

## MEDIA RELEASE

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### **CASE: EXPLANATIONS ON NETS TRANSACTION FEE INCREASES**

NETS is reported to be increasing its transaction fee of between 0.30 to 0.55 per cent to up to 1.8 per cent from July 2007 to September 2007, an increase of three to four-fold.

CASE is concerned about the impact of such a move as NETS has a leading share of low-cost cashless transactions. A sharp rise in NETS fee can also go against the government's drive towards a cashless society, as small retailers which have no other debit facilities may prefer to accept cash from consumers rather than NETS after its fee increase.

#### **Increased costs must not be passed to consumers**

Some retailers have said that they will pass the costs to consumers. Retailers may increase prices across the board to incorporate the increased NETS. We are greatly concerned that this will result in increases in the prices of goods and services. We call on businesses not to pass on the increased costs to consumers.

Moreover, the NETS fee increase will come at a time where the GST hike kicks in. Should both costs be simultaneously passed on to consumers, this will hit the lower income group hardest.

#### **Banks should support the low cost cards such as NETS**

NETS has explained that the increased cost is necessary to make it viable in a market flooded by international debit cards, such as VISA or MasterCard. Card issuing banks prefer to issue international debit card as they receive an Interchange Fee, which is a fee given to card-issuing banks for processing transactions. NETS explained that:

1. It has to increase its fees in order to accommodate Interchange Fees as expected by the card issuers and make it more relevant to card-issuing banks
2. Many retailers are unaware that they are already paying similar rates for both international credit and debit cards.

If the card-issuing banks do not support low cost cards such as NETS, low cost cashless transactions may be phased out due to competition and consumers will end up without alternatives but to pay higher cost debit cards. This is not viable. Hence we are concerned that the NETS card is now less attractive to the card issuing banks which prefer to issue the more costly but lucrative debit cards. In this regard, we strongly urge the three banks: DBS, OCBC and UOB to review their policies and continue to support the issuing of NETS card.

We deeply disappointed that the original NETS card will not be supported if nothing is done about it. Low cost cards such as NETS are necessary in our move towards a cashless society. Banks have the corporate social responsibility to continue to support them.

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