



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

2 February 2026

The Hon Ed Husic MP

Chair

House of Representatives: Standing Committee on Economics

PO BOX 6021, Parliament House

Canberra ACT 2600

via email: economics.reps@aph.gov.au

Dear Chair

Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to provide a submission to the House of Representatives Standing Committee on Economics' inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector.

Small businesses are the engine room of the Australian economy. They employ approximately 5 million Australians, representing 42% of the private-sector workforce, and contribute around one-third —\$590 billion annually— of Australia's GDP.¹ While small business is often defined as having an annual turnover of \$10 million or less, about 93% of these have a turnover of less than \$2 million.² This highlights that most Australian small businesses operate on a small or micro scale with resources and capabilities, whether in financing, compliance, staffing, or access to digital tools, that differ markedly from those of larger enterprises.

Australians are increasingly using contactless debit and credit cards, as well as digital wallets, instead of cash to make purchases.³ While consumers benefit from the convenience and security of using contactless methods, payment typically defaults to international card networks, such as Visa and Mastercard, which may incur higher merchant fees than other payment systems such as eftpos. This change demonstrates the need for Australia's payment system to be designed with the needs of end users at its core; particularly small businesses who rely on secure, reliable, affordable and accessible payment infrastructure to meet their obligations.

The Bulk Electronic Clearance System (BECS) continues to underpin a significant share of Australia's payment transactions. We therefore welcome the decision by the Australian Payments Network to remove its target date for decommissioning.⁴ While the New Payments Platform allows for real time payments and enhanced data capabilities, it relies on BECS as a backup in case of

¹ Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *'Number of small businesses in Australia'*, ASBFEO, August 2024, accessed 8 December 2025

² Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *'Number of small businesses in Australia'*, ASBFEO, August 2024, accessed 8 December 2025.

³ Reserve Bank of Australia (RBA), *Retail Payments October 2024*, RBA, 9 December 2024, accessed 30 January 2026

⁴ Australian Payments Network (APN), *AusPayNet revises outlook for the Bulk Electronic Clearing System (BECS) Framework*, APN, media release, 16 December 2025, accessed 13 January 2025



system failure. The decommissioning of the BECS created risks for small businesses that depend on a stable and secure payments platform.

We offer the following recommendations to improve the payment systems in Australia.

The Committee should investigate options for increasing transparency and portability of merchant card schemes.

Small businesses pay around three times the average per-transaction fee as large merchants, which can be more than 2% of the transaction value.⁵ For small businesses, limited bargaining power and the presence of complex and opaque fee structures reduce their ability to compare options or negotiate better terms. This dynamic often results in higher overall payment costs. Single-rate or bundled payment plans, often marketed to small businesses as ‘free’, may obscure underlying costs and result in debt and credit transactions attracting similar, higher fees.

The Reserve Bank of Australia (RBA) reported in December 2024 that the average fee that merchants pay for each card payment has declined over the past two decades, however, increased use of cards by consumers has led to overall card payment costs for merchants rising to an estimated \$6.4 billion in 2022-23.⁶

In 2025, the RBA released a consultation paper as part of its review of merchant card payment costs and surcharging. The paper noted that the intended purpose of allowing surcharging was to provide a price signal to consumers regarding the cost of payments and incentivise them to choose lower-cost payment options. However, due to the decline in the use of cash, and the prevalence of single rate payment plans amongst merchants, the ‘price signal’ framework had become less effective. Consequently, the RBA is considering options amongst other things that would reduce the disparity in card payment costs faced by small retailers and improve the transparency of pricing.⁷

In our September 2025 submission to the RBA’s review of merchant card payment costs and surcharging, we expressed concern that the proposal to ban surcharging for both debit and credit cards would not encourage merchants to switch providers, and would likely cause business disruption. If merchants were no longer permitted to apply surcharges to card transactions, they would be required either to increase the prices of goods and services or to absorb the associated costs arising from the customer’s choice of payment methods. This would adversely affect small businesses, many of which operate on narrow profit margins.

⁵ The Reserve Bank of Australia (RBA), *Merchant Card Payment Costs and Surcharging Issues Paper*, RBA October 2024, p 4

⁶ The Reserve Bank of Australia (RBA), *Merchant Card Payment Costs and Surcharging Issues Paper*, RBA, October 2024, p 4

⁷ The Reserve Bank of Australia (RBA), *Review of Merchant Card Payment Costs and Surcharging – Consultation Paper*, RBA, 15 July 2025, p 8



The Committee should recommend the RBA to introduce a formal requirement for dynamic least-cost routing for all in-person transactions.

