20 July 2026
Commerce Commission
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Retail NZ submission: Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks

Overview

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 30,000 businesses and employs around 222,000 Kiwis.
2. Retail NZ consulted our membership in the preparation of this submission.
3. Merchant Service Fees are a complicated area for retailers to navigate. We have heard many times how challenging it is to understand with many retailers advising us that they feel that the "system is designed to be complicated to ensure that it is difficult to understand".
4. Major retailers have the ability to negotiate preferred rates with their banks, and fee caps are less likely to impact the current fees that they pay, as they are already significantly lower than those outlined in the Commerce Commission draft decision and reasons paper.
5. The vast majority of retailers in New Zealand are small and medium enterprises (SMEs). As a result, our submission is focused on the responses from our SME members and those retailers that are not able to negotiate preferred rates.
6. Overall Retail NZ is in support of the recommendations included in the paper, but believe the caps could go further to limit not just the interchange fee for commercial credit cards, but the total Merchant Service Fee (MSF). This would ensure that there is transparency and certainty for both businesses and consumers, increasing confidence and knowledge in New Zealand's payments system.

Current settings

7. Current commercial credit card acceptance costs are significantly higher than for personal credit cards. Our members do not believe that there are valid reasons for these additional fees. We note that in paragraph 2.9, the Commerce Commission outlines that the cost of commercial credit cards is 50% higher than the growth in the value of the transactions, which reinforces the increasing fees that commercial credit cards pose.
8. Retailers are not aware if a customer is paying via a commercial credit card or a personal credit, and in many cases whether it is domestic or foreign. There is no identifying information at the point of payment that enables retailers to distinguish this, especially with customers' increasing use of non-card contactless payment

methods. If a retailer wanted to charge a surcharge or additional fee to cover the higher MSF for commercial credit cards they would not be able to do this. In a Retail NZ member survey, 58% of respondents told us the ability to adjust their surcharge depending on the payment type would be useful.

9. Retailers have told us that they do not believe current credit card acceptance costs are reasonable.

10. Since December 2025, the Commerce Commission capped interchange fees on personal credit cards. In a survey to Retail NZ members, we asked whether they had seen a change in the fees they pay in their monthly bank statements. Close to half (46.3%) said they have not seen any difference, while 21% said they hadn't looked closely enough to know. 26.3% said they had noticed a small change, while just 5% reported their fees had decreased significantly.

11. The high cost of merchant service fees has caused many retailers to raise their prices, however, there has been a reluctance from some to introduce a surcharge. 66% of Retail NZ members who answered our survey said they do not currently surcharge customers for contactless and credit card transactions and instead absorb those costs.

12. Retailers cannot avoid these merchant service fee costs. Most electronic card transactions (70.5% in the June 2026 Stats NZ data) go through the Mastercard and Visa credit card rails, which includes contactless debit payments through the likes of PayWave, google wallet and apple pay. By comparison, in 2016 only 45% of transactions were credit card transactions. As such merchants are continuing to experience higher costs to accept payments every month.

13. In considering what are reasonable fees, we would recommend that the Commerce Commission take into account this ongoing change in payment behaviour from the use of Eftpos/contacted debit cards to a customer preference for credit card and contactless transactions.

14. Our members have advised us that they do not believe that the MSF and the retail payment system is transparent and easy to understand, this includes bank statements issued to retailers. Our member survey found 34.7% of respondents could distinguish between domestic and international card fees on their statements, while 14.7% could distinguish between personal and commercial credit card fees. A standardised bank statement across all banks that lays out the fees per card type, together with the overall average fee paid for the period would be a useful benefit to all merchants.

15. Retail NZ and its members agree that the commercial credit card interchange fees are currently above efficient levels.

