



HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS INQUIRY INTO SCHEMES, DIGITAL WALLETS AND INNOVATION IN THE PAYMENTS SECTOR

Questions on Notice

Response to Question on Notice on Westpac Deposit Product (Member for Casey)

1. This is a question for Westpac, specifically around deposit deception and the links around debit cards. When Australians are signing up to their high-interest savings accounts, they want to receive the interest rate that's advertised; however, many banks, including Westpac, have transaction hurdles within these savings accounts. I want to go specifically to the Westpac Life account, which is promoted to 18- to 34-year-olds, who are told: You could earn bonus interest plus \$50 cashback when you Spend&Save. These young Australians must make 20 eligible purchases with a debit Mastercard linked to their Westpac Choice account to receive the higher interest rate. Transactions using Visa and Mastercard often cost more than other options, so why is it a requirement that it's linked to a debit Mastercard? Do you think it is appropriate to force Australians to pay more for their own money to get a savings rate that they should be entitled to?

Westpac supports our customers to save and grow their balances. Our research shows that young Australians face a widening financial gap, with average savings balances significantly lower than older generations and persistent barriers to wealth accumulation. By linking bonus interest to achievable and common behaviours, these accounts help our customers to strengthen savings habits, build financial resilience and improve long-term financial wellbeing. All customers also benefit from digital tools that help track spending, set goals and manage their financial position.

Our Westpac Life spend and save product rewards customers with additional bonus interest when customers grow their balance by the end the month and/or make a minimum of 20 in store or online transactions a month. The transaction requirement is not limited to debit Mastercard transactions and includes eftpos transactions. Westpac **does not** impose any requirements on the customer to use a specific payment rail, that is a choice for the customer.

The product also offers a 'balance growth' criteria which provides an alternate to customers who do not meet the minimum 20 transactions a month. It gives customers the flexibility where they can still earn bonus interest if they make a deposit and grow their balance throughout that month.

It should also be noted that 'bonus savings' accounts have no barriers to switching. Customers are free to switch their money between accounts and between banks – which is why Australia's deposit market is as competitive as it is today.



Responses to Questions on Notice from the Committee Chair (Member for Chifley)

1. In the bank's risk models, what weight is given to a customer's debt utilisation and repayment consistency compared to their income?

Banks assess risk using a range of information about a customer, including details provided when the product is opened (such as income at the time) and information that changes over time (such as recent repayment behaviour and how much of an available limit is being used). The relative importance of each item is informed by long-run analysis and model testing, together with governance and regular review. In general, more recent, behaviour-based information (such as repayment history) tends to have a bigger influence than information captured only at the start (income).

One very important area of policy Westpac strongly encourages the Committee to consider is the validity of income verification in the financial system. Income misrepresentation remains one of the most persistent weaknesses in credit assessment, and it is rapidly being amplified by the use of artificial intelligence and synthetic document generation (particularly for purposes of committing financial crime).

Policymakers could act immediately to enable authorised banks and lenders to access Australian Taxation Office (ATO) data through the Consumer Data Right (CDR), with appropriate consumer consent and safeguards. Access to a single, authoritative source of income data is the only practical and scalable way to materially reduce fraudulent and over-represented loan applications.

This reform is ready, overdue, and essential. It represents a rare opportunity to simultaneously reduce financial crime, improve consumer outcomes, and enhance productivity across the economy.

2. Does the bank's internal risk models allow customers to move to lower risk categories - and thus attract lower interest rates - based on demonstrated behaviour, regardless of income level?

Pricing is mainly set by the type of product and the features included, rather than being individually adjusted for each customer over time. For example, mortgage pricing typically differs based on whether the loan is for an owner-occupier or investor, principal and interest or interest-only, packaged or basic products, and the loan-to-value ratio (LVR) at the time the loan is taken out. These settings reflect risk factors associated with the product.

However, if a customer requests a rate review and has demonstrated strong repayment performance and a lower risk profile (for example, their LVR has reduced), this may be considered in any pricing decision, but this is assessed on a case-by-case basis.



- 3. How much does the bank pay in scheme fees to Visa and Mastercard?**
- a. How much of these fees are rebated each year?**
 - b. Does the bank receive volume incentive bonuses as part of its commercial agreements with the schemes?**

Westpac pays both issuing and acquiring scheme fees to Visa and Mastercard. The details of these fees are commercial-in-confidence.

We note, according to the RBA, in 2024/25, Australian acquirers and issuers paid \$2.0 billion in scheme fees after rebates; an 11% increase from the previous year. Growth in net scheme fees for domestic transactions has noticeably outpaced transaction growth since 2021/22.

