Treasury Trends

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Card surcharging bans, interchange rate caps – What's been going on?

Key Points

- Organisations that receive consumer payments online or in-person should be reviewing their payment channels in light of the recent announcements on surcharge bans and capping of interchange rates
- Open banking products are now coming on stream providing a viable and cost-effective alternative to the card schemes
- Now is the perfect opportunity to benchmark your payment solutions and fees and ensure your payment options are set up for the future

Merchant surcharging bans and changes to interchange rates have hit the headlines in recent weeks in New Zealand and Australia, but what are the implications for merchants? First of all, here is a brief rundown of the current situations for both countries:

New Zealand – The Government has announced that surcharging will be banned before May 2026 for card-present (instore) transactions using domestic Mastercard and Visa debit and credit cards and EFTPOS cards. Currently excluded are foreign issued cards, American Express, Union Pay and all online payments. The Government estimates this will save consumers up to $65 million from excessive surcharging at the terminal.

This follows an announcement earlier in August that caps on interchange fees have been lowered for personal credit cards as well as being introduced for foreign issued cards. The changes to interchange caps will be happening in two phases – 1 December 2025 for domestic-issued cards and 1 May 2026 for foreign-issued cards.

Commerce Commission – Interchange Fee Caps

Domestic cards	Payment method	Current	New/Final cap
Debit (personal & commercial)	In-person – contacted	0.00%	0.00%
	In-person – contactless	0.20%	0.20%
	Online	0.60%	0.60%
Personal credit	In-person	0.80%	0.30%
	Online	0.80%	0.70%
Commercial credit	In-person	0.45–2.20%*	Uncapped
	Online	0.45–2.20%*	Uncapped
Prepaid	All	0.20–2.00%*	Uncapped

Foreign-issued cards	Payment method	Current	New/Final cap
Debit (pers./comm./prepaid)	In-person	0.60–2.40%*	0.60%
	Online	0.90–2.40%*	1.40%
Personal credit	In-person	1.10-2.40%*	0.70%
	Online	1.10-2.40%*	1.50%
Commercial credit	In-person	1.85-2.35%*	Uncapped
	Online	1.85-2.35%*	Uncapped

*Refers to rates which are not currently regulated (Uncapped). This is a range of current rates

Source: Commerce commission – Interchange Fee Regulation for Mastercard and Visa Networks - Final Decisions and Reasons Paper

The Government estimates these regulatory changes will save businesses $90 million from lower interchange rates. Somewhat surprisingly online transactions only saw a small reduction in interchange fees for domestic cards which would likely have seen the biggest saving to merchants. Organisations that receive a lot of international card transactions – e.g. the tourism sector and higher education, will likely be the biggest beneficiaries of the new interchange caps.

Australia – The Reserve Bank of Australia is currently consulting on a surcharge ban, a reduction in interchange caps and increasing the transparency of other wholesale costs such as scheme fees. Submissions for the consultation finish in four weeks and the new regulations could come into effect by mid 2026. The surcharge ban would be for all card payments whether in-person or online, so more wide-reaching than in New Zealand, while the new interchange caps being consulted on are materially lower than those finalised in New Zealand, although as we have seen in New Zealand the proposed caps can be watered down through the consultation process.

What are the impacts of these changes?

The ban on merchant surcharging will be a welcome relief for many consumers who find the array of different surcharge amounts and the notification of these charges confusing – who hasn't gone to pay for the drinks/dinner bill and found a nasty surprise on the terminal as you go to tap your card or phone? But, what are some of the implications for businesses?

From the merchant perspective not being able to pass on the cost of card transactions does sharpen the mind a little as to whether the charges currently being offered by your merchant acquiring bank or payment gateway are competitive. And with the drop in interchange rate caps, those not on interchange plus (unbundled) pricing plans with their merchant acquirer should be asking the question whether these cost benefits will be passed on. This is particularly relevant for organisations that use offshore based payment gateways that typically charge a fixed percentage per transaction. Now would be a good time to consider moving to an 'interchange plus' merchant pricing plan and benchmarking your merchant service fees.

