



# MTA Submission

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To: Competition & Consumer Policy Team,  
MBIE

On: Regulating to reduce Merchant  
Service Fees (Issue Paper)

19 February 2021

Dear Sir / Madam

**Submission: Regulating to reduce Merchant Service Fees (Issues Paper)**

This submission is from:

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The contact person in respect of this submission is:

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Thank you for the opportunity for MTA to provide comment on the Issues Paper on regulating to reduce Merchant Service Fees regarding the views of and its effect on the automotive industry.

Yours sincerely,



Greig Epps  
**Advocacy & Strategy Manager**

*He is well paid that is well satisfied*<sup>1</sup>

## Introduction

The Motor Trade Association (Inc) (MTA) was founded in 1917 and in 2017 celebrated 100 years of trust with the NZ motoring community. MTA currently represents approximately 3,600 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales. The automotive industry employs 57,000 New Zealanders and contributes around \$3.7 billion to the New Zealand economy.

Many MTA members are small businesses, employing a few staff and with few resources to allow them to research, review, and negotiate the myriad fees and charges facing them in operating their businesses. The fees charged for transacting business with customers using credit cards and other deferred payments are especially perplexing.

MTA is calling for greater transparency and oversight of the fees for these transactions. A co-regulatory body comprising industry, government, and consumer representatives should examine the fees to ensure relevancy, consistency, and fairness. Hard caps or standard, fixed fees are options that the government should consider.

Let's step back and look at the context:

- New Zealand is generally a lightly regulated economy
- As such, the overarching principles include letting the market work and sheeting costs home to the person responsible for those costs (ie *user pays*)

We have been here before – when technology and the way commercial activities take place in the “real world” do not align with the legislative world.

*In 1992, the Reserve Bank formed a working group (the Banking Law Working Group) to review aspects of banking law in New Zealand. The Working Group was formed in recognition that, in some respects, the operation of the banking system was outdated and was impeding the efficient operation of the system.*

*The Group's objectives were to review aspects of banking law, with a view to promoting changes which would:*

- *Facilitate efficiencies in the operation of the banking system;*
- *Enable banks to better meet the needs of their customers;*
- *Make the law more certain and understandable to users of the banking system.*

*(RBNZ Bulletin, 1994)*<sup>2</sup>

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<sup>1</sup> *The Merchant of Venice* (IV.i.433), William Shakespeare

<sup>2</sup> <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Bulletins/1994/1994sep57-3bsd.pdf?revision=6e5d4740-a1a7-442f-8e8f-62bbd5196f81>

- **Cheques should remain subject to statute law.** The paper preliminarily concluded that cheques should remain subject to statute law, as opposed to being principally governed by contract between the respective parties to a cheque. The Group took this view in recognition that:
  - **Statute offers efficiencies relative to contract law, by effectively serving as a standardised contract.**
  - **It would be difficult to provide for the rights and obligations of all parties to a cheque, using contract law.**

The above section from the RBNZ bulletin characterises cheque use as a contractual situation between parties – the payer and the payee. The RBNZ review recognised that it was difficult for contract law to cleanly deal with all the parties and relationships arising from the use of cheques.

Although cheques as a payment method are being phased out – predominantly due to the use of online and electronic card transactions – MTA believes it is instructive as an example of regulating a complex, multi-party payment arrangement.

Summary positions:

- **The system requires more transparency and oversight.**
- **Merchant fee statements should be standardised to help small businesses better understand the fees they are paying.**
- **Fairness supports a change to the interchange fees charged to balance the benefits enjoyed by users and not cross subsidised by those who don't**
- **Efficiency can be supported with a fixed fee for merchant service fees, similar to the cheque fee of days gone by – why is a \$100 e-transaction more difficult than a \$1000 transaction when nowadays when credit cards are ubiquitous.**

Submission

MTA provides general and specific comments here and, in Appendix B, provides responses to the questions set forth in the Issues Paper.

## **1. CREDIT CARDS ARE IMPORTANT FOR BUSINESS AND CONSUMERS**

*I can get no remedy against this consumption of the purse: borrowing only lingers and lingers it out, but the disease is incurable.*<sup>3</sup>

MTA upholds and supports the efficient use of credit cards in the retail payment system. Consumers should know what they are getting, and they should pay for what they get. MTA recognises that banks play an important role by managing an important transaction process to allow retailers and customers to connect and have a relationship.

