Revolut Payments New Zealand Pty Ltd
318 Lambton Quay
Wellington, 6011
New Zealand

Head of Payments Department
Commerce Commission
44 The Terrace
Wellington 6140
New Zealand

PUBLIC

By email: PaymentsTeam@the Commission.govt.nz

20 July 2026

Response to: Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks – Draft Decision and Reasons Paper

Executive Summary

While Revolut values the Commerce Commission's ("the Commission's") objectives in boosting competition and ensuring fair fees for end users (e.g. merchants, consumers and businesses), we do not believe capping commercial card interchange is the correct tool to deliver these objectives or that the proposed caps are set at an economically efficient level. In our view, this proposal will fail to create material savings for the majority of merchants or their customers.

Rather, it instead threatens to:

(i) undermine further innovation in payments and the broader Banking market, which NZ is already a lagger and behind other developed markets with regards to

(ii) undermine NZ's competitiveness by inadvertently compressing credit availability and reducing other services (notably for SMEs), and;

(iii) distort competition within the payments market.

Overall, given the globally precedent setting nature of this intervention we believe a more detailed cost benefit analysis which directly addresses these points would need to be done before such an action could be justified.

On the **impact on merchants**, we would draw the Commission's attention to three points:

- First, that interchange is only one component of the total merchant service charge (MSC) which a merchant must pay to process a payment. Scheme fees and acquirer fees can make up a substantial percentage of the total cost. As data in other markets has shown, simply price capping one component (i.e. interchange) may have a negligible impact on a merchant's total costs and in fact in many markets MSCs actually increase after a price cap. This has been seen to particularly be the case for small merchants who may be on blended pricing models and have less advanced negotiation strategies with acquirers.

- Second, commercial card spending is fundamentally different from retail card spending. It is much more concentrated in certain merchant categories. Mainstream retail merchants, like grocery chains or 'the corner shop diary', will not see any material improvement in their costs for processing payments negating any real world benefit for the vast majority of merchants and consumers. In addition, the economic benefits commercial cards provide to businesses on both sides of the transaction make it a radically different market than consumer cards, necessitating a much more comprehensive cost benefit analysis (e.g. supplier payments, travel, advertising and digital services, etc). The impact on credit costs and cash flow for both businesses if a non card payment solution was used must be properly assessed.

- Third, while processing commercial cards can create costs on merchants, recouping those costs in their entirety (i.e. covering interchange, scheme and acquirer fees) through surcharging the purchasing business at point of sale is possible today. Not only does surcharging enable full cost recovery today, it is also a much more pro-innovation intervention as it can be used as a strong steering technique to divert transactions to lower cost non-card alternatives. If a merchant is choosing to not surcharge its customers, that is likely because they see the economic value of accepting the card transaction in full (without offsetting it with a surcharge) as outweighing the cost.

  There appears little analysis in the ComCom paper on this point - and why maintaining a surcharging strategy on commercial cards is not a more appropriate intervention. This is particularly surprising given the international precedent here where most major markets like the EU and UK have taken decisions to not apply price caps to commercial cards but allow them to be surcharged.

On the **unintended negative impacts of a commercial card cap**, we would draw the Commission's attention to three points:

- First, there will be a significant risk of a reduction in credit availability and service for NZ businesses, which are currently economically viable only due to interchange revenue. For example, fintechs and issuers rely on these revenues to offset the high operational costs and underwriting risks of offering revolving credit lines, extended interest-free periods, and specialized expense management tools to SMEs. Stripping this revenue will force providers to tighten credit criteria, reduce limits, or introduce steep annual fees, ultimately starving local businesses of vital working capital.

- Second, there is a real risk that a price cap distorts the payments market in two ways. If only applied to four party models, it undermines their ability to compete with American Express and other uncapped providers operating under different models. If innovative fintechs, which have as their only option to issue on Visa and Mastercard, are made to strip features, reduce credit lines, and shorten interest-free periods, corporate clients will be incentivised to migrate to closed-loop, three-party networks like American Express ("Amex") where their ability to pass the full MSC value back to business clients will be unimpeded.