In New Zealand, where surcharging is only to be banned for in-person payments, what does that mean for businesses that can take payment either in-person or online? Will surcharging online still be feasible? Will it drive customer behaviour to pay in-person if possible and is this desirable? We have spoken to some clients that may drop surcharging altogether due to these changes, which is driving internal discussion around whether goods/services prices will need to be adjusted to reflect this.

On the other hand, if surcharging remains a viable option, does the fall in interchange rate caps mean surcharge levels need to be revisited? This is particularly relevant for businesses taking a reasonable percentage of foreign card payments, as it is foreign issued cards that are going to see the biggest drop in merchant fees.

Other considerations

As mentioned in previous Treasury Trends articles the introduction of open banking has provided several alternatives to accepting payments away from the major card scheme rails. Take-up to date has been relatively slow but a number of clients are currently investigating or have signed up to these payment providers for both in-person and online payments. By all accounts these open banking payment providers are hungry to win business and therefore we consider it is a great time to be reviewing your payment acceptance providers and fees.

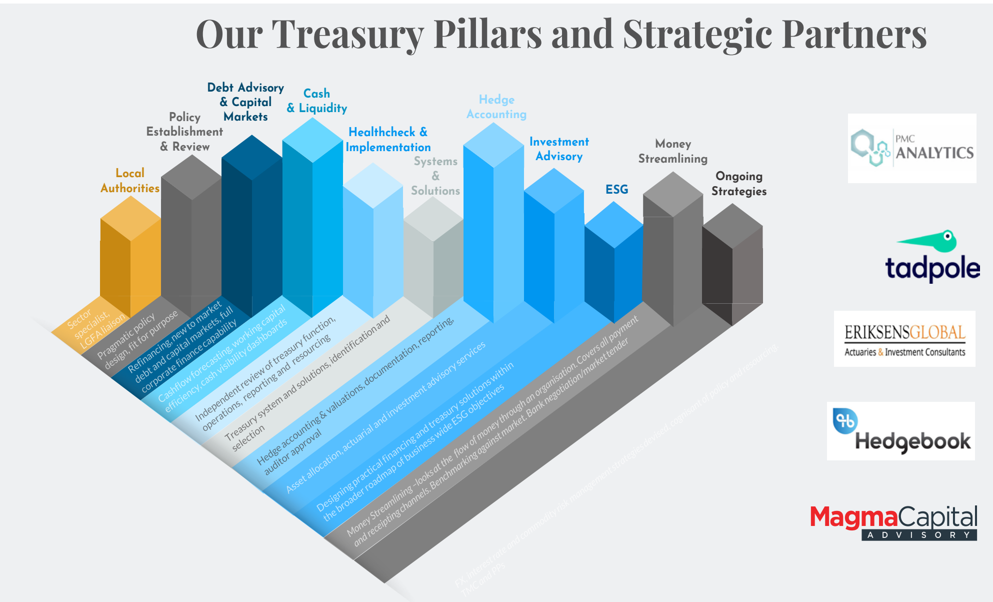
There are concerns that the ban on card surcharging for in-person transactions may disincentivise merchants from considering alternative open banking payment methods, as this was a key differentiator for consumers (open banking payment methods typically do not attract a surcharge, like eftpos transactions). However, we think this will just drive open banking payment providers to compete even more strongly on price as well as other value added services such as loyalty.

As part of our *Money Streamlining* service we have a comprehensive data set for benchmarking all transactional banking and merchant related products and fees.

Conclusion

Recent regulatory changes in the merchant acquiring space as well as the availability of an ever-growing suite of alternative open banking products provides the impetus to undertake a strategic review in the transactional banking space. From our experience in transactional banking there is no 'one solution' that is best for all organisations, but if you haven't reviewed this area for some time there are sure to be opportunities to drive efficiency, reduce costs and improve customer experience in the payment process. Please speak with your advisor or contact us if you would like to discuss any of the above and/or to understand what a review process entails.

WHAT WE DO



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