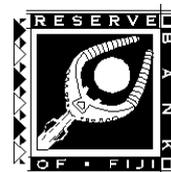


# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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### **RESERVE BANK PROVIDES AN UPDATE ON CREDIT CARD SURCHARGE**

The Reserve Bank has confirmed that a decision on its regulatory stance on credit card surcharges is expected to be made later this month at its August 2012 Board of Directors Meeting. The Bank had released a Consultation Document on Credit Card Surcharges on 30 April 2012 and invited both written and oral responses which closed more than a month later in June 2012. Since then the Bank has been evaluating the many responses received and considered providing an update on the progress and in particular address some of the key issues arising from the review.

On the motivation and the authority to consider a regulatory stance, the Reserve Bank clarified that following a spate of complaints that led to a preliminary investigation it was confirmed that there was uncertainty and inconsistency in the application of surcharging. This was driven in a large part by experience in our neighboring countries particularly Australia where there are specific regulations issued by the Reserve Bank of Australia to allow surcharging and as such the practice entered the Fijian market. At the time credit cards could only be applied through Fiji bank branches of ANZ and Westpac but were issued out of Australia. Governor of the Reserve Bank of Fiji, Mr. Barry Whiteside stressed that experience and regulatory stance varies from country to country due to their respective set of domestic circumstances, market and consumer developments and preferences. He added that it is therefore important to consult widely as the Bank had done to ensure an appropriate response for the country is achieved.

On the issue of authority, this is derived from the *Reserve Bank (Payments and Settlements System Oversight) Regulations 2004*, a regulation underpinned by the Reserve Bank of Fiji Act and the statutory responsibilities therein. Regulatory authorities with such powers would intervene in any payment system operating in a country to correct anomalies and the inconsistency and confusion in Fiji surrounding legitimacy of credit card surcharging justifies a regulatory response.

Meanwhile the current review is considering the regulatory option of either allowing or disallowing surcharges. The Reserve Bank acknowledges that this will be a difficult decision; Governor Whiteside alluded to the Australian experience recently of amending their regulations to address the problem of retailers overcharging or gouging credit card holders. There is also a need to ensure that what the Credit Card providers or commercial banks charge the retailers for acquiring ability are reasonable as the recently publicised court decision in the United States illustrates. It is clear that all players in the process benefit from a credit card payments; the international card schemes, the credit card providing commercial banks, the retailers and the credit card holder. It is also evident that credit card holders already shoulder hefty costs associated with the product and applying a further surcharge could be considered overlapping. On the other hand 'under pay' principles could be argued to apply. Weighing all these pros and cons and arriving at a final decision will somehow need to be made and fully explained to the public and stakeholders by the end of the month.

**RESERVE BANK OF FIJI**