  Amex already has a very significant position in commercial cards, notably in key sub-sectors like OTAs, making them a key competitor for these clients in NZ and globally. As Amex operates on a closed architecture without explicit interchange, we believe it will be difficult for ComCom or RBNZ to successfully apply a price cap on their model in a similar manner. It is very likely that businesses will move quickly to utilise Amex if ComCom hands them a state-sanctioned structural advantage - even though the total charge they may be applying to a merchant is higher than for Visa and Mastercard products.

  By capping four-party models while leaving three-party models structurally uncapped, the Commission is actively picking winners and distorting the competitive neutrality it is legally required to uphold under the Retail Payment Systems Act. This is a key point that requires quantitative analysis which is not covered adequately in the publicly shared consultation document.

  Additionally, there is a risk a price cap will lock in the dominant payment providers (.e. Visa, MC and Amex) suppressing the ability for new non card payment alternatives to scale. Revolut has such an alternative, called RevPay which enables transactions directly between Revolut's consumer and business users and merchants, generally at a cost >50% cheaper than cards. We're excited to bring this product to NZ, with the cost, fraud and convenience benefits it offers, but our analysis shows it will be much harder to scale such alternatives in an artificially price capped environment.

- Third, the risk of undermining further innovation in payments and the broader Banking market is particularly important for Revolut given our current plans to invest heavily into the launch of new retail and business banking products in NZ. The Retail

Payment Systems Act mandates that the Commission safeguard payment innovation and efficiency. Despite the Commission's June 2026 commitment to *"support the entry and growth of new payment alternatives,"* these interchange caps will pull the ladder up on agile fintech entrants like Revolut. Revolut is one of the only digital-first disrupters that is on a successful pathway to bringing next-generation payment and banking services to Kiwis. We are very concerned that ComCom is effectively killing one of our main revenue sources (retail and commercial card interchange) just at the moment we hope to use that revenue to launch innovative new products which will save Kiwi consumers, businesses and merchants money and time.

The services we've already provided, such as free multi currency accounts and fee free cross border transfers, are up to 10 times cheaper than legacy banks in NZ - and have already resulted in hundreds of millions of direct savings for consumers. While our future success in and of itself does not need to be a concern for ComCom, the fact that their decisions will reinforce the dominance of major card schemes and legacy banks should. Removing the ability for a payment-led fintech to scale to be a Bank by depressing interchange will undermine competition across all key Banking areas such as mortgages, deposits, saving and investment services. We would strongly recommend that the cost benefit analysis of this intervention takes into account those second order effects.

Alternative interventions, such as maintaining surcharging while supporting adoption of non-card alternatives and boosting schemes and acquiring competition, we think would be a much more effective and proportionate intervention.

Core Policy Arguments

1. The Value Proposition of Commercial Interchange

Commissioner Bryan Chapple has stated that the *"corner dairy should not be forced to absorb additional costs or increase their prices to cover the costs of rewards and benefits that only those with commercial credit cards get".* Revolut agrees that small retailers should not be unfairly burdened by inefficient fees. However, by treating corporate cards as a variation of consumer credit, the Draft Decision overlooks their unique utility and threatens to misunderstand the product.

Firstly, card acceptance is not a burden forced upon merchants. It is a vital operational tool they actively prefer. Payment Systems Europe (PSE) conducted merchant research on Revolut's behalf in June 2026. The results found that while the overwhelming majority of survey participants accept cash in store, about three-quarters experience operational challenges when handling cash. Administrative burden, security risks, and human error were all flagged as pain points.

Secondly, Revolut believes there is misrepresentation regarding where commercial credit cards are actually used. Commercial Virtual Credit Cards (VCCs) are designed for programmatic, digital-first B2B procurement, not face-to-face retail checkouts. The majority of commercial card volume occurs in closed, dedicated business environments far removed from the local dairy.

