



## RETAILER FACT SHEET

# Retailer surcharging on card payments

In June 2012, the Reserve Bank of Australia (RBA) concluded its review of card surcharging practices in Australia. It decided to vary the Standard relating to retailer surcharging on credit and scheme debit cards, permitting payment networks to limit retailer surcharges to the retailer's "reasonable cost of acceptance".

The variation means that retailers can charge to a "reasonable cost of card acceptance" which, as defined by the RBA, includes, but is not limited to, the merchant service fee. The new standards aim to limit surcharging and provide more transparency for consumers. They are in effect from March 18, 2013.

### What do retailers have to do?

Visa has developed a program to assist acquirers and their merchants to comply with the new rules. Retailers who surcharge can work out their "reasonable cost of acceptance" using Visa's "Cost of Acceptance Calculator". This can be provided to you through your acquirer. You fill in the costs as defined by the calculator and it will work out the amount you can surcharge consistent with RBA guidelines.

Retailers must also provide sufficient disclosure to their customers, through signs or notices, that a surcharge will be charged, both in-store and online. The percentage rate or amount of the surcharge must be conspicuously disclosed at the point of sale, before the purchase is made. It must be clear that the surcharge fee is assessed by the merchant, and not by Visa or a financial institution. For retailers with an online site, these same disclosures must be prominently displayed on their website.

### How will surcharging be monitored?

Visa will work with the retailer's acquiring bank to implement the new rules. Every quarter, Visa will provide each acquirer with a list of retailers for whom validation of the surcharge amount or percentage is required. Retailers may validate

their costs using the "Cost of Acceptance Calculator". In most cases, this will be validated by the acquirer. Depending on the volume of Visa transactions processed, some retailers may need to have their data reviewed by an independent auditor to avoid any potential disputes.

At the conclusion of the assessment, Visa will receive a report from the acquirer detailing the retailers' "reasonable cost of acceptance" for Visa card payments. If their surcharges are considered unreasonable in relation to their cost of acceptance, acquirers will notify those retailers of their non-compliance.

### Reasonable cost of acceptance

A retailer's cost of acceptance can be calculated using Visa's "Cost of Acceptance Calculator", which is available through the acquirer. The calculator is based on the Reserve Bank's Guidance Note issued in November 2012 and seeks to provide a quantitative measure of a retailer's costs.

In addition to merchant service fees payable to the acquirer, the calculator includes the five categories of costs identified in the RBA's Guidance Note.

### Surcharging considerations

In addition to the limitations included in the RBA Standard and Guidance Note, Visa believes retailers should consider at least the following when deciding whether to surcharge their customers:

- the impact on the customer payment experience
- the impact on the customer payment experience for international cardholders who may not be familiar with retailer surcharging
- the impact on your brand

- the availability of other measures to steer consumers towards your preferred payment method, such as discounting for cash
- the administrative, handling and other costs you will incur if a consumer decides to pay by cash or cheque
- the speed and efficiency of card payments, which provide retailers guaranteed payment for properly authorised transactions, while also providing your customers with a fast and secure payment method
- the ability to attract consumers who prefer to pay with credit
- the potential for increased ticket lift for transactions made on cards.

Finally, even where a retailer chooses to surcharge higher cost payment schemes, it should consider not surcharging Visa transactions to encourage the use of Visa's lower cost payment cards.<sup>1</sup>



## Frequently asked questions

### **Q: What is blended surcharging?**

A blended surcharge is one calculated by merchants to reflect the general cost of using payment schemes – meaning different cards are surcharged at the same rate, not taking into account the lower or higher costs of individual card schemes. Under Visa's rules and the RBA Standard and Guidance Note, a retailer may never surcharge Visa transactions at a rate higher than the retailer's "reasonable cost of acceptance" of Visa transactions, even if the retailer has a higher cost of acceptance for other cards. Retailers are free, however, to impose a greater surcharge on payment cards that have a higher cost of acceptance than Visa.

### **Q: Should I have a different surcharge for Visa versus other cards?**

Retailers may want to consider applying different surcharge rates to reflect the different acceptance costs of the higher and lower cost card schemes, and a retailer is not permitted to apply a "blended" surcharge rate that is higher than its "reasonable cost of acceptance" of Visa.

### **Q: I currently surcharge, how do I check my surcharge meets the new requirements?**

The RBA has provided guidelines that indicate which costs it thinks can be properly be considered in determining your "reasonable cost of acceptance." Visa has developed a program that we hope will help acquirers and their merchants comply. Under this program, you can contact your acquirer to complete the Cost of Acceptance Calculator (developed by Visa and intended to reflect the RBA's guidelines) and find out details on how to comply.

### **Q: How do I know if I'm getting reviewed as part of this process?**

Each quarter, Visa will provide acquiring banks with a list of merchants to be reviewed. If you are not selected immediately to go through the review process, you can still review your level of surcharging to make sure it does not exceed your reasonable cost of acceptance. In general, we believe that your surcharge should not exceed a level close to the merchant service fee charged by your acquirer. You should also ensure that you clearly disclose your surcharging rates to your customers at point of sale, in both face-to-face and online environments.

### **Q: How does surcharging work online?**

Surcharging online is the same as in-store. It must be prominently disclosed on the website that a surcharge will be applied and the exact amount or percentage of that surcharge. The cardholder must be provided the opportunity to cancel the transaction without penalty subsequent to the surcharge disclosure.

### **Q: Where can I get more information?**

Please contact your acquiring bank for full details of the program and the new requirements.

1. Reserve Bank of Australia, C3 Merchant Fees for Credit and Charge Cards, December 2012