Joint Submission

Retail Payment System (Ban on Merchant Surcharges) Amendment Bill

Friday, 10 October 2025

Business Canterbury Our Chamber of Commerce | BusinessCentral | Business South

Submission on the Retail Payment System (Ban on Merchant Surcharges) Amendment Bill

1. Introduction

1.1 Business Central represents 3,500 employers and exporters across the lower North Island, providing advice, training, support, and advocates for policies that reflect the interests of the business community. It also includes The Wellington Chamber of Commerce.

1.2 Business Canterbury and Business South are the largest membership-based business support organisations in the South Island and work closely together to support and advocate for many thousands of businesses across the South Island.

1.3 All three of our organisations are predominantly made up of small and medium-sized enterprises (SMEs), which drive key sectors for a productive economy, particularly at the regional level.

1.4 We wish to make a joint submission on the Retail Payment System (Ban on Merchant Surcharges) Amendment Bill.

1.5 Our organisations **do not support** the Bill.

2. Comment on the bill

Support of general intent

2.1 Our members are generally supportive of the intent behind the Bill, which is to ensure a fair and transparent payments system for consumers.

2.2 However, our members are not convinced that the current Bill is the best mechanism for delivering on this intent and are concerned that the Bill risks adding costs and reducing transparency for both consumers and businesses.

The role of surcharges

2.3 SMEs make up 97% of New Zealand businesses and are vital to the New Zealand economy.

2.4 Surcharges are not about profit; they are used to recover merchant fees charged by payment providers.

2.5 We would note that surcharging is a choice for businesses, and that many businesses opt out of surcharging.

Businesses will incur additional costs as a result of the Bill

2.6 A significant majority of businesses from our collective membership that we have reached out to on the proposed changes have explicitly said that the proposed surcharge ban will impact day-to-day operating costs and will have a negative impact on their business.

2.7 It is important to note the economic context in which this change is happening, with many businesses facing domestic inflation, rising wage costs and slowing consumer demand, particularly SMEs.

2.8 The timing of this Bill, given the current economic climate only adds pressure to an already constrained trading environment for small businesses.

2.9 The purported cost that will be incurred by our members has ranged from slightly, up to $25k per business. We would note that as above, that in a constrained economic environment, any rise in cost is significant.

2.10 As a result of the blanket ban, businesses are forecasting a shift in the methods of payment used by consumers, with the key shift being from EFTPOS to PayWave.

2.11 Businesses do not currently incur any transaction fees for EFTPOS, but do for PayWave, so this change will incur further costs for businesses.

2.12 We would note that the changes proposed in the Bill are likely to adversely affect SMEs, with a number of our larger members forecasting the changes to be absorbable, in comparison to SME members who are concerned about the additional cost pressures the Bill will place on their business in an already difficult fiscal environment.

Consumers are most likely to bear the brunt of these additional costs

2.13 A blanket ban will almost certainly shift costs on to consumers.

2.14 The additional costs that the ban will incur on business are not insignificant, and as a result most businesses will move to increase prices overall in line with the increase in operating expenses.

2.15 This is an important distinction as the surcharge is a sales-based charge so absorbing this in margin is disproportionate when the dollar amount charged is expressed as a percentage of gross margin which is used to fund the business.

2.16 The increase in prices overall will affect all consumers, not just those who use PayWave (as is currently the case).

2.17 This in effect takes away the ability for consumers to choose what they pay, as it will move our system from a user-pays system to an everyone-pays model.

2.18 It is worth pointing out that maintaining the status quo for consumers does not result in a rise in profit for businesses, it will merely result in businesses being able to maintain their margins, removal of the ability to surcharge with the current status of charges decreases margin, in an environment of successive compounding inflationary cost increases where margins are already squeezed.

Existing Laws are sufficient to protect consumers

2.19 The Bill is creating an artificial issue to solve, rather than addressing or solving one.

2.20 Excessive surcharging is already prohibited under existing law, and the Commerce Commission has authority to ensure fair treatment of consumers.

2.21 Furthermore, consumers already have the options to avoid surcharging by using an alternative payment method, therein rendering the Ban a significant overreach.

2.22 Perhaps most concerning is the potential for the ban to remove consumer choice, as now all consumers will be forced to pay more up front, instead of just those who use PayWave, as mentioned in 2.16.

3. Comment on interchange fees

3.1 Our organisations would like to express our support for the recent reduction in interchange fees that were introduced.

3.2 We do however note that this change alone is not significant enough to mitigate the additional costs that will now be incurred as a result of the Surcharge Ban proposed in the Bill.

4. Alternative solutions

4.1 The proposed change is a blunt instrument that fundamentally misunderstands the relationship between surcharges and businesses.

4.2 We do however believe there is merit in encouraging greater transparency and protecting consumers.

4.3 We would be supportive of efforts to encourage greater transparency for merchant fees and transaction fees for payment methods from payment providers.

4.4 Encouraging providers to invest in technology that better enable retailers to set surcharges accurately would ensure a better outcome for both consumers and businesses.

4.5 Furthermore, continuing the work on interchange fees in sincere consultation with the business community is likely to garner effective and longstanding positive outcomes.

5. Conclusion

5.1 The proposed ban on surcharges is a significant overreach that fixes an issue that has been artificially created.

5.2 The ban will increase costs for businesses, and as a result, will increase costs for all consumers, taking away the ability for consumers to choose to avoid additional costs.

5.3 It is also likely to adversely affect SMEs that are already under pressure and make up the backbone of our economy.

5.4 We **do not support the Bill** and recommend that the Bill **does not proceed**.

5.5 We would prefer to see a focus on encouraging greater transparency on merchant fees from payment providers, stronger investment in technology that enables accurate pricing and continuing the work on interchange fees in consultation with the business community.

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