It is within the B2B sector that interchange revenue delivers much of its value, sustaining a high-utility infrastructure that traditional invoicing cannot replicate. This includes funding direct data feeds into Xero, complex ERP integrations, and advanced fraud mitigation tools. However, by applying a one-size-fits-all framework to the commercial sector, Revolut is concerned that large-scale corporate transactions are being treated the same as low-value consumer shopping. This creates two main blind spots:

- Misjudging Risk: Commercial spend is concentrated in high-value B2B procurement invoices rather than daily personal retail. While the technical cost may be similar, the issuer's capital allocation and credit underwriting risk scale exponentially with transaction size. Placing a percentage cap onto large corporate volumes discounts this risk scaling.

- Undermining NZ business competitiveness: Commercial cards serve as the most accessible source of unsecured, short-term working capital for Kiwi firms. Research conducted by Kiwibank and Talbot Mills in January 2026 highlights that 45% of New Zealand business leaders surveyed (800) identify the ability to move quickly and adapt as a top critical factor for successful growth. Furthermore, 85% of local firms report that their organisation's values heavily influence everyday decision-making, rather than a rigid reliance on the balance sheet. Global data, including key research from the NY Fed in 2026, shows cash flow as very restricted for many SMEs and that commercial cards can provide vital interest free credit functionality.

Fostering long-term growth in the local market means standing by Kiwi firms with reliable liquidity during downturns, rather than scaling back capital options the moment the economy faces headwinds.

2. Unintended Consequences: Constricting SME Working Capital

If commercial interchange is reduced below efficient levels, issuers will aim to recover the costs of carrying this substantial credit risk elsewhere. The precedent for this is already visible in the NZ consumer card market following previous regulatory interventions: BNZ reduced its interest-free window from 55 to 44 days within two months of new caps being introduced.

If a parallel cost-recovery mechanism is triggered in the commercial sector, Revolut expects banks will inevitably respond by reducing credit limits, tightening lending criteria, and/or shortening interest-free periods for small businesses. While the Commission's intent is to lower Merchant Service Fees (MSFs) for retailers, the unintended consequence will be the severe constriction of vital working capital for the very SMEs they are attempting to protect.

Furthermore, driving down four-party utility creates regulatory asymmetry. If open-system issuers are compelled to degrade cash-flow tools, corporate clients will logically migrate to three-party networks like Amex.

The results from PSE research done in June 2026 indicate that these legacy, closed-loop networks already command a distorted premium in the New Zealand ecosystem:

- Among surveyed merchants accepting Amex (52%), 28% report that its Merchant Service Fee (MSF) is more expensive than Visa and Mastercard.

- Due to these higher baseline costs, 54% of those accepting Amex pass the fees onto consumers, carrying an average surcharge of 2.16% (significantly higher than standard Visa and Mastercard rates).

Revolut is concerned that by compressing four-party interchange, the Commission creates an uneven playing field. It penalises innovative, transparent digital platforms while handing a competitive advantage to closed-loop incumbents, ultimately accelerating a market shift toward higher-cost, highly surcharged payment networks.

While retail consumers may face friction when switching payment methods, a shift to Amex is swift and straightforward for corporate businesses, particularly via automated B2B Virtual Credit Cards (VCCs). By inadvertently driving high-value business volume away from capped networks into higher-fee, closed-loop ecosystems, this intervention may actually push the blended MSF upwards for New Zealand businesses.

3. Evaporated Savings

While the Commission hopes merchants will pass savings onto consumers, Revolut expects that large B2B suppliers will keep the savings as pure margin. Because the Commission lacks an enforcement mechanism to mandate pass-through savings, the regulation risks failing its consumer-welfare objective.

This highlights a blindspot in the current Draft Decision regarding the omission of multinational scheme fees from the regulatory scope. The 2025 European Commission study by Copenhagen Economics and EY revealed that ten years after Europe's 2015 Interchange Fee Regulation, the average price of payments actually *increased*. While interchange fees dropped, card networks raised their unregulated scheme fees, causing merchant processing costs to rebound and the intended consumer savings to evaporate into the payments supply chain before reaching small retailers.

While Revolut notes that the economics governing smaller issuers in New Zealand are not directly comparable to those of Europe, this remains a compelling cautionary example. It strongly underscores the need for the Commission to conduct further rigorous, localised analysis before introducing these caps. In fact, our June 2026 merchant research confirms that this phenomenon is already playing out in the local market. Following previous consumer interchange interventions, the market landscape has not meaningfully improved for small businesses. Crucially, a portion of surveyed merchants reported that their overall processing fees have actually gone up, not down, since the introduction of the consumer caps.

