

Settlement of the payments settlement gap

Payment settlements out of line with business expectations

Criticism of Australia's Banks by business is rife as some banks move to deliver same-day settlement of payments to businesses on a seven-day basis.

Late last year the Commonwealth Bank of Australia (CBA) announced an update to its system that would allow every-day settlement of credit card transactions to its corporate customers and ANZ has long offered a seven-day service to customers of its ANZ Business Account.

In instances where Banks have not implemented 365 day settlements, long weekends like Easter weekend, with a public holiday on the Monday and Friday, significantly interrupt business cash-flow.

Transactions processed on the Friday, Saturday, Sunday and Monday are batched along with Tuesday's transactions and settled on the Tuesday evening making the funds available for the customer on the Wednesday.

Delayed access to these earnings translates to a loss on interest and the opportunity to pay down debt or suppliers for businesses, especially for small businesses that hold smaller stock reserves.

The Reserve Bank recently confirmed that the reality of payment settlements was out of line with the expectations of the business community.

Cards are the most common non-cash payment method used by Australian consumers today with 217.3 million and 141.8 million EFTPOS and Credit Cards transactions respectively being processed each month for a total combined value of \$35.2billion in 2011.

East analysis, collected as part of its on-going merchant acquiring and cards markets program shows that Australian merchants rated Payment Settlement to Merchant's Account as the most important of 18 key service factors in card services. Despite this businesses rated their actual satisfaction with Payments Settlement to Merchant's Account poorly.

The scale of Australia's payment markets should enable higher levels of innovation that benefit users, yet the economics involved, even cooperative initiatives such as the failed MAMBO venture, are challenging.

A more urgent recognition that aging payments infrastructure is a major inhibitor to economic growth is long overdue.

Performance Ratings: Australian Merchant Acquiring and Cards Markets Program – December 2011

	Average Rating Reported	
	1 — 2 — 3 — 4 — 5 (important) (satisfied)	1 — 2 — 3 — 4 — 5 (unimportant) (unsatisfied)
	Importance	Satisfaction
Payment Settlements to Merchant's Account	1.02	2.16
Value for Money	1.03	2.28
Loyalty to the Merchant Relationship	1.03	2.08
Relationship Management	1.04	1.85
Service Pricing	1.04	2.37