

*HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS*

Heritage Bank

HERO4QW:

Merchant services and low cost routing:

(a) In terms of your Point of Sale (POS) strategic merchant services:

(i) What is the total number of your POS strategic merchant services customers?

(ii) What is the number small and medium business customers?

(b) What number and share (percentage of total) of your total strategic merchant services customers and the number and share of small and medium business merchant services customers:

(i) Use the Least Cost Routing (LCR) or Merchant Choice Routing (MRC) option for multi-network debit transactions?

(ii) Have a contract for the lowest cost routing option, when including all fees associated with the transaction including interchange and scheme fees?

(c) Is LCR or MCR on multi-network debit transactions offered to all customers as an opt-out option to ensure all get access to savings? If not:

(i) Why?

(ii) Considering that the Reserve Bank of Australia has advocated LCR since 2013, why have you not found a way provide this service and the associated cost savings to all of your merchant services customers?

(iii) Do you believe you are acting in your merchants' best

interests by not passing on possible savings?

(d) Are LCR or MCR services offered on all terminal types for multi-network debit transactions? If not:

(i) Which terminal types do not have LCR or MCR?

(ii) What percentage of your terminal fleet does this represent?

(iii) When do you plan to upgrade those terminal types that do not have LCR or MCR to enable those merchants with those terminal types to access LCR or MCR?

(e) Are LCR or MCR services offered on all pricing plans for multi-network debit transactions? If not:

(i) Which pricing plans do not have LCR or MCR as an option?

(ii) What percentage of your small and medium business merchant customers are on these plans?

(iii) Why?

(f) If you provided all your strategic and small and medium business POS merchant services customers access to the lowest cost scheme on all multi-network debit transactions, what would the savings be for:

(i) Your strategic merchants customers?

(ii) Your remainder of medium and small business merchant customers?

(g) If you passed on at POS the lowest cost per transaction via dynamic routing to your merchants, based upon current and eftpos 1 July 2020 pricing, what would the savings be for:

(i) Your strategic merchants customers?

(ii) Your remainder of medium and small business merchant customers?

(h) Are any additional fees or charges, such as terminal rental,

added or increased for small and medium business merchant customers who elect to implement LCR or MCR?

(i) If so, why?

(ii) Do you increase the average eftpos transaction fee for customers who choose to use LCR or MCR compared to other plans? Why?

(iii) Does a customer's choice to use LCR or MCR for debit transactions impact the fees you charge for credit transactions for any of your merchant customers? Why?

Answer: *Heritage does not do any merchant acquiring. If Business Banking customers require merchant services, Heritage has in place a referral program with Mint Payments.*

Heritage is not active in these referrals, and very few are made over the course of the year. Heritage does not have visibility, knowledge or oversight over Mint's operations. Therefore, Heritage is unable to provide any information to this effect.