Revolut is concerned that changing rates again will not achieve the Commission's intended market corrections; instead, consumers and businesses will simply suffer with worse payment products. If the Commission's ultimate goal is to protect consumers while keeping payment costs manageable, it should avoid rigid price caps or complete bans that risk distorting market forces. Instead, the Commission should look toward market-led alternatives, such as establishing a clear framework that maintains and optimises merchants' rights to surcharge transparently. By ensuring transparent surcharging at the checkout rather than relying on heavy-handed intervention, New Zealand can achieve natural price certainty for consumers while fostering the fintech innovation required to build a modern payment ecosystem.

The Commission notes that New Zealanders spend approximately $45–65 million annually in 'excessive surcharges' and expects surcharge rates to drop alongside interchange reductions. However, public sector pricing creates a double standard: the New Zealand Inland Revenue Department (IRD) currently charges a 1.42% convenience fee, and the Auckland Council charges 1.75% for online card payments, both of which are significantly higher than the Commission's proposed baseline. When major public sector entities require fees this high just to recover their own digital processing and operational costs, it is unrealistic to expect private B2B networks to absorb artificial caps without severely degrading service or shifting costs into general shelf-price inflation.

Our June 2026 research of New Zealand SMEs (revenues up to $50m) demonstrates that compressing or banning the visible cost-recovery mechanisms of card acceptance will instead drive upward pressure on shelf prices:

- Less than half of surveyed merchants (44%) apply a surcharge for Visa and Mastercard, with 1.50% being the most frequent rate. The remaining 56% already absorb these costs.

- If the mechanism to transparently surcharge is restricted or banned, 67% of merchants currently surcharging state they will look to pass on costs through alternative means (i.e., increasing shelf prices), while only 33% would absorb them.

- Respectively, 23% of all surveyed merchants and 23% of merchants who would pass on costs specifically state that removing surcharging would lead them to increase retail shelf prices. Among pure B2C operations, this risk spikes further, with 71% seeking alternative cost-pass-throughs and 29% anticipating direct price hikes.

Because card acceptance costs are deeply woven into merchant operating margins, capping interchange will not automatically lower consumer prices; instead, disrupting this cost-recovery baseline risks transforming a transparent, per-transaction fee into permanent, structural shelf-price inflation.

4. Tourism and Travel Friction

VCCs serve as the standard global infrastructure for the travel industry, facilitating seamless wholesale transactions between OTAs, hotels, and airlines. This is a highly specialised sector where commercial interchange is already structured via existing tiered rates specifically designed to help merchants manage the cost of acceptance.

While issuers retain the capability to maintain this digital infrastructure under the proposed caps, the primary disruption occurs within the online travel platform ecosystem. As OTAs typically receive a cut of the interchange benefit, compressing these margins alters their economic incentives. If this revenue is restricted, international platforms will be inclined to seek alternative arrangements. Potentially shifting towards slower, riskier or less efficient payment settlement mechanisms to protect their yields.

Inbound international bank transfers under these alternatives will introduce operational friction, resulting in longer processing times and high correspondent banking and FX fees into NZD.

Furthermore, because Amex networks are structurally excluded from these specific network caps, the proposed regulation creates an unlevel playing field that favors legacy three-party networks over innovative fintech options.

B2B VCCs are a highly complex, corporate procurement product operating on distinct global dynamics far removed from ordinary consumer retail. Given their existing tiered optimisation and specialised commercial utility, the Commission should not include B2B VCCs as part of this blunt, blanket interchange cap framework.

Broader Commercial Payments Landscape

1. Existing Alternatives for Commercial Transactions

The Commission’s focus on capping interchange treats commercial cards as a cost burden, overlooking the substantial, mutual value they deliver to both sides of a transaction. When a business chooses to accept a commercial card, it receives clear operational advantages that traditional invoicing cannot match:

- Cards payments drastically reduce the time lag between rendering a service and receiving payment, speeding up working capital loops.