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<sup>3</sup> *King Henry IV Part Two* (1:2), William Shakespeare

Credit cards provide short term loans to consumers for many kinds of products and services and many kinds of retailers. Consumers with credit cards are willing to pay fees to card issuers (the issuer) for this convenience.

The increased use of electronic transaction processes also contributes to reducing crime where cash might be the focus of criminals.

A retailer improves the quality of its service when it accepts credit cards. The quality improvement is enabling customers to choose their method of payment (such as a credit card instead of cash). The retailer will usually accommodate this extra quality with a higher price for the goods and services. This covers its costs, including the merchant service fees (MSFs) it pays to its own bank (the acquirer).

The alternative for the retailer is to accept cash or some other payment type (but this may not be possible if there is competitive pressure from neighbouring businesses which do provide consumers with the convenience of credit card payment).

## **2. FAIRNESS IS IMPORTANT FOR OUR SOCIETY**

Fairness encapsulates a sense of “impartial treatment” or a “lack of favoritism”<sup>4</sup>, and this can be achieved through an open system that ensures that behaviour (good or bad) can be observed.

MTA supports fairness and transparency relating to the various card or transaction fees. MTA believes that our society upholds a standard of fairness, even though we have differences as consumers and retailers.

Fairness is about who bears the different costs of transactions<sup>5</sup>. The Reserve Bank of Australia has suggested that “cardholders may not face the correct price signals associated with their choices, which is likely to result in cross-subsidisation and less pressure to reduce the cost of payments”<sup>6</sup>.

Internationally some public authorities say that interchange fees are excessive and unfair to some groups of consumers<sup>7</sup>. They point out that high interchange fees:

- are required to provide excessive rewards for cardholders
- are a tax on some card holders not fully compensated by rewards

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<sup>4</sup> Merriam-Webster online dictionary: <https://www.merriam-webster.com/dictionary/fairness>

<sup>5</sup> Note comments in a Reserve Bank of Australia *Review of Card Payments Regulation – Issues Paper (2015)* that there are “Widespread perceptions that card surcharges remain excessive in some industries” (p 25).

<sup>6</sup> *Ibid* at page 25.

<sup>7</sup> For example, see: [https://www.nzae.org.nz/wp-content/uploads/2011/08/Gale\\_and\\_Gerritsen\\_Competition\\_Policy\\_and\\_Credit\\_Card\\_Interchange.pdf](https://www.nzae.org.nz/wp-content/uploads/2011/08/Gale_and_Gerritsen_Competition_Policy_and_Credit_Card_Interchange.pdf) - “In December 2007, the EC found that MasterCard's multilateral interchange fee infringed Article 81(1) of the EC Treaty because it constituted a restrictive business practice that increased retailers' costs without leading to more efficient outcomes. MasterCard did not meet the exemption criteria under Article 81(3) because it had failed to show that its interchange fee benefited consumers and merchants.”

- are a tax on consumers who use other payment systems such as cash.

Gale and Gerritsen note further<sup>8</sup>:

Claims have also been made that interchange fees promote excessive credit card use and are unfair to consumers paying by other methods. Prior to the regulation of interchange fees in Australia, the Reserve Bank of Australia (RBA) conducted a study which concluded that the costs of processing transactions on a debit card network were lower than processing transactions on a credit card network (ACCC and RBA, 2000). ... Farrell proposes that to achieve overall efficiency, *interchange fees should be set at levels where merchants would be indifferent to method of payment that the consumer selects.* [emphasis added]

MTA believes the level of interchange fees needs to be amended to be fair to consumers and retailers.

### **3. EFFICIENCY IS IMPORTANT FOR OUR ECONOMY**

People should pay the same as others for the same goods or services. This is efficient where no one is made worse off at the expense of others.

As noted above in the Gale and Gerritsen paper, Farrell proposes that efficiency comes when interchange fees are set at levels that allow merchants to be indifferent to payment method. The Reserve Bank of Australia notes<sup>9</sup> that:

Interchange fees are often not transparent; cardholders and merchants do not typically see them. But they have an impact on the fees that cardholders and merchants pay.

