

ACCC – Foreign currency conversion services inquiry

I write as an Australian consumer, in a private capacity, without any affiliation to the various companies and other organisations involved in foreign exchange.

I wish to address *Issue 4 – How prices are communicated and factors limiting the ability of consumers to effectively compare prices*, and in particular the tendency of some credit, debit, EFTPOS and travel card issuers to add fees to certain transactions as if they are foreign transactions, even if the transaction with the consumer is in AUD.

An example might be a purchase of an international ticket for air travel, bought by an Australian consumer on the Australian website of an international airline, such as [REDACTED]. That website (which in this case has an Australian .au URL, though that isn't the case with all airline sites) belongs to the NZ based airline [REDACTED]. Ultimately, [REDACTED] presumably wants to receive its revenue in NZD, but [REDACTED] helpfully provides on its website an opportunity for Australian consumers to buy its airfares in AUD, and any ultimate AUD-NZD conversion is not visible to the consumer. This helps each Australian consumer know how much they are paying in their own currency.

The problem arises because some Australian card issuers might deem that to be a foreign transaction, even though it only involves AUD. Besides airlines, the ambiguity also applies to other companies that have Australian operations but are ultimately owned overseas, such as [REDACTED], and many others.

But it is not limited to companies that consumers might expect have parent companies overseas. Choice Magazine reported at <https://www.choice.com.au/shopping/online-shopping/buying-online/articles/foreign-transaction-fees-when-shopping-online> that even [REDACTED] uses an offshore bank. To add to the confusion, the payment processing may take place in different countries depending on which payment method you use. For example, online glasses retailer [REDACTED] (the Australian arm of an international group) told Choice Magazine that while their Visa and MasterCard payments were processed in Australia, other credit cards such as Amex and Diners as well as PayPal payments were processed internationally.

See, by way of example, the international transaction fee mentioned at issuers' websites such as

[REDACTED]
[REDACTED]
[REDACTED]

These are just three examples among many.

These issuers charge this fee to Australian consumers for certain transactions even if they are in AUD, when either the merchant or its financial institution/payment processor is located or registered overseas.

It is impossible for the consumer to know when either the merchant or its financial institution/payment processor is located or registered overseas. These issuers are fully aware of that, and confirm this by writing on their webpage that they recognise that it may also not always be clear that the merchant or its financial institution/payment processor is located or registered outside Australia. In other words, the card issuers know that they are levying a fee that the consumer doesn't know when it will apply and when it will not apply.

Fair consumer law, regulation and practice require consumers to be able to make informed decisions. A consumer offer that does not allow the consumer to know in advance of the transaction the basis on which the transaction will be assessed for fees is not a fair transaction. It does not allow for informed consumer choice. It may not be legal under Australian consumer law. Where a consumer cannot exercise skill and judgement to determine whether a fee will be incurred on a transaction or not, the offer seems to be no better than an unregulated lottery offer – a game of chance.

I believe that consumer offers should be fair and allow consumers to make informed decisions. A fee schedule from a card issuer that does not allow an intelligent consumer to determine what fees will apply before they commit to a transaction should not be allowed under Australian law.

[REDACTED] 22 October 2018