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Commerce Commission
By email: PaymentsTeam@comcom.govt.nz

Tēnā koe,

Submission on proposed interchange fee limits for Mastercard and Visa commercial credit cards

The Restaurant Association of New Zealand (the Association) welcomes the opportunity to submit on the Commerce Commission's draft decision to introduce interchange fee limits for Mastercard and Visa commercial credit cards.

Since 1972, the Restaurant Association has represented and supported hospitality businesses across Aotearoa. Our membership includes more than 2,300 restaurants, cafés, bars, caterers and takeaway businesses.

Our position

The Restaurant Association supports regulating and lowering commercial credit card interchange fees.

Card acceptance is effectively essential for hospitality businesses—more than 98% of respondents to our August 2024 retail-payments survey accepted Visa or Mastercard credit card payments, while 96% accepted contactless payments. Card acceptance comes at a significant cost to businesses, most of which in hospitality are small operators working on tight margins with limited bargaining power over payment costs.

As Commerce Commission research has highlighted, card use has accelerated dramatically since 2019. The Commission estimates that businesses pay approximately $1 billion per year overall to accept Visa and Mastercard payments and pay $170 million annually in merchant service fees for Mastercard and Visa commercial credit card payments, including approximately $125 million in interchange fees. The Commission's estimate that the proposed caps would reduce merchant costs by around $40 million demonstrates the material benefit of intervention.

Hospitality businesses generally cannot control whether a customer uses a commercial card. While commercial cards represent a relatively small share of transactions, they attract disproportionately high fees.

Our position is that merchants should not bear disproportionate costs to fund cardholder benefits from which they receive little or no direct value.

The proposed cap settings

We support the introduction of caps on commercial credit card interchange fees and welcome the substantial reduction proposed.

Domestic caps

However, we are not convinced that the proposed domestic caps of 0.50% for in-person transactions and 0.90% for online transactions go far enough.

The proposed rates include a 0.20 percentage-point premium above the equivalent domestic personal credit card caps. The Commission attributes 0.10 percentage points to a combination of additional issuer costs and merchant benefits. However, the Commission's detailed analysis describes the differences in fraud costs as minor and the effect of differences in administrative costs as small. It also finds that many merchant benefits are already reflected in the personal credit card settings, although it identifies avoiding the cost of establishing and operating trade accounts as an additional benefit associated with commercial cards.

The Commission also notes that commercial card issuers can increase cardholder fees more readily because commercial credit cards are exempt from the Credit Contracts and Consumer Finance Act. This gives issuers greater scope than personal credit card issuers to recover costs directly from cardholders rather than through merchant-funded interchange fees.

The remaining 0.10 percentage-point premium is intended to promote market stability and align the proposed rates with the Australian benchmark—not to recover an identified additional cost or merchant benefit. Larger average transaction values also generate more interchange revenue under a percentage-based fee without requiring a higher interchange rate.

We do not consider market-stability considerations sufficient reason for merchants to fund an additional premium. The Commission should align domestic commercial credit card caps with the equivalent personal credit card caps, or limit any premium to the amount clearly supported by evidence of additional issuer costs and merchant benefits.

Foreign-issued caps

The proposed foreign-issued caps of 0.70% for in-person transactions and 1.50% for online transactions also remain particularly high.

Hospitality businesses are disproportionately exposed to foreign-issued cards because they serve international visitors. We note that the Commission's draft decision cites evidence from the Australian Restaurant & Café Association and the Australian Hotels Association that card acceptance costs are hardest for the hospitality sector to absorb or pass on, given its exposure to foreign-issued cards and customer sensitivity to surcharging. This applies equally, if not more so, in New Zealand, given our higher reliance on inbound tourism than Australia.

Although we recognise that foreign-issued and online transactions may involve additional costs and fraud risks, merchants should not be required to bear higher fees unless the difference is clearly supported by evidence.

We consider that the proposed foreign-issued caps remain too high and should be lowered unless the Commission can demonstrate why these higher rates are necessary and proportionate.

Limiting mechanism

We also support the safeguard that prevents existing interchange rates that are already below the proposed caps from being increased simply because a higher cap has been set. The new caps should reduce high fees, not provide a reason to raise lower ones. We note that the Commission is not currently proposing to extend this safeguard to foreign-issued commercial credit transactions. Given hospitality's high exposure to foreign-issued cards, we ask the Commission to confirm whether preferential or negotiated foreign-issued rates exist that could similarly be repriced upward, and to extend the same protection to foreign-issued transactions if so.

Education, transparency and monitoring

Education and transparency will be critical to the success of the proposed limits. Interchange is only one component of the total merchant service fee. Member feedback indicates that these fees can be difficult to understand, particularly under interchange-plus pricing, while blended pricing may prevent merchants from seeing the individual fee components.
We recommend that the Commission:

- encourage payment providers to clearly explain to merchants how the new interchange caps affect their pricing and total merchant service fees.

Despite two previous rounds of interchange fee regulation, member feedback indicates that many merchants remain unclear about how the changes appear in their statements, particularly where they are on blended pricing and the interchange component is not separately visible;

- publicly report on its planned monitoring of pass-through, changes in pricing structures, and shifts in transaction volumes towards higher-cost networks following implementation. We welcome the Commission's stated intention to monitor these areas, and consider public reporting would give small merchants and merchants on blended pricing confidence that the intended savings are being realised in practice, and would support early action if other fee components rise to offset the benefit of the caps;

- finalise and implement the new limits without unnecessary delay; the proposed two-to-three-month implementation period appears reasonable, provided there is a clear effective date and practical information for businesses;

- monitor impacts on the availability and cost of commercial cards, particularly interest-free repayment periods that some small businesses use for short-term cash-flow management; and

- monitor any migration towards higher-cost or less-regulated payment products and consider further action if this undermines the intended merchant savings.

Members as commercial cardholders

Hospitality businesses also use commercial credit cards themselves. A small November 2025 snapshot poll of members found that, although interest-free repayment periods were valued by 56% of respondents, more than 62% rated the additional benefits offered by their card as low value.

Given the small sample size, these results should be treated as indicative only. However, they support the Commission's view that current interchange costs may not be proportionate to the value of cardholder benefits. We nevertheless support monitoring of any effect on access to short-term working capital and the overall cost of commercial card products.

Surcharging and the recovery of payment costs

Interchange fees are only one component of the total merchant service fee and the saving received by an individual business will depend on its transaction mix and its agreement with its payment provider. Lower interchange limits should not be taken to mean that businesses no longer incur payment acceptance costs.

Businesses should retain the ability to recover the reasonable, provider-specific cost of accepting a payment method. Any consideration of applying surcharge restrictions should be separately consulted on and supported by evidence about merchants' total costs. Businesses also need sufficient time and clear guidance to understand the effect of the new limits before conclusions are drawn about reasonable surcharge levels.

Conclusion

The Restaurant Association supports regulating and lowering commercial credit card interchange fees.

However, we consider that the proposed caps should be lowered unless the Commission can clearly demonstrate that the proposed rates are necessary and proportionate. Small hospitality businesses have limited bargaining power but face substantial payment acceptance costs. These businesses will also be disproportionately affected by international card use. Where cardholder benefits are not matched by equivalent value to the businesses funding them, it is reasonable to reduce those costs.

The success of the proposal should ultimately be measured by whether small businesses can clearly understand what they are paying, see a positive effect from the regulated interchange limits, and benefit from lower payment acceptance costs without the intended benefit being eroded elsewhere.

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