Without transparency, merchants (and customers) are not fully aware of the costs to them.

In practice, with interchange fees being used to incentivise issuers to issue cards from a particular scheme and cardholders to use that card, the tendency has been for competition between mature card schemes to drive up interchange fees and costs to merchants, with adverse effects on the efficiency of the payments system.<sup>10</sup>

### **4. FAIR TRANSACTION COSTS RELATE TO ACTIVITY**

MTA believes that as stated in the *Sportszone/MTF*<sup>11</sup> finance fee case (Appendix A), there is a standing principle that any fees charged for credit to consumers must be justified in terms of effort involved in delivering the service provided.

In the *Sportzone* case section 44 of the Credit Contracts and Consume Finance Act 2003 (CCCFA) is discussed. Section 44 describes a principle where fees charged for credit should reasonably compensate the creditor for costs of specific activities of the creditor.

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<sup>8</sup> At page 5, [https://www.nzae.org.nz/wp-content/uploads/2011/08/Gale\\_and\\_Gerritsen\\_Competition\\_Policy\\_and\\_Credit\\_Card\\_Interchange.pdf](https://www.nzae.org.nz/wp-content/uploads/2011/08/Gale_and_Gerritsen_Competition_Policy_and_Credit_Card_Interchange.pdf)

<sup>9</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/pdf/review-of-card-payments-regulation-issues-paper.pdf> at page 7.

<sup>10</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/pdf/review-of-card-payments-regulation-issues-paper.pdf> at page 5.

<sup>11</sup> *Sportszone/MTF* case (CA727/2013 CA593/2014 [2015] NZCA 78) <https://www.interest.co.nz/sites/default/files/Judgment.pdf>

MTA submits that a similar standard of reasonableness should be applied to the interchange fee so that the fee should relate to the activities of the transaction.

The rationale for this is that the interchange fee is ultimately borne in part or in full by consumers in higher prices charged by the merchant to all consumers (assuming no surcharging)<sup>12</sup>.

The CCCFA prohibits unreasonable fees for consumers in credit contracts. Section 44 (Appendix A) defines the standard of reasonableness. The lack of transparency is not only with respect to what level of fee is charged in different parts of the system, but what actual service or benefit is being delivered by the payments system in respect of that fee/charge.

Without better information, MTA is loath to recommend specific reductions that might be achieved or an appropriate fixed charge (in the style of something like the old 25 cent “cheque fee”).

## **5. REGULATION**

MTA supports the establishment of a regulator for the retail payments system.

MTA recognises that it is not clear that a regulator alone can achieve fair and efficient charges. A regulator can however have a role to:

- improve market competition
- identify and correct market distortions leading to inefficiencies
- ensure a standard of fairness prevails across different consumers.

In line with the previous comment about achieving a system in which retailers are indifferent to payment method, regulation should aim to create an environment in which new technologies and new models of payment method can enter and be adopted without unnecessary barriers.

There are many approaches to managing regulation, but MTA would urge seeking a structure that includes a role for consumers, retailers and institutions together with the regulator.

One approach to restrain interchange fees from being excessive is to regulate the interchange fee with a cap. Another is to allow surcharging.

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<sup>12</sup> MTA is here referring to its understanding of practice common among its members, especially service stations. There is a mix of competitive pressures and a lack of clarity about obligations that lead these retailers to absorb transaction costs so as not to deter customers. We understand that the practice of surcharge or no surcharge varies across industries (*viz* hotels and restaurants that may include a surcharge).

## **6. MTA appreciates that the Interchange fee is the focus in retail card payment fees**

MTA appreciates that the efficiency and fairness of the retail card payments system is linked to the size of the interchange fee. MTA understands this is the largest part of the merchant (retailer) service fee (MSF) paid by the retailer's bank to the consumer's bank. It covers the consumer's banks costs, including for marketing to consumers and for interest income foregone from consumers who repay their balance by the due date. It is the interchange fee that is the main driver of costs to consumers and retailers.

The interchange fee balances the terms that consumers get and the terms that retailers get from their respective banks.

## **7. MTA is aware that the retail payment markets don't work efficiently.**

There is a concern supported by a reported high level of interchange fees in New Zealand that credit card fee structures are tilted away from an efficient setting. In this setting retailers pay too much to accept cards and some (high value) consumer card holders pay too little. Consequently, many consumers pay too much.

