

# ACCC'S INQUIRY INTO THE SUPPLY OF RETAIL FX SERVICES - FINAL REPORT

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Legal Briefings - By **Annalisa Heger and Jennifer Catterson**

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On 2 September 2019, the ACCC released the [final report](#) of the ACCC's inquiry into the supply of foreign currency conversion services (**FX services**) in Australia (the **Report**). The ACCC concluded that Australian consumers are paying too much for FX services because of confusing, inconsistent pricing and a lack of robust competition.

The inquiry was prompted by the Productivity Commission's *Inquiry Into Competition in the Australian Financial System*, which recommended the ACCC investigate the transparency of foreign transaction fees. The Report notes Australian consumers purchase the equivalent of over AUD40 billion in foreign currency each year and individual consumers could have collectively saved around AUD150 million if they had used a lower priced supplier in 2017-18. However, despite possible price savings, consumers tend not to switch suppliers. Releasing the Report, ACCC Chair Rod Sims said:

*'Consumers and small businesses tend to default to their usual bank to send money overseas, but this may not be the cheapest option. This is another example where consumers may end up paying more for their loyalty.'*

The Report found that consumers are willing to pay for convenience, ease of use and security. Their low levels of engagement with financial products, combined with the perception of the required time, effort and expense to switch suppliers all contributes towards consumers' tendency to remain with their existing suppliers. The June 2019 World Bank report *Remittance Prices Worldwide* lists Australia as the fourth most expensive G20 country for consumers to send money from.

The Report sets out the ACCC's findings and makes a series of recommendations to increase transparency. It does not propose any changes to the law to require market participants to adopt any of the relevant recommendations. Furthermore, other than in respect of the disclosure of fee levels, the ACCC does not identify any particular conduct which may warrant immediate enforcement action. At this stage, the ACCC's position is that it will monitor take-up of its recommendations and '*assess whether further response is needed*'. Nevertheless, we can expect, in the event market adoption of the recommendations is low, the ACCC will consider enforcement activity or look to the Government to implement legislative changes.

The ACCC's Report made a number of recommendations including key measures aimed at:

- reducing a key barrier to entry and expansion for non-bank suppliers of international money transfers (**IMT**); and
- making the prices of FX services more transparent for consumers.

## **SCOPE OF ACCC FX INQUIRY**

The inquiry focused on four main FX services: (i) international money transfer (**IMT**) services; (ii) foreign cash services; (iii) payment card FX services; and (iv) pre-paid travel money card services (collectively, the **Inquiry Services**).

The matters considered by the ACCC:

- the pricing and costs associated with supplying the Inquiry Services;
- the nature and extent of competition between suppliers of the Inquiry Services;
- the existence and extent of any barriers to entry or expansion; and
- whether there were factors limiting the ability of consumers to effectively compare Inquiry Services and prices.

## **MAJOR ACCC FINDINGS AND RECOMMENDATIONS**

The ACCC found, generally speaking, new suppliers face barriers to entry and expansion. Nevertheless it highlighted four recent new entrants, OFX, CurrencyFair, InstaReM and TransferWise. which suggests that barriers to entry may not be as high as the ACCC suggests. The ACCC observed that the recent competition is delivering better consumer outcomes through lower prices and improved non-price factors, such as safety, reliability and ease of use of FX services.

The ACCC made a number of findings in its Report:

- **Prices are difficult to compare:** prices are complex, presented in different ways by different suppliers and generally lack transparency. Based on the price data collected, the ACCC found that suppliers with the lowest up-front fees were generally more expensive. Furthermore, the ACCC suggested newer non-bank suppliers have changed the competitive dynamic for IMTs by offering lower prices and better services.
- **Customer inertia is limiting the growth of smaller providers and new entrants.**
- **Loyalty to the big four banks costs consumers:** consumers can act to constrain more expensive suppliers. The ACCC found the big four banks were found were consistently more expensive than some other suppliers for IMTs and foreign cash.
- **Payment cards are generally cheaper than foreign cash, travel cards and IMTs.**
- **De-banking is a significant threat to competition in the supply of IMTs:** the costs to new entrants or inability to secure banking services can act as a barrier to entry. Regulator and Government initiatives to address this issue are ongoing.

The ACCC made a number of non-binding, key recommendations in its Report, including:

- **Measures to improve how prices are presented:** such as,

- informing customers of the up-front total price of an IMT,

- offering digital tools to calculate the total price for the relevant service,
- presenting foreign cash prices on rate boards, and
- informing consumers if they are likely to be charged an international transaction fee by overseas merchants selling to Australian consumers.
- **More consumer guidance:** proposing to release an ACCC guide on sending money overseas, travelling overseas and shopping online, which is designed to *'help consumers to shop around, carefully select where and how they pay for their purchases and to identify fees so they can get the best deal'*.
- **Developing a due diligence scheme for access to banking services:** forming a working group to develop of a scheme to facilitate access to payment system infrastructure for IMT suppliers.

## **INCREASED REGULATORY SURVEILLANCE AND PROSECUTION**

The ACCC has used the Report to highlight that it will examine issues relating to price information presented to customers and will consider enforcement action where appropriate, for example if the ACCC considers a business has misled consumers about the level of fees charged for FX services, or anti-competitive instances of denial or withdrawal of non-bank IMT suppliers' access to banking services or payment infrastructure. The ACCC will also monitor non-bank IMT suppliers' access to banking services and payment infrastructure and investigate where the denial or withdrawal of those services raises concerns under the *Competition and Consumer Act 2010*.



## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



**PATRICK GAY**  
PARTNER, SYDNEY

+61 2 9322 4378  
Patrick.Gay@hsf.com



**SARAH BENBOW**  
PARTNER,  
MELBOURNE

+61 3 9288 1252  
Sarah.Benbow@hsf.com

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