

From: [REDACTED]
Sent: Friday, 19 October 2018 10:28 AM
To: Foreign Exchange and Remittance
Subject: Submission to 'Foreign currency conversion services inquiry' [REDACTED]

For the ACCC,

My comments concern the International Transaction Fee which is imposed by our major banks when making an overseas purchase by credit card. This fee is generally charged at 3% of the value of the transaction.

While I'm aware that I'll be charged this fee, my complaint concerns the manner in which it is determined. Given that the fee is to cover the 'cost of processing a transaction', the fee levied for the purchase of item X should be the same or substantially similar as that for facilitating the purchase of the more expensive item Y.

But this isn't the case because the actual fee levied is a direct function of the value of the item being purchased, even though item Y may well be in the same class of good as item X - such as a book or bowl.

The calculation of the transaction fee should, correctly, be a function / residual of the actual cost incurred in facilitating the transaction plus an appropriate profit mark-up. But it isn't. Rather, it appears to be a largely arbitrary amount set at 3% of the value of the item being purchased which, I would suggest, is substantially (?) in excess of the 'real' transaction costs incurred by banks for this service.

It's far beyond my banking and market knowledge of this opaque area of banking to determine what a fair and reasonable transaction fee structure should be except to say that it should be one that substantially de-links purchase item cost in transaction fee determination. That is, the transaction fee charged should be largely invariant to the (e.g. dollar) cost of the item being purchased.

Last, bank's charge an international transaction fee of 3% (rather than, say, 1% or 2.25%) because they are able and permitted to while there is a negligible likelihood that a customer will change banks in protest to this fee.

Hopefully it is possible for bright minds to determine an international transaction fee structure that both banks and their customers consider fair and reasonable.

Yours faithfully,

[REDACTED]