Through Westpac's commercial agreements with Mastercard and Visa, we receive various incentives to grow, innovate and maintain our card program. While there are some incentives to issuing new cards, the details of these incentives are commercially sensitive. There are no minimum transaction volumes or dollar value within Westpac's card scheme agreements. Westpac does, however, receive incentive payments for certain spend levels.

As a card issuer, Westpac Mastercard/Visa debit products are issued as dual network debit cards (includes Mastercard/Visa and eftpos schemes), consistent with the RBA's expectations.

- 4. I understand that there are legitimate costs in the payment system associated with interchange fees, such as scam prevention, cyber security infrastructure, and dispute resolution. However, there's limited transparency over the extent to which the major banks profit from what has become essential infrastructure. Has the bank's revenues from fees (less costs) associated with a card transaction increased or decreased in the last 10 years?**

Fee revenues associated with card transactions have increased in aggregate over the past decade, largely reflecting growth in card usage. The RBA Retail Payments Statistics indicate that the value of card purchase transactions in 2024/25 was approximately 76 per cent higher than 10 years earlier. However, this increase in card activity has also been accompanied by higher costs to operate and safeguard the payments system, including higher scheme fees, higher digital wallets fees due to increased usage, increased fraud and scam losses and prevention expenditure, investment in cyber security and resilience, and dispute and chargeback handling costs.

It is worth noting that banks have continued to invest in the payments infrastructure that Australian consumers and businesses use, with over \$2 billion invested in the New Payments Platform.



Credit cards are currently subject to challenging underlying economics. Issuers incur material fixed and variable costs to provide and operate credit card programs as noted above plus additional funding costs and credit losses, and some products also include rewards and other benefits that add further cost. Accordingly, to the extent that key revenue sources are reduced or constrained (for example, interchange) the overall economics of credit card products would be further challenged. This was the case in the UK, where changes to interchange revenue resulted in higher fees and reduced interest rate periods.

5. On average, what margin does the bank price its international payments for consumers?

Westpac's margin on international payments for consumers is commercial-in-confidence.

Every bank determines what they deem to be an appropriate FX margin to provide the service, and takes into consideration several factors including (but not limited to) currency pair, liquidity of currency, amount, market, customer relationship, cost to serve, fees charged by the receiving international bank, number of transactions etc. Pricing ranges are also subject to market forces not dissimilar to any other product or service (for example, we expect to observe different housing prices, costs of fuel in different countries).

Westpac provides an FX calculator on our website that provides transparency and clearly outlines the cost of an international payment. Customers are also able to access this information through online banking.

6. On average, what margin does the bank price its international payments for its bigger business customers?

Westpac's margin on international payments is commercial-in-confidence.

Every bank determines what they deem to be an appropriate FX margin to provide the service, and takes into consideration several factors including (but not limited to) currency pair, liquidity of currency, amount, market, customer relationship, cost to serve, number of transactions etc. Pricing ranges are also subject to market forces not dissimilar to any other product or service (for example, we expect to observe different housing prices, costs of fuel in different countries).

Westpac provides an FX calculator on our website that provides transparency and clearly outlines the cost of an international payment.



7. Does the bank price its margins differently for currency routes from AUD to various markets for consumers?

No, Westpac does not differentiate at a margin level for different currency routes.

8. How much does the bank charge in terms of fixed fees for these payments for consumers and small businesses?

Westpac provides a currency convertor on our public website which includes clear disclosure of fixed fees charged by the bank.

A fixed payment of:

- \$20 is applied to all payments when the funds are sent overseas in AUD using an online channel.
- \$32 is applied to all payments (AUD and foreign currency) if originated in a physical branch.

We do not charge fixed fees for any outward international payment when the payment is sent in a foreign currency using an online channel.

9. How much revenue does the bank make from consumer international payments? Break this down between card payments and online transfers?

Westpac's revenue from international payments, including any split between card payments and online transfers, is commercial-in-confidence.

In general terms, card payments can generate revenue through interchange and foreign exchange conversion, but these revenues are offset by associated costs including scheme fees, processing and operational costs, fraud and scam losses and prevention costs, chargeback and dispute handling costs, digital wallet fees (where applicable), and (for credit cards) funding, credit loss and rewards costs.

For online international transfers, Westpac may charge FX and transaction fees, but these are disclosed to customers in a transparent way through the Westpac website and online banking at the time the payment is made. International payments is a highly competitive market with banks, fintechs and specialist money transfer providers actively competing to grow customer market share. This competition has been good for customers.



