Ways of paying

> The basics around payment options from cash, online payments to ‘Buy Now, Pay Later’ products.

There are many ways to pay for things today, including the old methods like cash, and newer ways to pay like ‘Buy Now Pay Later’ products. Navigating these many options can be complex.

In this article, we go through the various ways to pay and the factors to keep in mind should things go wrong.

Face-to-face payments

Cash

Cash refers to the physical bills and coins we use to pay for things. While the use of cash is becoming less common, it's still accepted at most retailers. It is legal for a retailer to refuse cash, but they must make it clear when this is the case at the point of sale.

Cheques

Cheques are printed forms that typically come in books of 10 or more. They are most often linked to transaction accounts, and the account itself is sometimes called a 'cheque' account.

The signed cheque represents an order to the bank to pay an amount from the account holder's account to the person or business named on the cheque.

The use of cheques is becoming rare, and some retailers may not be used to dealing with them at all. Personal cheques will eventually be phased out in Australia. Bank cheques remain common especially for major transactions like buying property.

Electronic funds transfer point of sale (EFTPOS)

EFTPOS is the most common form of in-person payment by card at a terminal. To use it, you:

- insert or swipe your card and enter your Personal Identification Number (PIN)
- or use PayPass (with Mastercard) or payWave (with Visa) for contactless pay.

PayPass and payWave

PayPass and payWave reader terminals are typically found in stores that primarily process low-value transactions. For example, convenience stores, cafes, service stations and discount stores.

How it works:

Transactions up to $100 can be made by holding the card to the reader terminal – no PIN or signature is needed. Sometimes, this limit can be raised, as it was during the early parts of the COVID-19 pandemic, so that people would not physically need to touch the EFTPOS machine.

Mobile wallet

A 'mobile wallet' is an app for making contactless purchases with your smartphone or device. The apps communicate with terminals through technology called 'near field communication' (NFC) built into your device, which is the same technology as PayPass and payWave.

In Australia, there are currently a few mobile wallet options available to banking customers, including: Apple Pay, Google Pay, Samsung Pay, Fitbit Pay and Garmin Pay.

The Australian government is considering legislation to update the definitions of payment systems to ensure that these modes of payment are covered by relevant regulations.

Online payments

Automatic payments, direct debit and subscriptions

You can authorise your bank to pay someone regularly in a few different ways. It's usually called an 'automatic payment', though it may go by other names.

- **Automatic payments:** in your banking app or online banking, you can set up payments in advance
- **Direct debit:** authorises a supplier to withdraw money from your bank account or charge your credit account.

Ongoing payments, such as subscriptions to TV streaming services, online services like Spotify or YouTube Premium, are often made by direct debit.
See the Financial Rights Legal Centre for more information about the advantages and disadvantages of direct debits.

Risks

Automatic payments can make budgeting easier. But, you could lose track of transactions you've set up. You might even overdraw your account and be charged fees by your bank or by your providers if this happens. So it's a good idea to review your direct debits and automatic payments, and keep an up-to-date list of them.

Subscription services

Online subscriptions can be easy to forget and continue paying for, even if you no longer regularly use the service. Sellers know this, and some may rather you continue to pay even if you aren't using their service. Check your bank statements for regular debits and your email for receipts, which providers must send you when they withdraw funds from your account.

Cancelling subscriptions isn't always easy. Some sellers hide their 'cancel subscription' button in a place that's hard to find. And some charge a cancellation fee.

Keep an eye out. Tips for paying safe:

- be sure you trust the recipient/payee
- create a system for keeping track of all your automatic payments
- always check that your income covers your automatic payments.

📌 **See our budgeting page.**

BPAY

BPAY is an easy and secure way to pay and manage bills through mobile and online banking.

You can choose which account to pay bills from, and schedule payments on a date that works for you, so long as you have funds available in your account on the scheduled date.

Pay ID / Payto, Osko and the New Payments Platform (NPP)

New Payments Platform

The NPP is a new way banks send financial messages to each other. Payments can be directed to BSB and account numbers or to a PayID. The Platform is always open and running, so you don't have to worry if you're banking out of regular business hours or on a weekend.

PayID

With PayID payments, you can send payments without the payee's BSB and account number. It:

- links recognisable identifiers such as phone number or ABN to an eligible bank account to receive payments
- provides the payer with the ability to verify the payee's name by displaying it when making payments to a PayID and helps reduce mistaken payments

- can be locked to stop inbound payments without needing to close a bank account
- can be transferred from one institution to another without it interrupting future payments.

Osko

Through the *Osko by BPAY* service, you can send payments to and from eligible accounts at participating financial institutions in real-time. This means:

- payments can be made to BSB and account numbers, or PayIDs
- your available funds can be cleared in real-time (typically in less than a minute)
- you can have confidence in delivery.

PayPal

PayPal is a secure online payment system accessed via the web, mobile app, or in person. It serves as an 'in-between' to keep your bank data extra secure.

To start using the service, a PayPal user adds a bank account or credit/debit card to the PayPal system. Then, when making an online payment, they can select which account to debit. These transactions are processed through PayPal, instead of your bank.

Any money received will sit in your PayPal account and can be used for online shopping, used at point of sale (with a PayPal card), or transferred to your bank account.

Transfers take a few days or minutes (for an extra fee). Your PayPal account balance can also be topped up with a bank account or assigned card.