## **8. MTA understands that efficiency is a complex thing involving many people**

If all consumers, retailers, credit cards, issuing banks and acquiring banks were respectively identical then an efficient charge is one where the consumer:

- pays for its own convenience of using a card and for the higher quality of retailer service
- pays for the issuer's and acquirer's costs of service
- gets a rebate amounting to the interchange fee.

There is an argument that the merchant is paying for the benefit of an irreversible payment (ie the card payment goes through and the issuer carries the risk of consumer default). A counterargument would be that the irreversibility is not an issue for the merchant – as far as he or she is concerned, the card issuer has indemnified the purchases of the cardholder. Perhaps then the issuer and the merchant need to agree how the merchant might help mitigate fraud<sup>13</sup> ... but ultimately, all this line of argument demonstrates is the complexity of the contractual arrangements and the need for structure around the system.

In reality, not all of these people, products and institutions are respectively identical at any given time nor do they have the same information at all time<sup>14</sup>. For example, changes in interchange fees can affect many things including:

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<sup>13</sup> In days gone by, this involved the need for the customer to produce photo ID. This was superseded by PIN numbers, which it is beyond the retailer to confirm is being used properly. And the further development and promotion of "payWave" technology has removed the opportunity for retailer mitigation of the default risk.

<sup>14</sup> Refer Payments NZ <https://www.paymentsnz.co.nz/resources/articles/new-zealand-payments-stats-2019-in-review/>



- consumers who use other payment types
- types of incentives offered to consumers to take up cards
- the profitability of retailers of different type and size
- the profitability of issuers and acquirers

This can result in people paying more or less than others for the same goods or services simply because the payments system is designed in a particular way. This is inefficient since some people are made worse off at the expense of others. This is so even if the overall benefits to all consumers in aggregate has increased.

## 9. MTA member view

MTA is concerned about the lack of transparency and understanding.

In many sectors where there are only a few participants and complex contractual arrangements, the use of transparency and disclosure enables objective observation of the fairness of the practices in those industries. Examples include the electricity sector, the gas transmission sector, and the soon-to-be regulated wholesale and retail fuel market.

It may help to explain the problem from the MTA member's point of view.

There is widespread reluctance to pass on card surcharges to customers for fear of losing those customers.

There is also a general lack of understanding about what the fee is for –

- is it for the convenience of the customer to pay the retailer with deferred payment terms to the credit card/issuing bank?
- is it a fee for the retailer to enable them to transact with all customers?

In reality, it provides a benefit to both, and yet the consumer pays annual card fees and the retailer pays transaction fees (yet this benefits both). Consumers need to understand the cost of transaction.

MTA asked a small sample of members for their views.

**Do you apply surcharges on credit card, contactless or card not present payments from customers?**  
Overwhelmingly the response was NO (67% of respondents).

Only 5% said that they apply a credit card surcharge on all transaction and 28% apply on some transactions.

Where surcharging is applied, there seems to be inconsistency with how surcharges are applied. From our quick survey, the predominant rate was 1.5% with 50% of respondents indicating that this was the surcharge. The remainder were evenly split across surcharges of 1%, 2.5% and greater than 2.5%.<sup>15</sup>

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<sup>15</sup> While these data are presented to demonstrate that surcharging is not widespread among MTA members, they also show that there may be a lack of understanding of what level of surcharge might be appropriate given the variety of interchange and other fees that sit behind this surcharge.

### Is it easy to set up surcharging facilities?

MTA has a business partner relationship with EFTPOS NZ where MTA members are offered a free surcharging facility, normally [confidential] per terminal. Of the [confidential] members who use the EFTPOS NZ system, only [13%] use this free surcharging facility. This is a key point in MTA members case, there are no barriers to setting up and using a surcharging facility.

Our survey indicated the main reason (58% of responses) surcharging was not applied was that members assumed they had to absorb these costs as a normal part of doing business.

Some respondents (16.6%) indicated that they thought their customers wouldn't accept surcharging.

This tells us that there is room to improve the understanding and awareness (transparency) of merchant service fees with consumers to better understand the fair and equitable benefits provided by credit cards.

