

RESERVE BANK OF FIJI



PRESS RELEASE

Press Release No. : 29/2012

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Date : 13 September 2012

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RESERVE BANK OF FIJI UPHOLDS “NO SURCHARGE RULE” FOR FIJI

The Reserve Bank of Fiji Board at its meeting on 30 August 2012 resolved to uphold the “No Surcharge Rule” for credit and debit card payments in Fiji. The Reserve Bank has issued the regulatory stance using its general powers under the Banking Act 1995 and the Payments and Settlements Systems Oversight Regulations 2004. However in due course, this stance will be captured in Payment System laws that are currently being drafted to ensure appropriate oversight and regulation of payment systems for safety, security and efficiency. This regulatory stance extends to all merchants and all cards used in Fiji and will **be effective from 01 November 2012** allowing a necessary transition period for banks to roll out awareness and merchants to review existing practices and procedures.

Following a spate of complaints and subsequent investigations the Reserve Bank found that the application of the “No Surcharge Rule” on card based transactions was uncertain and inconsistent. After the issue of a Consultation Paper on 30 April 2012 and an evaluation of the written and oral responses from various stakeholders and members of the public, the Reserve Bank of Fiji confirmed that all acquiring banks and their merchants must cease levying an additional charge on their customers who make payments through debit or credit cards.

In announcing the decision, Governor Barry Whiteside stressed that the rule is already in place as stipulated by major credit card providers in agreements with banks and contained in agreements between banks and merchants. He added that “From a payment system perspective, it is imperative that efficiency be promoted and surcharging practices run counter to this. All payment modes come with costs, for cash it is handling, storage, security transportation and associated costs. For credit and debit cards it is the cost of the electronic infrastructure and payment system networks that facilitate settlement of the transaction. To allow merchants to surcharge on card usage effectively means allowing them to accept the benefits afforded by of efficiency and safety of settlement without the inherent cost and this simply cannot be allowed.” It may be expected that some merchants will need to review their agreements in terms of acquiring credit cards however the decision needs to be driven by the cost and benefit of the acquiring capability and not the comfort of passing on costs to consumers.

Cardholders in Fiji are advised that merchants who attempt to surcharge them for paying for goods or services using their debit or credit cards are violating this regulatory stance and must report this to the bank concerned or the Reserve Bank. All customers are advised to only pay the advertised price for an item or service offered by a merchant.

Governor Whiteside called on all licensed banks in Fiji to step up their awareness programs in educating their merchants of the benefits and also close monitoring of their merchants' compliance with the "No Surcharge Rule". He assured the general public that the Reserve Bank will act decisively through the banks to ensure surcharging practices cease or instances brought to its attention are dealt with.

As an extension of this stance, the Reserve Bank will review the "Merchant Service Fee" charged by the banks to the merchants with a view to assuring transparency and equity in pricing across merchants.

In the meantime, the Reserve Bank extends its sincere appreciation to the stakeholders and members of the public for providing their valuable feedback during the review exercise.

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