

Get a better deal on card payment fees



Small
Business
Commissioner

Small businesses are always looking for ways to save money. Make sure you're getting the best deal on the fees your business pays to accept card payments with this guide.

Shop around to make sure you're getting the best deal

Your provider does not have to be the same as the one you use for your general business banking.

Talk to your payment service provider to find out your current plan and related fees and charges. Ask your provider about whether there may be alternative options based on your circumstances.

In the discussion, ask if you can get a better deal in case they can improve on their standard plans.

Once you know what your current provider can offer, you should investigate alternative options from other providers. There are lots of providers in the market and the fees they charge can vary substantially.

What factors do I need to consider when comparing the cost of different providers?

There are many factors to consider, including fixed costs (such as equipment fees and plan costs) and variable costs (costs charged per transaction). Flat fee rates may not necessarily be the least cost option. There may also be other non-cost factors worth considering, like the range of services provided and support arrangements.

Before comparing plans, you should have a good understanding of the needs of your business including how many terminals you need, typical volume of

transactions per month and which card networks you would like to accept. This information will help you to assess which provider will best meet the needs of your business.

What is least cost routing and how could it save me money?

When your customers pay using a debit card, your payment service provider charges you a merchant service fee that may differ depending on which card network processes the transaction.

Most Australian debit cards are dual-network cards, meaning they can support payments through both eftpos and the Visa or Mastercard networks. When a customer inserts or swipes their debit card, they choose a network by selecting cheque or savings (eftpos network) or credit (Visa or Mastercard network). However, when a customer taps their card, your terminal decides which network to use.

If you are set up for least cost routing, it can help you save money by automatically selecting the cheapest network for processing debit card payments. How much you save depends on a number of factors like card mix, transaction volume, amount per transaction, industry type and your current pricing plan.

1 in 2

small businesses who accept card payments have never heard of **least cost routing**

Source: NSW Small Business Commission survey



Least Cost Routing – Your Questions Answered

Are all least cost routing plans implemented in the same way?

No. Some providers process all transactions through the network that is cheaper on average. However, the cheapest debit card network may depend on the value of the transaction. For this reason, many providers offer a threshold limit, so transactions below the limit go through one network and transactions above the limit go through the other network. Your provider should be able to help you find the most cost-effective option for your circumstances.

Can businesses still add a surcharge on transactions?

Yes, small businesses may still apply surcharges on card payments so long as they comply with existing rules about card surcharges (card surcharges cannot be excessive and must not exceed what it costs the business to process the payment).

More information about card surcharge rules can be found here: www.rba.gov.au/payments-and-infrastructure/cards/q-and-a/payment-card-surcharging/merchants.html

Does least cost routing have major impacts for customers?

No. When customers tap their debit card, the payment will still be withdrawn from the bank account linked to their card.

Customers aren't usually affected by which network is used, however some may wish to take advantage of rewards or offers from a particular network. If customers insert or swipe their card, they can still manually choose a network by pressing savings, cheque or credit.

Does least cost routing apply to all electronic payments?

No. At this time, least cost routing does not apply to credit card transactions, mobile wallet transactions, buy now pay later (BNPL) transactions, online transactions or any payments made by inserting or swiping a debit card.

However, least cost routing is currently being rolled out for **online** transactions and may already be offered by your payment service provider. It is also being developed for **mobile wallet** transactions. You may also want to ask your provider if new ways of implementing least cost routing have become available.

Where can I get help to compare plans?

Online comparison tools can be an easy way to view some of the available options. You can find services by searching "Compare Merchant Fees" or "Payments Optimisation Review".

If you are searching online to get more information about least cost routing, note that some providers use different terms for the same thing. You might need to try searching for terms like 'merchant choice routing', 'merchant routing', 'smart routing', 'tap and save' or 'wave and save'.

Least cost routing may not yet be available for all pricing plans or payment terminals, so you may need to upgrade your payment terminal software or replace the terminal itself. Some payment service providers are willing to waive those costs if you ask, especially if you are a new customer.



More information

- www.rba.gov.au/payments-and-infrastructure/debit-cards/least-cost-routing.html
- www.eftposaustralia.com.au/payment-solutions/payment-solutions-for-business/lcr