### How reliant are retailers on credit card use?

Half (55%) of respondents indicated that credit card purchases made up between 30% and 75% of their total sales with 44% indicating credit card purchases made up less than 30% of total sales. This tells us that retailers rely heavily on the use of credit cards as part of a business's revenue.

## 10. MTA understands the behavioural issues that underpin this problem:

- Issuers and acquirers have different influence in setting the interchange fee, so that in principle, an excessive profit can accrue to one for any given transaction
- Retailers have low resistance to paying high merchant fees supporting high interchange fees because to do so would be to turn away business (merchant internalisation).
- Similarly, retailers may be reluctant to charge surcharges to consumers which would neutralise excessively high interchange fees
- Consumers have considerable choice about using or not using cards, whereas retailers do not. Hence benefits accrue to consumers that the issuers capture in inefficiently high interchange fees.

This imbalance can be fixed by merchants surcharging customers who use credit cards - but this is not common practice. There are aspects of merchants (eg small, localised, focussed in certain outputs) that account for this. Merchants are generally reluctant to impose surcharges.

## EVIDENCE

### 11. MTA's evidence that the credit cards market is not working efficiently is as follows

As noted in our prior submission:

- That merchant fees charged to small merchants increased at nearly twice the rate of the weighted average interchange fees, and current fees charged to small merchants are two and a half times those charged to strategic merchants is unacceptable.

- MTA has observed many instances where merchant fees charged to smaller businesses in the automotive industry have been significantly greater than that charged to larger national and multi-national businesses serving the same customer segment with similar services with similar transaction sizes.
- The burden of costs for reward points is keenly felt in industries where profit margin for products and services is low. The fuel retailer sector of the automotive industry is an example of this. Small and independent fuel retailers must compete with national and global fuel retailers who have negotiated lower Merchant fees.
- Further, regressive cross subsidisation is also illustrated by the example of fuel retailers in major tourist areas of New Zealand. Fuel retailers in areas with significant tourist activity must accept smaller profit margins than others in the industry due to high merchant fees because of the number of international premium cards presented by foreign tourists. Market acceptance and competitive pressure is a significant dis-incentive for merchants to actively steer customers away from scheme rail transactions to other credit cards or forms of payment.
- MTA provides members the choice of a satisfactory banking package that includes benefits such as a special merchant service fee structure. This has been achieved by 'bundling' financial and banking needs of MTA's members, rather than a narrower focus on one product (Merchant Acquiring).
- This 'bundling' of banking services, and more attractive merchant fees available to 'Strategic Industries' suggests there is ability for acquiring banks and perhaps scheme owners to apply flexible pricing.

Recent evidence indicates that only 13.3% of the [confidential] members using the EFTPOS NZ system are signed up to use the free credit card surcharge facility. This reinforces the reluctance of merchants to recover MSF's through card surcharges.

*MTA appreciates the opportunity to submit on the Issues Paper regarding the regulation of Merchant Service Fees.*

## Appendix A - section 44 of the CCCFA

Section 44 says:

***Credit fees other than establishment fees and prepayment fees***

*(1) In determining whether a credit fee is unreasonable, the court must have regard to, in relation to the matter giving rise to the fee, whether the fee reasonably compensates the creditor for any cost incurred by the creditor (including the cost of providing a service to the debtor if the fee relates to the provision of a service).*

*(2) In determining whether the fee reasonably compensates the creditor for any cost referred to in subsection (1), the court must have regard to reasonable standards of commercial practice.*

*(3) Subsection (1) does not apply if the credit fee is—*

*(a) an establishment fee (see [section 42](#)); or*

*(b) a prepayment fee (see [section 43](#)).*

Section 44: replaced, on 6 June 2015, by [section 31](#) of the Credit Contracts and Consumer Finance Amendment Act 2014 (2014 No 33).

The Court of Appeal in the *Sportszone* case determined (at para 68) that fees caught by section 44 should have a close and relevant connection to specific activities of the creditor.

