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RBA Proposal Could Raise Bank Costs For Aussies

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The Reserve Bank of Australia (RBA) is proposing to eliminate credit and debit card surcharges, aiming to save consumers approximately \$60 per year. However, financial experts and business leaders are cautioning that the policy could come with unintended consequences, including increased banking fees and higher costs for small businesses.

Professor Angel Zhong from RMIT University told ABC News that while the policy may benefit consumers upfront, banks stand to lose roughly \$900 million annually in revenue from a cap on interchange fees. This revenue shortfall is likely to be recovered elsewhere.

“Banks will experience a deduction in their banking revenue, so they need to recoup it somewhere,” Professor Zhong said. That could include raising card fees, scaling back rewards programs, or eliminating free services.

Surcharges on card payments have already been banned in the UK and Europe. However, similar bans overseas have reportedly led to higher banking fees and diminished services.

Matthew Addison, chair of the Council of Small Business Organisations Australia (COSBOA), expressed concern over the burden on small retailers. “While one fee comes down, maybe the cost of the terminal will go up,” Addison said, highlighting that payment providers often compensate for lost fees by adjusting other charges.

Currently, many small businesses pass on card surcharges directly to consumers. If that’s no longer possible, some fear prices will rise instead.

“At the moment, small businesses are not in a position to absorb any more costs,” Addison added, noting that 45% of small business owners earn less than the minimum wage.

While the RBA estimates that the fee cap would save businesses \$1.2 billion annually and benefit 90% of them, smaller operators argue that they’re disproportionately impacted compared to large retailers who already pay significantly lower merchant fees.

Major banks have remained silent on how they plan to respond financially to the proposal, citing an ongoing consultation period with submissions due by August 26.

Melanie Evans, Deputy Chair of the Australian Banking Association and CEO of ING Australia, said the proposed changes open the door to reviewing broader payment systems, including mobile wallets such as Apple Pay and Google Pay.

Use of mobile wallets has surged nearly 30% in the past year. With each transaction, banks pay a fee to the tech giants, a growing concern among Australian financial institutions.

Professor Zhong noted this may be one area where banks seek to recover lost revenue. “It would require reforms in other areas in terms of fees charged by mobile wallets to Australian banks,” she said. Stakeholders have until late August to lodge their submissions with the RBA.