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THE BUSINESS NEWSLETTER FROM AUSWILD & CO
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CARD SURCHARGE BAN: WHAT YOU NEED TO KNOW BEFORE OCTOBER 2026

From 1 October 2026, there will be no more card surcharges – whether the customer is using a debit, prepaid or credit card. This is a major overhaul as the Reserve Bank of Australia (RBA) estimates that these reforms could save consumers and businesses up to $1.8 billion a year.

Why are card surcharges getting banned?

As the country's use of cash has plummeted – from almost 70% of all transactions in 2007 to around 10% currently – an increasing spotlight has been shone on the fees charged by banks, payment providers and credit card companies for the use of their payment services.

The initial purpose of card surcharges was to create a competitive marketplace for the users of these cards. If one card had a 5% surcharge and another only 1%, then consumers would be encouraged to use the cheaper card.

However, as card use has become increasingly universal, surcharges have flattened out, meaning that the distinction between providers has largely evaporated. At the same time, the rules and fees around surcharging have become overly complex, leaving businesses unsure how to cover them precisely and customers feeling as if they're paying too much for a basic financial service.

What does the surcharge ban mean for businesses?

In addition to the ban, the RBA is also reducing the interchange fees and capping them to:

- Domestic debit/prepaid cards: Capped at 8 cents, or 0.16% (whichever is lower)
- Domestic credit cards: Capped at 0.3%
- Commercial cards: Cap stays at 0.8%
- Foreign-issued cards: Capped at 1.0% (from 1 April 2027)

Interchange fees are a wholesale cost that the merchant payment provider — such as Visa or Mastercard — pays to the customer's bank each time the card is used. The interchange fee is just one component of the merchant service fee (MSF) in a card transaction.

On the surface, the surcharge ban and the capping of the interchange fees look like a big win for both consumers and businesses. Capping the interchange fee should provide businesses with relief, as the RBA modelling projects $910 million in savings per year when the caps are fully in place. However, it doesn't eliminate MSFs entirely as the RBA is only capping the interchange fee, and not MSFs as a whole.

Businesses will still need to pay their providers per card transaction. With the ban, businesses cannot pass on the cost of the MSF to consumers through a surcharge. This would likely result in businesses simply 'pricing' MSFs into their current prices.

But the ban may also give small businesses an opportunity to shop around for card payment systems with better prices. As it stands, the cap should reduce MSFs across the board, leading businesses to seek the lowest fees.

What do these changes mean for the small business owners?

Since the RBA announcement in March 2026, most small business groups have opposed the changes, as they feel this creates a new burden for businesses and will result in higher prices for consumers. Yet conversely, these new rules should simplify the way businesses engage with their payment providers and remove friction with their customers.

From a practical standpoint, business owners are urged to take some time to get familiar with how their payment terminal actually operates. Most systems won't update the surcharges automatically, so business owners will need to reset them before 1 October.

Getting prepared for the end of surcharges

The most important thing small business owners can do right now is get across exactly what they are paying in merchant service fees, and what their payment provider intends to charge from 1 October.

If a business owner is currently relying on surcharges to cover those costs, they will need to create a new pricing strategy – whether that means small increases to prices, absorbing the cost of the fees or renegotiating the merchant agreement.

The changes may feel like extra work in the short term, but for most small businesses the combination of lower interchange fees and simpler customer transactions should entail a smoother payment experience on both sides of the counter.

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