**Explanation:**

As noted in the NBR quoting Commerce Commission general counsel

<https://www.nbr.co.nz/article/supreme-court-dismisses-appeal-motor-trade-finance-sportzone-over-credit-fees-b-188957>

*"The Supreme Court has made clear that credit fees should only cover costs that are closely related to the particular loan transaction," commission general counsel Mary-Anne Borrowdale says. "It agreed with the commission that the purpose of the CCCFA is to protect borrowers, ensuring transparency in the costs of borrowing. Fees should not be used to recover general business costs or to generate profits – that is what interest is for."*

**Discussion:**

The Court of Appeal decided that permitting fees to be used to recover a portion of all costs of a finance business, would be (para 68):

*...tantamount to using a broad, oppressiveness standard, where the only clear regulatory guidance is the "benchmark" of fees charged by competitors.*

*[68] When it comes to practical application of the statutory language in ss 42 and 44, the need for a close, relevant connection provides a workable standard. The statutory obligations in both ss 42 and 44 to have regard to costs of specific activities of the creditor do not sit comfortably with the argument of Sportzone/MTF that the statutory language permits the inclusion of all reasonable costs of offering a finance facility. If the CCCFA permitted the recovery through fees of a portion of all costs of the finance business, it would dilute the regulation of fees to such an extent that it offers virtually no regulation at all. It would be tantamount to using a broad, oppressiveness standard, where the only clear regulatory guidance is the "benchmark" of fees charged by competitors. This approach is inconsistent with the statutory purposes of transparency and consumer protection. It is also contrary to the wording of the provisions and definitions themselves.*

## Appendix B –

### Answers to Questions in the Issues Paper

1. MBIE needs to be clearer about:
  - a. what is meant by efficiency?
  - b. definition of the 'system' approach.
2. In general, we believe this to be alright.
3. No response.
4. In principle an efficient outcome is where identical cardholders bear all costs less interchange fee. Inefficiencies will arise because:
  - a. Cardholders are not all identical
  - b. 100% interchange is not passed through.

This is inherent in a two-sided market.
5. Can lead to excessive interchange fees. Can lead to outcomes that are not efficient where some cardholders are made better off with inducements while others and cash payers pay higher retail costs.
6. These are necessary to cover the costs to merchants of providing cards. They can be excessive to merchants due to merchant reluctance to charge surcharges (internalisation).
7. Steering consumers to other forms of payment, will mean losing all or many card transactions that otherwise would have occurred.
8. Merchants are reluctant to surcharge because of merchant internalisation, driven by the fear of turning business away.
9. This may be unfair and can be inefficient.
10. Fixed costs, information costs of small business.
11. Industry associations, cooperatives – but not direct supply of information.
12. MTA can't see why costs should differ between small and large businesses when the card processing systems use the same infrastructure. Similarly, we struggle to understand the justification for apply a percentage-based fee structure on the transaction value.
13. With the EFTPOS system offering a free transaction ion service and the ever increasing introduction of credit card schemes with strong links to the major merchant banks, this free service is under threat due to increasing market share from the consumer use of credit cards. If EFTPOS NZ get their revenue from terminal lease fees and these fees are adjusted up as they lose market share, then the EFTPOS system may become less attractive to merchants.
14. With the overwhelming view from our members that as retailers, they have to absorb the merchant fees applied to credit card transactions, the fact that banks and card issuers are the main driver promoting new card schemes and payment systems just doesn't seem fair.
15. Will remove the need for a platform and therefore no interchange fees – whether there is sufficient demand is unknown.
16. Not clear that competition will change interchange fees – may have effect of raising them due to higher costs of many small players.
17. As per our response in question 14 above perhaps some fairer tiered or capped fee system rather than a fee system based on a percentage of the transaction cost should be explored.

18. MTA supports the objectives but would also like to see the creation of a regulatory oversight and industry review group that would provide ongoing oversight of merchant fees and interact with Government to address any issues.
19. Regulation for efficiency – interchange cap and fairness – also need an oversight group.
20. Probably the Commerce Commission with powers not yet available in the Commerce Act but also need an industry body to regularly review issues.
21. MTA would support the establishment of some sort of complaints and/or disputes resolution process to level the playing field between banks and businesses. Relying on the ability of businesses to bargain fairly with banks for better deals may not deliver the necessary benefits to merchants and consumers.
22. MTA strongly supports the compulsory disclosure of all fees by banks but there also needs to be some level of education for card users to be able to understand why fees are charged.



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