

CREDIT CARD RATES TO RISE UNDER RESERVE BANK'S NANNY STATE PLAN

The Australian Taxpayers' Alliance and the International Alliance for Electronic Payments (IAEP) today released a joint analysis arguing that the Reserve Bank of Australia be prevented from banning interchange fees.

In a joint submission to the Senate Standing Committee on Economics, Mr Tim Andrew, Executive Director of the Australian Taxpayers' Alliance, and Mr Iain Murray of the (IAEP), warned that further regulating interchange fees will hurt consumers and force interest rates to go up.

"At a time when interest rates are at historic lows, the Reserve Bank's plan to abolish interchange fees will result in Australians being worse off" said Tim Andrews. "Credit card providers will be forced to hike interest rate charges, eliminate rewards, reduce security features, and abolish interest-free periods.

"This is all about the Reserve Bank limiting the ability of Australians to use their credit cards for essential daily purchases, with low cost credit cards at risk of no longer being offered by providers. By moving to abolish the interchange fee the Reserve Bank will hurt Australians that can least afford it" concluded Mr Andrews.

"The Federal Government has a unique opportunity to end the nanny state over-regulations by the Reserve Bank that are costing Australian consumers \$480 million a year in unnecessary red tape" said Iain Murray.

"The evidence is overwhelming: Australian consumers have not benefited from any reduced credit prices that the Reserve Bank of Australia expected from regulation. These savings have not been passed onto consumers, and in fact have made them worse off"

The joint submission also highlights that Australian consumers along with small businesses will be placed at risk with providers less likely to invest in security and fraud protection measures.

"The interchange fee pays for first class security that guarantees payments for merchants and protects credit card users. If the fee is capped or abolished, credit card companies will not have the same financial resources to invest in anti-fraud measures that protect consumers

"International experience shows that by abolishing the interchange fees Australians face increased risks to credit card security with providers being unable to proactively fund their ongoing investment in smart security measures" concluded Mr Murray.

ABOUT: *The Australian Taxpayers' Alliance is a grassroots advocacy and activist organisation comprising of over 25,000 members dedicated to representing taxpayers and opposing over-regulation. .*

The International Alliance for Electronic Payments (IAEP) is a coalition of international free-market organisations who are concerned about the negative impact regulating interchange fees will have on the poor, consumers, small community lending institutions and the economy as a whole.

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