ASBFEO continues to advocate for mandatory least-cost routing (LCR) as the default setting for in-person card transactions. By mandating LCR, a small business can route dual-network debit card transactions (tap-and-go) through the cheapest available network.

The RBA publishes tables on LCR availability and take-up across the major acquirers for in person and online transactions.⁸ As of June 2025, while LCR is made available for almost all in person transactions, only 80% of merchants had enabled LCR for in person transactions.⁹ LCR for online transactions is now available for over 94% of merchants.¹⁰

In a 24 November 2022 media release, the RBA announced their expectation that platforms deliver LCR functionality for their mobile wallets by the end of 2024.¹¹ The recent partnership between AP+ and Google to introduce LCR capability into Google Wallet now places them alongside Apple in supporting the RBA's objectives.¹² Banks are encouraged to work with other digital wallet providers to rollout this functionality across all mobile wallets.

The Committee should consider mechanisms that would improve the transparency of merchant's card payment fees, making it easier for small businesses to compare pricing plans. A transparency or comparison tool would empower small businesses with the knowledge needed to navigate complex fee structures, understand the benefits of LCR, and make informed decisions about payment system options.

The Committee should explore methods to expand fee free payment options and innovation in Australia's payment system.

To help ensure Australia's payment system remains dynamic and responsive to evolving business and consumer needs, the government should continue to explore emerging technologies and innovations in the payments space. Ensuring that alternative low-cost payment methods are available will help reduce operating costs for small businesses, many of whom have slim profit margins.

In June 2025, AP+ announced a partnership with global payment technology firm Giesecke+Devrient to develop eftpos Click to Pay, incorporating integrated LCR.¹³ This initiative

⁸ The Reserve Bank of Australia (RBA), *Update on availability and enablement of least-cost routing for merchants*, August 2025, accessed 12 January 2026

⁹ The Reserve Bank of Australia (RBA), *Update on availability and enablement of least-cost routing for merchants*, August 2025, accessed 12 January 2026

¹⁰ The Reserve Bank of Australia (RBA), *Update on availability and enablement of least-cost routing for merchants*, August 2025, accessed 12 January 2026

¹¹ The Reserve Bank of Australia (RBA), *Payments System Board Update: November 2022 Meeting*, RBA, 24 November 2022, accessed 30 January 2026

¹² Australian Payments Plus (AP+), *AP+ works with Google to offer Least Cost Routing on Google Wallets*, AP+, 6 March 2025, accessed 12 January 2026; Apple Inc, *Use dual-network debit cards with Apple Pay in Australia*, Apple Inc, 23 September 2024, accessed 30 January 2026

¹³ Australian Payments Plus (AP+), *AP+ and G+D to bring eftpos and least-cost routing to Click to Pay*, AP+, 10 June 2025, accessed 14 January 2026



will provide small businesses with an online payment option that uses Australia eftpos network. Eftpos Click to Pay makes use of tokenisation, allowing one-click checkout without the need to enter card details, thereby increasing consumer security and privacy. These improvements to security and convenience support small businesses by streamlining payment processes and reducing administrative overheads, helping them remain competitive. The government should continue to explore methods to increase the availability of low-cost card-free payment methods like Click to Pay for online payments.

Additionally, in an address to the AusPayNet Summit, Dr Brad Jones, Assistant Governor (Financial System) of the Reserve Bank of Australia, outlined several priority initiatives aimed at supporting a more innovative and resilient payments ecosystem. These initiatives include the development of digital currencies, progressing the future of account-to-account payments, modernising the RBA's settlement infrastructure, and enhancing the efficiency of cross-border payments.¹⁴

Together, these reforms have the potential to streamline payment processes, reduce transactional costs, and improve the flexibility of payment options available to consumers and businesses. For small businesses in particular, access to low-cost alternatives to the international payment systems may help to reduce expenses and support their ongoing viability.

If you require any further information, please do not hesitate to contact the Policy and Advocacy team via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

¹⁴ The Reserve Bank of Australia (RBA), *Resilience, Innovation and the Future of the Payments System*, RBA, 16 December 2025, accessed 12 January 2026.