- Utilising purchasing cards for corporate expenses removes the bottleneck of formal Accounts Payable (AP) approvals. This speeds up B2B commerce, saving quantifiable administrative hours for both the buyer and the seller.

- The commercial card ecosystem significantly reduces the requirements for manual accounting reconciliation on both sides of the transaction.

- Open-loop card networks provide comprehensive buyer protection through established chargeback mechanisms.

Our June 2026 merchant research data reinforces this trade-off: while 100% of surveyed B2B merchants face baseline Merchant Service Fees between 3.01% and 5.00%, their typical surcharges top out at 2.50%. This reveals that B2B operators actively and deliberately absorb a cost deficit of up to 2.50% per transaction because these liquidity and efficiency gains far outweigh the cash-flow drag of manual invoicing.

Squeezing commercial interchange below efficient levels will force issuers to degrade these features and constrict credit lines. By imposing a blunt cap, the Commission will not save merchants money. Instead, it will dismantle the value proposition B2B firms rely on, stalling cash flow velocity and devastating supply-chain liquidity.

Sustaining these high-utility payment ecosystems requires issuers to actively invest in advanced infrastructure, a space where Revolut has brought significant innovation to the New Zealand market by increasing the fraud and security controls that individuals and businesses can manage themselves. Revolut offers **over nine distinct card controls**, whereas incumbent Kiwi banks currently offer a maximum of three.

Revolut believes it is the first to offer this comprehensive suite of features to New Zealand businesses, which includes:

- Restricting physical ATM cash withdrawals unless the cardholder's mobile phone is within 100 meters of the terminal.

- Allowing businesses to add real-time expense limits and specific merchant category blocks to staff cards.

2. Payment Sovereignty

Historically, New Zealand was a global leader in debit infrastructure via the domestic EFTPOS network. However, as highlighted by the RBNZ in 2025, due to a persistent industry failure to invest in and modernise this home-built system, EFTPOS has been left unable to adapt natively to contactless, mobile-wallet, or digital e-commerce environments. Instead of evolving into a next-generation domestic utility, the local market has effectively outsourced its transaction infrastructure to global duopolies, leaving the country an international outlier without a modern, sovereign, real-time payment network.

Rather than continuously squeezing four-party interchange to fix a symptom of this dependency, the Commission and wider regulatory bodies must look seriously at why New Zealand's sovereign tools have been allowed to stagnate. While other jurisdictions have built robust, real-time domestic rails to maintain competitive tension against global card schemes, New Zealand’s piecemeal regulatory approach defunds open fintech networks while leaving legacy domestic systems obsolete.

Recommendations to the Commerce Commission

Revolut recommends that the Commission reconsider the introduction of interchange price caps entirely. If the Commission chooses to proceed with price regulation, we submit that it must be governed by the following strict prerequisites:

1. **Prioritise Alternatives Over Price Caps:** Revolut does not believe a price cap is the correct or most effective regulatory approach. The Commission should instead prioritise market-led alternatives, such as maintaining and optimising merchants' rights to surcharge transparently, which naturally manages payment costs without distorting market forces.

2. **Require Comprehensive Data Collection and an MIT Study:** Any proposed cap must be preceded by a major, industry-wide data collection exercise and a formal Merchant Indifference Test (MIT) study. This is essential to ensure that all systemic costs, operational realities, and benefits across diverse issuers have been fully analysed and empirically justified.

