="list-style-type: none"> <li>• Advocate for a more efficient and transparent retail payments system.</li> <li>• Educate retailers and the public about surcharging and the cost of payments, including cash.</li> <li>• Help retailers to understand the interchange and merchant service fees shown on their bank statements.</li> <li>• Advocate for banks to make it easier for retailers to understand the fees they pay so they can easily evaluate whether or not they should recoup costs via surcharging.</li> <li>• Work with the Commerce Commission to ensure that regulators understand the issues that retailers are facing, including the lack of clarity around surcharging guidelines.</li> <li>• Continue advocacy to improve understanding around the costs of doing business.</li> </ul>	<ul style="list-style-type: none"> <li>• Seek to get the best deal from their bank for merchant service fees.</li> <li>• Evaluate the pros and cons of applying a surcharge.</li> <li>• Comply with the Fair Trading Act when applying a surcharge to cover the merchant service charges paid to their bank.</li> <li>• Adopt new technology as soon as practicable to enable surcharge fees to be set at the correct level for different payment types.</li> <li>• Comply with the Retail Payment System Act 2022.</li> </ul>
Government	Banks and Terminal Providers
<ul style="list-style-type: none"> <li>• Commerce Commission to continue to monitor the efficiency and transparency of the retail payment system and intervene where necessary.</li> <li>• Regulate all New Zealand cards equitably, including all credit cards, finance cards and 'Buy Now - Pay Later' services.</li> <li>• Direct all banks to provide statements that outline the retailer's total average fee (both as a percentage and actual dollar cost) across all payment types.</li> <li>• Provide guidance material to promote appropriate surcharging practices and a standardised way for retailers to disclose surcharging to customers.</li> <li>• Ensure anti-money laundering legislation does not hinder progress on achieving a more efficient and transparent retail payments system.</li> <li>• Establish a national programme to educate consumers about merchant service fees.</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage terminal providers to invest in technology that enables retailers to set surcharge fees at correct levels that correspond with different payment types.</li> <li>• Ensure surcharges comply with the Retail Payment System Act 2022.</li> <li>• Ensure the merchant service fees paid by retailers are fair.</li> <li>• Encourage payment providers to move ahead, at pace, with innovative options for retail payments.</li> <li>• Embrace innovation across the payments life cycle, including the availability of lower-cost acceptance infrastructure like tap to phone solutions.</li> </ul>