



Council of Social Service of New South Wales

66 Albion St, Surry Hills NSW
phone 02 9211 2599 **fax** 02 9281 1968
email info@ncoss.org.au **web** www.ncoss.org.au

abn 85001 797 137

22 August 2014

Mr David Murray AO
Financial System Inquiry
GPO Box 89
Sydney NSW 2001
Email: fsi@fsi.gov.au

Dear Mr Murray

Submission: Financial System Inquiry

Thank you for the opportunity to respond to the Financial System Inquiry.

The Council of Social Service of New South Wales (NCOSS) is the peak body for the not-for-profit community sector in New South Wales. NCOSS works with its membership on behalf of disadvantaged people and communities towards achieving social justice in New South Wales.

NCOSS was established in 1935 to promote cooperation in the provision of community services and influence social legislation. Today our constituents are:

- our members
- other peak community service agencies in NSW
- service providers
- other agencies working in the social policy and social services field
- individual members interested in social policy and social service issues
- disadvantaged and low income people and communities in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms and is the major co-ordinator for not-for-profit community sector organizations in NSW. We act as a channel for consultation with government and between parts of the not-for-profit community sector with common interests and diverse functions.

NCOSS strongly endorses the submissions of the Community Council for Australia, the Brotherhood of St Laurence, Good Shepherd Microfinance and Good Shepherd Youth and Family Services to the inquiry. In addition, we consider that customer surcharging is an issue worthy of special consideration by the inquiry, because of the impact it has on people experiencing poverty and disadvantage.

Customer surcharging is prevalent in many items which are essential services, including utilities, transport and food. The NCOSS Cost of Living report in March 2014 identified that

the cost of utilities has risen 4.4 times the rate of CPI over the last ten years, which provides a major challenge for low-income households. Utilities are one of the industries that charge a surcharge when paying via debit or credit, and this additional cost contributes to the pressure placed on these households.

Transport is also a significant budget component for people experiencing poverty and disadvantage in NSW. Unreasonably high surcharges for transport options such as taxis make accessing and affording these services difficult and adds even greater cost pressures to already stretched budgets.

The NCOSS Cost of Living report also identifies that household costs such as food are the largest budget consideration for low-income households. A recent media report identified that a major supermarket chain in Australia is not only applying a surcharge on card payments, but doing so without disclosing the additional cost to their customers. At the very least, additional surcharges for specific payment methods should be disclosed to customers so they can choose another payment method.

The Financial System Inquiry's Interim Report notes that "Allowing merchants to surcharge introduces a price signal to customers about the cost of the payment mechanism they use and can help reduce the effects of the interchange fee issues highlighted previously." This price signal cannot be effective if people are unaware they are paying a surcharge. We recommend the mandatory disclosure of additional surcharges for specific payment methods to customers, in order to ensure customers can make better informed choices.

We further note that many of the surcharges on payment methods for essential services are unreasonable. An example of this is the 10 per cent service fee applied to taxi fares by Cabcharge. We note that the NSW Government has recently introduced legislation that would cap this surcharge at 5 per cent. While we welcome this move, we consider that there is room for stronger regulation on the surcharges that can be applied to all financial transaction – particularly those relating to essential services.

NCOSS considers that applying a surcharge for these essential services is damaging for people experiencing poverty and disadvantage in particular, and hence urges the FSI to recommend the removal of customer surcharging, and at the very least, compulsory disclosure of surcharging and regulation of unreasonable surcharging.

If you would like to discuss any of the issues raised in this submission, please don't hesitate to contact John Mikelsons, NCOSS Deputy CEO on 9211 2599, ext 116 or email john@ncoss.org.au

Yours sincerely

A handwritten signature in black ink that reads "Tracy Howe". The signature is written in a cursive, flowing style.

Tracy Howe
Chief Executive Officer