Responses to Questions on Notice on Chargebacks (Member for Bennelong)

1. Who ultimately determines chargeback rules in Australia? Who has oversight over this?

Card Schemes (Visa, Mastercard, Amex) set the chargeback framework and chargeback rules as documented in their chargeback guides, rules/standards for member usage.

For eftpos, AP+ manages the Disputes and Chargeback Committee-eftpos, where the membership consults and agrees on Rule changes, these are then ratified by the AP+ Board and documented for member usage.

The schemes define:

- Chargeback reason codes
- Evidence requirements
- Timeframes
- Merchant representment rights
- Arbitration process
- Liability allocation

The exact treatment of a dispute depends on the scheme manuals. Issuers and acquires are required to operationalise the rules.

Separately, the ePayments Code also applies to consumers and many small businesses and includes protections for mistaken internet payments and a process for attempting to recover the funds.

There is no specific Australian regulator that oversees the chargeback rules. However, where a chargeback complaint is escalated to the Australian Financial Complaints Authority (AFCA), AFCA can make determinations.

Given the rapid economic shift to e-commerce, Westpac does believe it is timely for a review of Chargeback rules and settings to ensure they are contemporary and fit-for-purpose.

2. Do you assess whether the allocation of dispute cost is balanced?

Westpac charges a fee for some chargebacks as outlined in our terms and conditions. This fee applies when merchants are unable to provide required evidence (like authentication or delivery confirmation) to resolve cardholder disputes.

Chargeback liability isn't equally shared; it's determined by who is responsible for the disputed transaction and if scheme rules were followed.



The schemes set the economic framework.

- Issuers handle disputes from the cardholder's side.
- Acquirers manage them from the merchant's perspective.
- Neither party decides the balance.
- If the merchant can't successfully defend, they bear the transaction loss and dispute costs.

Westpac is of the view the current settings favour cardholders over merchants. This follows from the fact their original design intent was focused on consumer protection. As the economy transitions more to e-commerce, Westpac believes a review of Scheme settings to ensure merchants are equally protected in an evolving digital economy would be appropriate.

It's important to callout that complaints received by Westpac relating to chargebacks, are not bound by Scheme rules. We can and do consider disputes that are raised with us by our business customers. Where a small business provides evidence to the bank of purchase and delivery receipt, the bank will issue a goodwill payment to the small business, an amount which is written off as a loss to the bank. We also monitor our cardholders for repeat chargeback disputes, and where we believe our customers are misusing our service, we can and will take further action with the customer.

3. Do you monitor fraud within the chargeback framework? Has it increased/decreased?

Both issuers and acquirers actively monitor fraud within the chargeback framework. We are seeing an increase in fraud within the chargeback framework. However, where we believe our customers are misusing our service, we can and will take further action with the customer.

4. How do global platforms contribute to dispute resolution costs?

Global card schemes impact dispute resolution costs by setting chargeback frameworks, liability allocation rules, evidence standards, and associated fees that govern how disputes are raised, processed, and resolved. Monitoring programs, arbitration processes, and scheme fees add to overall expenses.

Given the rapid economic shift to e-commerce, Westpac does believe it is timely for a review of Chargeback rules and settings to ensure they are contemporary and fit-for-purpose.

5. Is the current framework fair to small business?

Westpac is of the view the current settings favour cardholders over merchants. This follows from the fact their original design intent was focused on consumer protection.



As the economy transitions more to e-commerce, Westpac believes a review of Scheme settings to ensure merchants are equally protected in an evolving digital economy would be appropriate.

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- 6. Are you aware of “chargeback fraud” impacting small businesses - where small businesses ship goods, then funds are withdrawn from them following a potentially fraudulent chargeback claim?**
 - a. If so, have these rates risen or reduced?**
 - b. What data do you have of instances of occurrence of above, or similar, phenomenon?**

Westpac is seeing an increase in fraud within the chargeback framework. Westpac is of the view the current settings favour cardholders over merchants. This follows from the fact their original design intent was focused on consumer protection. As the economy transitions more to e-commerce, Westpac believes a review of Scheme settings to ensure merchants are equally protected in an evolving digital economy would be appropriate.

7. What steps are you taking to limit “chargeback fraud”?

Chargeback fraud is addressed with a layered strategy including risk-based merchant onboarding, clear education, contractual requirements, and ongoing monitoring.

Westpac provides merchants with accessible online resources covering card scheme rules, refund procedures, and fraud indicators to prevent disputes and chargebacks. Measures such as enhanced transaction screening, strong authentication (like 3DS), merchant training on evidence handling, dispute prevention alerts, early resolution tools, and continuous monitoring help reduce fraud and contest invalid chargebacks. Where we believe our customers are misusing our service, we can and will take further action with the customer.