Credit cards

A credit account with your bank allows you to spend money in advance. You're then expected to pay that money back to the bank within a certain time, otherwise you will have to pay interest. If you only pay the minimum amount, the amount you owe will increase as interest will be added to the initial amount. Credit accounts come with a 'credit' card, whereas transaction accounts come with a 'debit' card.

Not all credit cards are the same, they may have different:

- **details** – the features may differ, like interest rates, interest-free periods and special rewards
- **fees and charges** – yearly fees and other payments might be hidden in the fine print
- **limits** – limits on spending, including minimum monthly spend, might apply.

- **Cash from credit cards** - be aware that taking cash out of a credit account usually comes with much higher interest rates than the advertised interest rate – usually about 30%. If you find yourself 'stuck' and need to take cash from an ATM, if you choose your "credit" account you will pay interest from the time of withdrawal.

When shopping

When shopping in person you can use your credit card as you would use your debit car. If shopping online, enter the details on the card to make a purchase. If you're setting up an automatic payment like a direct debit, you can use the card number or account number.

📌 **See our loans and debt and debt and banking products pages.**

Centrepay

If you receive income support, you can use Centrepay to directly pay bills from your income support payment. This service is entirely voluntary. You choose which payments the deduction comes from, how much you want to pay, and to whom you want to pay.

Buy Now Pay Later (BNPL) products

With Buy Now Pay Later products, you don't pay upfront for things. You pay in installments. BNPL accounts can be linked to a transaction account or a credit card.

You don't pay interest on BNPL purchases, as you're charged fees instead. However, the fees can stack up quickly. Fees include:

- late fees
- monthly account-keeping fees
- payment-processing fees
- establishment fees
- overdrawn fees

- interest if you pay for your BNPL purchase with a credit card.

Risks

While BNPL can be convenient, research has found it can be difficult to juggle repayments with other financial commitments. In 2020, for example, BNPL research conducted by ASIC found that in order to meet repayments on time, one in five BNPL consumers:

- missed or were late paying other bills or loans
- cut back on or went without essentials such as meals.

Before you sign up, remember that BNPL is a form of debt, with its own set of rules and features. In addition, using BNPL may affect your credit score. BNPL schemes have also become an avenue for financial abuse – the support line for anyone impacted is 1 800 RESPECT (1 800 737 732).

📌 **See our financial abuse page.**

Things to remember:

- it's easier to overspend
- fees can add up
- it can be hard to manage
- it might affect future loan applications
- late repayments can appear on your credit report
- lay-by can be cheaper (but isn't offered very much anymore)
- essential items and services may qualify for a No Interest Loan (NILs).

Where to find information

Moneysmart has a useful BNPL topic page, and the consumer watchdog, CHOICE, talks about how to take control of Afterpay and Buy Now Pay Later Debt, and why BNPL is a modern debt trap.

No interest loans

No Interest Loans (NILs) allow you to borrow money without having any of the crippling interest or high fees that come with other forms of loans.

How does it work?

NILs are typically offered for up to $2,000-$3,000 for rent or bond, essentials like fridges, washing machines, furniture, kitchenware, medical expenses, car repairs, education fees, and other goods and services you might need.

There are certain rules around who can apply for NILs. Generally, you must:

- have a Health Care Card, a Pensioner Concession Card (or an income less than $45,000 per year after tax)
- have lived at your current address for more than three months
- show that you can repay the loan.

Who provides NILs?

NILs are a service offered by community organisations. You can find providers over at the Good Shepherd website.

Troubleshooting and help

There's a variety of services that offer support and answers for people having problems with their banking and payments.

Surcharges on card transactions

Some merchants (which means a person or company involved in trade, essentially people who sell things) charge what's called a 'surcharge on purchases' made using certain types of payment methods. They do this because they incur a transaction charge with some, like EFTPOS.

You'll often see a sign at an EFTPOS machine stating that the use of certain cards, like some credit cards, incurs a small surcharge. The law allows merchants to do this to encourage customers to use other methods that don't cost the merchants as much to operate.

If your card attracts a surcharge

The law restricts merchants from charging excessive surcharges. Surcharges must not be more than the amount that it costs a merchant to accept a particular type of card for a given transaction.

How to make a complaint

You can make a complaint to the ACCC if you're charged a surcharge you believe to be excessive.

Cancelling a direct debit

Cancelling a direct debit

You should contact your bank if you want to cancel a direct debit and can't do so through the business. You can use this sample letter from the Financial Rights Legal Centre.

For more information on direct debits you can read the Financial Rights Legal Centre's fact sheet.

Contacting the ombudsman or regulatory authority

If you feel you haven't been treated fairly, and a complaint hasn't led to a satisfactory outcome, you can contact the ombudsman.

Ombudsmen are independent agencies that help to resolve disputes between people and companies or government agencies. It's a free and independent service, and while the process can be lengthy, your complaint, once submitted, will be resolved.

For financial complaints relating to payment systems disputes, contact the Australian Financial Complaints Authority (AFCA).

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This information was last updated on 19 June 2023.

The links and resources in this article have been compiled and reviewed by the Brotherhood of St. Laurence. We aren't responsible for what you'll find at the links, though we do hope you find the information useful. See our disclaimer if you'd like to know more.

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