

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac

WBC57QON:

CHAIR: In terms of merchant routing, what work has been done to increase low-cost routing to merchant facilities, particularly because of the increase in the volume of tap-and-go and merchant facility use by Australians, as against cash, during the COVID-19 pandemic?

Mr King: We've already announced that we will be proactively rolling out that capability to merchants. We've estimated that around 37,000 small businesses will be able to have a lower cost of processing debit transactions. We're in the process of rolling that out. Customers don't need to ask for it.

CHAIR: So it's essentially now a default for your customers to go to a lower-cost option in their circumstances?

Mr King: That's right.

CHAIR: And you said that's going to benefit 37,000 customers of merchants routing. Is that correct?

Mr King: That's correct.

CHAIR: Just to clarify, how many customers in total do you have with merchant facilities?

Mr King: It would be in the order of three million, but I need to check that.

CHAIR: Hang on. You've got three million customers using merchant routing, and there is a benefit to 37,000. What happens to the other 2.6-odd million?

Mr King: There are different arrangements with different customers. But I will take that on notice.

CHAIR: It's actually 2.96 million.

Mr King: Yes, there are different—

CHAIR: I know, but you can see the point. You're coming here extolling the fact that you're offering low-cost routing for 37,000 and saying that this is a wonderful thing—and I'm not arguing against that—but then you tell me you have a merchant facility of three million. That's a very small percentage enjoying that claimed benefit. What's happening with the remainder?

Mr King: They're the ones that will benefit from the change.

CHAIR: The 37,000, yes, but what about the other 2.96 million?

Mr King: They wouldn't benefit if we made the change. I'll take it on notice and I'll give you the specifics.

Answer: Westpac has over 120,000 merchant terminals across all brands and segments. On 5 August 2020 we announced we would proactively contact small business merchant customers to activate Merchant Choice Routing (MCR), who we think may benefit from the switch based on their current usage. Customers contacted will have a period of time where they can opt-out before MCR is activated. This will result in approximately 55,000 terminals being proactively switched to MCR (for the benefit of approximately

37,000 small business customers). On current usage, we consider that the remainder of our small business merchant customers would not benefit from switching to MCR.