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Retail NZ submission: Modernising New Zealand's Retail Payments System

Overview

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 30,000 businesses and employs around 222,000 Kiwis.
2. Retail NZ consulted our membership in the preparation of this submission.
3. Retail NZ agrees New Zealand's payment system needs modernising to ensure it is fast, efficient, secure, resilient and fit for the future. We support the view of the Reserve Bank (RBNZ) that the system is in need of an upgrade, with New Zealand already falling behind comparable OECD countries in this space.
4. Retail NZ would support the development of a modern payments system in a well-considered, thoroughly planned and phased way, and we commend the RBNZ for starting to look into this work.
5. However, it is vital from a retail perspective that any new payments system is developed with small business merchants front-of-mind, and that any new system does not remove cash as a payment option. Our country is made up of Small and Medium Enterprises (SMEs), which account for 97% of all businesses in New Zealand. Retail is similarly dominated by SMEs; there are 29,505 retailers across Aotearoa, with more than 25,000 of those being SMEs who are "market takers" and not "market makers", in terms of payment structure, offerings and price.
6. Retail NZ's submission, therefore, is from the perspective of the merchant/user, rather than that of a payment provider, and focuses on the current challenges and complexities in the existing system.

Current state of New Zealand's payment system

7. Retail NZ agrees that the current payment system is lacking in several areas as it stands, and its capability will not meet future needs.
8. Of the concerns listed by RBNZ in its consultation (Q1), our members were most concerned about the current system's resilience. Most members who responded identified the system's vulnerability during disruptions and outages as a major concern, with several highlighting the inability to use card and digital payments in parts of the

Eastern North Island following Cyclone Gabrielle as an example. While large retailers often have agreements with providers that enable them to continue to process EFTPOS transactions during outages, SMEs do not have that same negotiation power. This gives big businesses an advantage in times of upheaval or crisis, in that they can continue to operate through periods of disruption.

9. That vulnerability in a natural disaster is also one of the reasons our members feel strongly about the need for cash to remain as a crucial part of any future payments system, with any framework that relies on internet access or power to function at risk of failing during these types of crises. The ability to access, use and deposit cash were recurring concerns right through the feedback Retail NZ received in relation to this consultation.

10. Retail NZ members also said they were concerned about the lack of modern features common in other countries and our increasing reliance on overseas providers and their presence in our payments system.

11. The ability to use QR codes for payment, fee free transactions for merchants and real-time international bank transfers were all identified by members as present in other countries' payment systems, but not available in ours. This is particularly pronounced in many of our neighbours in the Asia-Pacific region, where many Asian countries went from being a cash economy to one where digital payment now dominates the payment landscape, without the wide uptake of credit cards from global providers in between. This means their ability to adopt digital payment platforms was met with fewer obstacles and more space to adopt fintech payment solutions. This leaves those countries with an economy where cash, credit card and digital payments have an even playing field on which to compete.

12. Retail NZ agrees there is a strategic leadership gap in the payments space. It is unclear who is responsible for leading and improving the payment system, and responsibility appears fragmented across multiple organisations, resulting in limited incentive to modernise.

13. In particular, the high and complex Merchant Service Fees (MSF) faced by retailers in New Zealand was highlighted as a major failing of the current system, as well as an example of a disincentive for banks and credit card companies to bring in lower-cost payment methods.

14. Retail NZ agrees change is needed, and that as a minimum the governance structure needs a shake-up. However, it is vital the change must benefit all users of the system, including SME retailers who have less ability to influence both structure and fees.

Future system functionality

15. Retail is a sector that is limited in its ability to introduce new payment methods both in terms of its relationship with their banks and their customers. There is currently limited, or even no benefit for retailers to introduce new payment methods without sufficient demand from their customer base, due to the costs associated with set-up, training and ongoing use of any payment methods. Additionally, if banks do not make it easy to accept new payment methods, offering alternatives is cost-prohibitive in terms of the administrative burden. We believe any new payments system should minimise these tensions to enable retailers to be a leader in this space, if they want to be.

16. Retailers themselves identified lower payment and processing costs and faster/real time payments as the most important benefits of a modern payments system (Q3).

17. We have heard multiple frustrations about the high fees charged by banks and credit card companies to accept card payments made outside the EFTPOS network. The latest Stats NZ Electronic Card Transaction data (September 2026) says more than 71% of card payments are now made via credit card, contactless payment or digital wallets, which

means retailers are paying more Merchant Service Fees than ever before. Lowering costs associated with more modern payment methods is hugely important for SME retailers and their ongoing viability. However, as outlined in paragraph 11, it will be very difficult for new entrants in the payments space to gain market share.

