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A Guide To Credit Card Surcharge Reforms

Business Review Australia speaks to creditcard.com.au about new credit card surcharge reforms, and identifies five things every business should know about the changes

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Credit Card.jpg



15 APR 2013 Abigail Phillips

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Over the past few weeks [creditcard.com.au](#) has received a large number of queries in regards to the new credit card surcharge reforms. Based on these queries we've put together five key things a business should know. The cap on credit surcharges already imposed by Visa, and any impending cap by other card providers (MasterCard, AMEX or Diners Club) will have many business owners questioning the value of processing credit card payments to their business. The changes, where Visa has capped the merchant fee surcharge for retailers who accept Visa at 1 percent, will affect revenue, transactions and other fees and surcharges. They will also be important to owners as consumers who use their credit cards for personal and business expenses.

If you're a reader of Business Review Australia, chances are you're going to want to know the impact of the recent reforms in both capacities, so here are some key points to keep in mind as you conduct your business and use your credit card for everyday purchases >>>

The Reforms

Following a campaign started by consumer rights group Choice, the RBA issued credit card surcharge guidelines which stated that the fees merchants pass on for processing credit card transactions must be capped to the 'reasonable costs' incurred when processing a transaction. For anyone starting out in business or reassessing their surcharges, these are the RBA's best estimates of the costs that the four major credit card companies charge retailers purely for processing transactions worth \$100:

- Visa & MasterCard: \$0.85
- American Express: \$1.81
- Diners Club: \$2.08

Costs for processing a debit card transaction worth \$100 are known to be around 10c. Except when it comes to Visa, for the next little while it's up to you to determine reasonable costs. For those who thought that customers didn't have this information, now you know that they do.

Reassess Surcharges

The head of Tyro payments, Jost Stollman, notes that as a business you won't have an easy time responding to the changes MasterCard or the other processors might make in response to the RBA guidelines. Even Choice itself has issued a statement that customers can expect changes to trickle down over coming months. Bottom line, take your time before making changes and assess what you pass on to customers, aside from the now obligatory 1 percent for Visa payments. You'd expect businesses whose services you use to do the same, so it's only fair.

Use The Tools Available To You

As a retailer, always remember that even when you are on a 'blended' fee structure with your bank, you can request a specific breakdown of the fees from them. You can determine a reasonable cost to pass on from this.

The banks also now have calculators for determining the cost of a 'reasonable' surcharge for you to apply. Try some out and compare results.

Study Your Options

Apart from everything mentioned above, if you've held off on offering credit card transactions, now could be a time to reconsider your options. Independent payment processors such as Tyro Payments provide a real alternative to the major operators and more than 7,300 businesses in Australia already use a Tyro payments system. The 1 percent cap on Visa payments applies across the board, so see what impact this has on the competition.

Be Transparent

Don't overdo it and add more on top than you know is fair, or rename processing surcharges as something else, or be prepared to suffer the consequences. The Change.org petition asking Jetstar to drop its \$8.50 to a reasonable level has already seen 35,647 supporters signup at the time of writing this article (just 18 days into the campaign on Friday, April 5 2013). Be prepared with responses for customers who ask about the surcharges you add on, whether you display a sign, post something on your website or prepare staff with a policy response.

As A Consumer

When you are using your own credit card with a different business, be aware of what is and isn't a fair and reasonable amount to pay for the privilege of using your card. If you do multiple transactions, take note of where you pay extra and how much you pay when you do. Watch for other categories of fees and charges to start popping up and demand an explanation if you perceive that a surcharge is unfair. Head over the Choice website to report an unfair surcharge you see.

It's also the ideal time to reassess your card's annual fee and bonus offers, especially if you use a [business credit card](#). American Express, Westpac and others have competitive options.

About the Author

Kalianna is the Managing Editor of [creditcard.com.au](#). She is a trained journalist and when she isn't finding interesting ways to present the latest credit card related news she is a devoted foodie, is passionate about animal rights and travel and working on freelance writing projects in these areas. Follow Kalianna on [Google+](#)

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