Retail requirement to accept credit cards

16. Retailers have advised us that accepting Visa and Mastercard credit cards are a "**must take**" situation, you cannot NOT take credit cards. It is extremely rare in retail to be able to trade effectively if you do not accept credit cards and contactless transactions. We strongly support the analysis by the Commerce Commission in paragraphs 2.11.3, 2.11.4, 2.11.5 and 2.11.6.

17. Consumers are using both credit and contactless transactions on an increasing basis. Consumers enjoy the ease of use to be able to use a device or just tap and go with their card. These methods have been promoted heavily to consumers, making it a must take situation for retailers.

18. In a Monitoring Snapshot from Commerce Commission in June 2026, it was noted 3 in 4 payments (74%) now use Mastercard and Visa, with only 26% of payments using EFTPOS, open banking payments and American Express. The concern from both our members and Retail NZ is that this dominance means that it is extremely difficult for another option to become viable in the New Zealand payments landscape, especially with the ongoing decline in EFTPOS.

19. As noted in the Commerce Commission Monitoring Snapshot, the fees charged through the Visa and Mastercard network can add up to a significant amount for businesses, which are re-couped either through a surcharge or increased prices.

20. Retail NZ agrees with the observation in paragraph 2.11.1 that fees should come down once there is widespread adoption of new methods of payment. Given the dominance of the Visa and Mastercard in the retail payments network, we would expect that the MSF would have reduced across all card types.

Proposed fee caps

21. Retail NZ and our members support the rebalancing of the interchange fee for commercial cards and improvements in price transparency.

22. However, the vast majority of respondents to our Retail NZ member survey do not believe the Commerce Commission's proposed caps on commercial credit card interchange fees goes far enough. Only 10.5% responded that the caps go far enough and would make a real difference; 66.3% felt the caps needed to go further.

23. The Reserve Bank of Australia consultation from July 2025 stated that "there is no clear evidence, including from the Issuer Cost Study, that issuers incur higher costs on commercial cards than on consumer cards". Our members would argue therefore that the interchange fee for commercial cards should be set at the same level as personal cards, as opposed to the 0.20% premium that the Commerce Commission is proposing.

24. Retail NZ also would recommend that the Commerce Commission consider including all credit cards companies to be included in the interchange cap. This would remove any requirements to further regulate these cards at a later date. It could also potentially benefit customers, with several businesses already refusing to take some credit cards, such as American Express, due to their much higher fees.

Benefits of credit cards

25. Retail NZ does not agree with the Commerce Commission's point in the reasons paper that accepting commercial credit cards offers an alternative for retailers which would otherwise need to offer credit terms through trade accounts, as outlined in Table 2.1.

26. While trade accounts are less common than they used to be, they are still offered by some retailers – primarily those who are wholesalers and/or offer bulk and specialist products used in industry, such as grocery, hardware, furniture, electronics and specialist apparel. In no examples that Retail NZ is aware of are these trade accounts offered **instead** of accepting commercial credit cards. As explained in paragraphs 16-20, retailers feel they cannot NOT accept credit cards, and as we outlined in paragraph 8, there is no identifying feature at the point of sale which can tell the retailer whether the credit card presented is a commercial or personal card.

27. In section 2.36 of the Commerce Commission's reason paper, it outlines how widely used commercial credit cards by SMEs. We caution against conflating the use of commercial credit cards by SMEs with an assumption that they are using it as a line of credit or for

cashflow purposes instead of a loan or overdraft, and that they need such credit to remain viable.

28. From a retail perspective, Retail NZ is not aware of any members using commercial credit cards in that way. Rather, we understand SMEs are using them as a form of petty cash, or to ensure enhanced transparency over company purchases that can be difficult to achieve when relying solely on trade credit. We acknowledge that for some SME's it is difficult to obtain a commercial loan for their businesses and often have to take personal loans against property and/or provide personal guarantees on commercial loans. Hence in some situations SME's may use a credit card as short term extended credit as it is easier to access funds where a line of credit has already been approved.