18. Faster/real-time payments 7 days a week, are also something retailers want prioritized in a more modern payment system. With real-time payments a reality in many other countries, it is frustrating for retailers that this is not currently possible here in New Zealand, and it would make a big difference for cash flow, particularly for SMEs.
19. With fraud and cybercrime becoming number one risk for business, better protection from fraud and scams was also an important area highlighted by Retail NZ members, and Retail NZ strongly believes this is something that cannot be compromised on. It is essential that any new payments system has world-class fraud and scam protection at its heart, and can adapt to new, emerging threats. There must be a high level of security to ensure trust in any payments system.
20. As outlined in Business NZ's submission, we don't believe speed of payments and high-level fraud protection are mutually exclusive, and can both be achieved through an appropriate system design.
21. Reduced administration for SMEs and greater system reliability were also selected by Retail NZ members as important benefits of a more modern payments system.
22. Retail NZ members pointed to the fact that the current payments system is safe, trustworthy, and easy to use (Q4). It is important that a new system retains these aspects, but additionally, it needs to be designed to be adaptable to future needs, whatever they may be (Q6).
23. The retail sector would also like to see a future payments system that encourages new ways to make and receive payments with less reliance on banks, yet maintain safety and security. This would require the design of the future state to be open and flexible to new ways of making payments that we can't yet foresee.
24. Retail NZ supports reforms that deliver real-time payments, improved resilience, stronger competition and innovation, and reduced merchant costs, while maintaining accessibility and the ease of use.
25. Our members are steadfast in their view that any future payments system should not limit the availability of cash as a method of payment, nor the ability to withdraw or deposit cash.

Future system governance

26. Retail NZ and its members believe it is important there is clear leadership and oversight in the set-up or and maintenance of New Zealand's payments system. It is currently fragmented, confusing and there is no real incentive to change the current status quo, except for the fear of being left behind internationally.
27. There is support from the retail sector for clear leadership arrangements in the country's payment system, which should coordinate government, regulators and industry. It should set long-term strategic direction and support resilience, competition, innovation and economic sovereignty.
28. Most importantly, the retail sector wants a governance structure that ensures consumer, business and public interests are at the core of any decision-making, and that it is independent of banks. We see these as core principles of a modern payment system in New Zealand.

29. While banks and credit card companies would need to be involved in the design of a new payments system, Retail NZ sees it as a conflict of interest if they make up the governance structure, considering their lack of action on modernisation in the payments space to date, for example, historically with EFTPOS and now with open banking.

30. Another example of that conflict is the high Merchant Service Fees (MSF) charged by banks and credit card companies in New Zealand. Banks and credit card companies failed to take action themselves when excessive fees were identified by officials, and the Commerce Commission has now had to intervene by bringing in caps on interchange fees. There is a lack of trust from retailers that banks and credit card companies would have the interests of retailers and consumers front of mind when making considerations for a new payments system (Q7).

31. It is critical payment infrastructure is managed by organisations that are capable of supporting long-term modernisation and maintaining strong oversight, with the ability to weigh up the pros and cons for all users of the payments system – including retailers and their customers (Q6).

32. There is also some distrust among retailers about the possibility of governance being led by a private public partnership (PPP). A modern payments system should be self-sustaining, with no one participating party profiting over others. PPPs have an innate risk that the ownership or viability of private business(es) can change over time, as can their priorities, and having core infrastructure tied up in such an arrangement could pose a risk to the whole system.

33. It is essential the governance structure is open about and accountable for its decisions, and having regulations in place to ensure that happens is the easiest way to build trust in the system going forward. Retail NZ sees this as another core principle of a modern payments system.

Trade-offs

34. Many Retail NZ members believe there should be no trade-offs made when building a new, future-proof payments system. While an absolute may be unrealistic considering the range of interests involved in setting up a payments system, Retail NZ agrees many trade-offs can be minimised through deliberate and well thought-through design.

35. As noted earlier (par. 18), speed of payments does not need to compromise scam and fraud protection. Both real-time payment and world-class security should be considered core parts of a modern payments system, and the system design needs to be guided by that.

36. One area retailers' identified as something that will need to be considered is balancing domestic resilience and sovereignty with the efficiency benefits provided by global providers. Over-reliance on overseas providers is an area Retail NZ members identified as a weakness in the current payment system, and the chance to create something new is an opportunity to reset the balance in this space. Making payments through the Visa and Mastercard offerings is deeply embedded in how New Zealanders transact and therefore it will be extremely difficult to change these payment habits, but it shouldn't deter us from trying.

37. Another trade-off identified by our members is where the costs of implementation and transition should lie. A new payments system will cost a lot of money, and in this economic environment it is unrealistic to expect that money will come wholly from government. However, retailers are already operating in a difficult environment and we believe they should not bear disproportionate implementation costs, particularly when you consider the Commerce Commission has identified retailers have been charged excessive fees within the current payments system.

Conclusion

38. Thank you for the opportunity to make a submission.
39. Retail NZ agrees New Zealand must modernise its payment system to ensure it is fit-for-purpose now and into the future.
40. However, modernisation must deliver tangible benefits for retailers and consumers, including real-time payments, lower payment processing costs, greater competition and innovation, and reduced reliance on costly payment methods. These must remain front-of-mind when developing a more modern payment system.
41. Security, resilience and trust must be foundational design principles, with any new system providing world-class protection against fraud and scams while also improving the reliability and resilience of New Zealand's payments infrastructure. To ensure resilience, cash must also remain an accessible payment option as part of any future payments ecosystem.
42. Finally, Retail NZ recommends any future payments system has independent, transparent governance that serves the public interest and has meaningful representation of business and consumer interests. Decision-making must not be controlled by banks or other parties with vested commercial interests.
43. Retail NZ is happy to discuss any aspect of this submission further.
44. No part of this submission should be withheld under the OIA.

Sincerely,



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