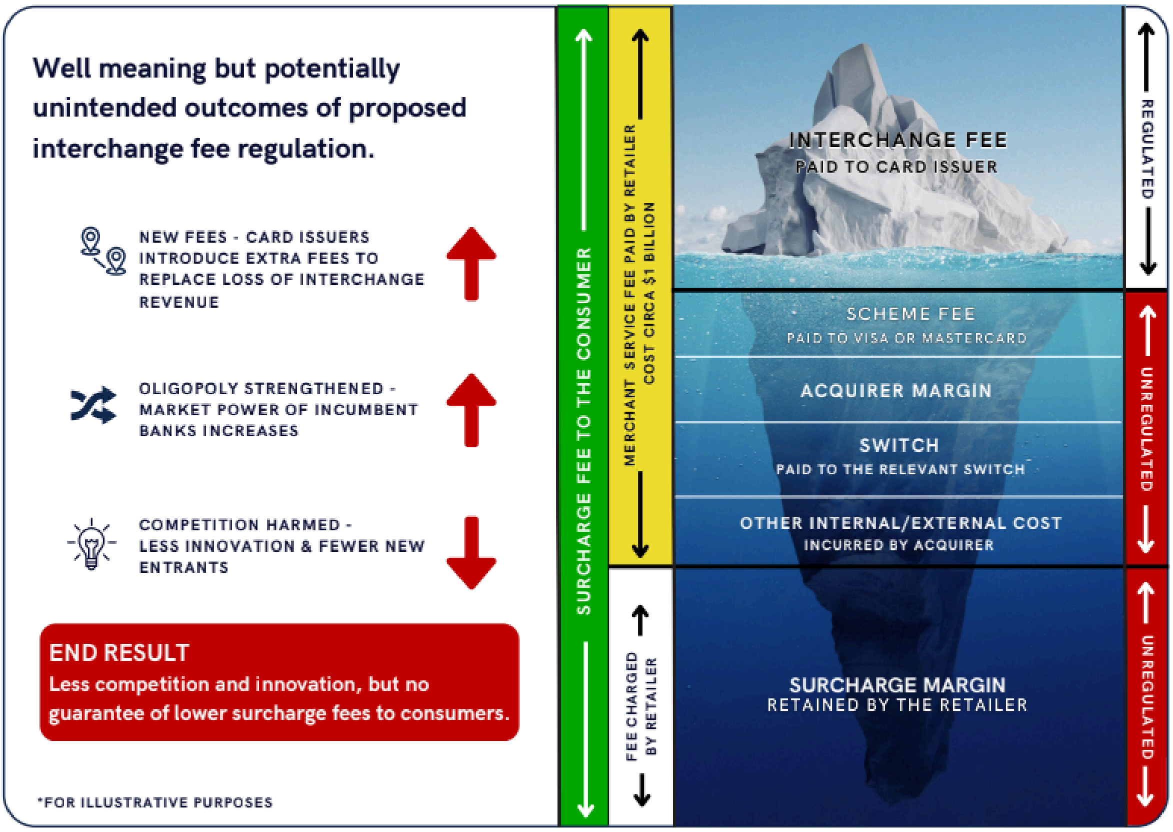
3. **Enforce Universal Application Across All Participants:** No price cap should be considered unless it is applied universally across all payment network participants. This must explicitly include three-party schemes to maintain competitive neutrality and prevent market distortions that penalise fintech innovators.

If you require any further information or clarification on any of our comments, please do not hesitate to contact me via my email below.

Georgia Grange
Head of New Zealand

georgia.grange@revolut.com

Annexure 1:


Well meaning but potentially unintended outcomes of proposed interchange fee regulation.
NEW FEES - CARD ISSUERS INTRODUCE EXTRA FEES TO REPLACE LOSS OF INTERCHANGE REVENUE
OLIGOPOLY STRENGTHENED - MARKET POWER OF INCUMBENT BANKS INCREASES
COMPETITION HARMED - LESS INNOVATION & FEWER NEW ENTRANTS
END RESULT
Less competition and innovation, but no guarantee of lower surcharge fees to consumers.
*FOR ILLUSTRATIVE PURPOSES
SURCHARGE FEE TO THE CONSUMER
MERCHANT SERVICE FEE PAID BY RETAILER
COST CIRCA $1 BILLION
FEE CHARGED BY RETAILER
INTERCHANGE FEE
PAID TO CARD ISSUER
SCHEME FEE
PAID TO VISA OR MASTERCARD
ACQUIRER MARGIN
SWITCH
PAID TO THE RELEVANT SWITCH
OTHER INTERNAL/EXTERNAL COST
INCURRED BY ACQUIRER
SURCHARGE MARGIN
RETAINED BY THE RETAILER
REGULATED
UNREGULATED
UNREGULATED