29. Additionally, we are not aware of Retail NZ members using commercial credit cards for the rewards. Members we have spoken to say they do not consider the prospect of rewards when choosing to make purchases with their business credit cards, rather it is an additional perk, not a core consideration. We understand from feedback from our members, that they would not change how they use their commercial credit cards if they did not receive rewards.

30. We have heard commentary that without Visa and Mastercard being able to put a premium on commercial credit card transactions, that could limit their ability to offer rewards to users. As that is not a core consideration for most retail businesses using credit cards, Retail NZ does not believe that should be something the Commerce Commission should consider when deciding what cap to place on interchange fees for commercial credit cards. Additionally, we argue that if competition is healthy in this area, Visa and Mastercard would be incentivised to offer rewards even the interchange fee cap was set at the same level as domestic credit cards, as it might be the difference between whether a business choses to go with a Visa or Mastercard credit card.

Fraud protection

31. In paragraph 3.7.1 it is outlined that there are higher fraud rates for commercial credit cards. We would like to see the data to support this statement. Our members do not believe that commercial credit cards necessarily have higher rates of fraud.

32. Members have provided feedback that it is difficult to get reimbursed if fraudulent activity occurs. Several members have told us when a card is used fraudulently to purchase goods in a retail setting, the payment is reversed for the card owner, yet the retailer has usually already handed over the goods and does not get them back, nor do they receive reimbursement from the credit card company.

33. Given the interchange fee is structured to provide for the cost of reimbursing merchants for fraudulent activity there appears to be an imbalance here in what our members are advising and what the interchange fee is designed to do.

34. Additionally, while we understand fraud protection comes at a cost to banks and credit card companies, these companies already post high profits every year and are in a financial position to invest and reinvest in this area. Both Visa and Mastercard advised the Senate Hearings in the USA that their profit margin is in the vicinity of 50%. While fraud protection is seen as a requirement by consumers and businesses using credit cards, there is also a commercial incentive for these businesses to offer such protections. If credit card providers or banks did not continue to invest in appropriate security and anti-fraud measures, their customers would move to their competitors that do take security seriously.

Retail NZ

Open banking

35. Over the past 18 months there has been a lot of discussion about the introduction of Open Banking in New Zealand and how it would provide viable alternatives to compete with the existing payment options. However, this has not yet been borne out.
36. Our members tell us that with Open Banking not yet a viable alternative to the Visa and Mastercard network, there is no real ability to offer lower cost payment options other than EFTPOS and contact debit that are already currently available.
37. Retailers are not in a position to initiate a new payment method. Retailers are reliant on consumer demand and viable solutions from FinTechs, Banks or other providers. Until retailers are being offered open banking options that customers are interested in using, providing such alternatives in their stores, or online, will come at a cost their businesses without providing any sufficient benefit.
38. There is certainly an openness and interest among Retail NZ members, to open banking and the opportunities it could provide them and their customers. However, retailers say that currently the settings don't seem to be right for these open banking products to emerge and establish themselves.

Conclusion

39. Thank you for the opportunity to make a submission.
40. Retail NZ supports the interchange fee for commercial credit cards being set at the same level as the interchange fee for personal credit cards. Furthermore, Retail NZ encourages the Commerce Commission to consider capping the MSF across the whole Visa and Mastercard network as noted in our earlier submission in 2024.
41. Retail NZ would support the inclusion of all credit card companies included in the interchange cap, across all credit card types, not just card types on the Visa and Mastercard network.
42. Retail NZ supports the limiting mechanism date to be set at 1 December 2025, to align with the prior interchange fee decision.
43. Retail NZ supports the 2-3 month implementation period for the decision to ensure that these benefits are passed on to merchants efficiently.
44. Retail NZ strongly urges the Commerce Commission to actively monitor the non-interchange components of the MSF to ensure that we do not see fee creep in the other areas of the MSF.
45. Retail NZ is happy to discuss any aspect of this submission further.
46. No part of this submission should be withheld under the OIA.

Sincerely,

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