

RA Michel



Director
Payments Strategy and Policy Unit
Financial System Division
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Sir,

CONSULTATION PAPER DECEMBER 2023 :

In order to address the Consultation request for feedback and comments made by the Hon Jim Chalmers MP Treasurer and The Hon Stephen Jones Assistant Treasurer Minister for Financial Services with the intention to wind down the use of cheques by 2028.

The Consultation questions 1 to 20 were prepared and designed to influence a positive view to wind down the use of cheques without a full consideration of the **STAGGERING Credit/Debit card FRAUD in Australia and around the WORLD.**

While the paper highlights countries which have closed off the use of cheques (Belgium, Denmark, Finland, Ireland, Kenya, Malta , Netherlands, New Zealand , Poland, South Africa) as examples but **failed** to highlight Australia's Trading nations , Argentina, Austria, Brazil, China, Canada, France, Germany, India, Italy, Japan, Korea, Mexico, (Russia), Saudi Arabia, Singapore, Spain, Turkiye, United Kingdom, United States of America **position on the use of cheques.**

While the cost of processing a cheque is suggest as being \$5. Combining and restructuring of both the RBA and APCS Clearing Systems would reduce this cost substantially, allowing all members, Tier 1A, Tier 1B, and Tier 2 to participate as One .(Simplify with the advantage of the reduction of cheque's issued between 2013 and 2022).

Currently Banks are earning Excessive Profits at the Expense of all Australians while withdrawing their services to the community to increase their profits (fewer branches, staff reductions, lack of service , need to make appointments, reduction in ATM's , with \$ limits on withdrawals , withdrawal reporting, time limits) The reduction by Banks in providing those services, will push additional services to be supplied by Australian Post at who's cost **????** Not the Banks , Credit Unions or other Financial Institutions (ADI's) BUT the Australian Public : **----" as Australian Post is wholly owned by all Australian's".**

According to AusPayNet 27million cheques were processed in 2022, **with \$2.44 million in Fraud transactions. (Page 7).** If those cheque were completed and complied within Banking Standards (Drawer Name, BSB No, Account No, Payee' name , the amount in words and in figures, Drawer's signature, crossed Not Negotiable A/c Payee Only, date drawn **Then the LOSS is the BANK'S === Not the Drawer or Payee.**

The recording of a cheque written is instant, ensuring available funds to meet the payment, as well as the reconciliation with the Banks record's, the availability for the Drawer to stop payment/stale cheque.

Credit /Debit Cards Electronic Transfer's:

The difficulty of obtaining a credit/debit card for numerous Australians be they women, unemployed, pensioners, disable with limited assets or reliant on the Commonwealth together with the Auto withdrawals, cancelation of a card, issue of card statements, Tranaction listings, reconciliation payments made to **named organisations** not indicated on the original payment receipt. The Internet third party payment system is a consumer system implemented on top of a commercial direct entry system.

The System relies only **on account numbers**, error prone for a consumers **who must bear the cost of loss's**, for a card / electronic payments/crypto-currency for faster, more efficient and secure digital payments *ignores the risk associated with such payments*.

AusPayNet Payment Fraud Statistics --- 2019 --2020. ---- Credit/Debit Card

Australia:

<i>Category</i>	<i>Transactions</i>	<i>Value (\$)</i>
Lost /Stolen	302,227	26,023,500
Never Received	14,901	2,075,977
Fraudulent App	6,758	2,620,672
Counterfeit	96,541	9,236,067
Card (CNP)	3,255,162	393,590,214
Other	6,642	1,509,711
TOTAL	3,682,231	435,056,143

AUSTRALIAN Cards Issued OVERSEAS :

Lost /Stolen	22,409	4,336,366
Never Received	564	80,530
Fraudulent App	637	121,654
Counterfeit	23,655	6,875,280
Card (CNP)	337,216	82,428,487
Other	2,331	890,718
TOTAL	386,812	94,733,034

AusPayNet Fraud Stats /Credit Debit cards Yearly Totals :

<u>Year</u>	<u>Cheques</u>	<u>Cards</u>
2019	n/a	528 million
2020	n/a	447 million
2021	n/a	490 million
2022	3 million	577 million
2023	n/a	678 million

Annual Global Card Fraud Losses	2022	\$34,36 BILLION. *****
Estimated “ “ “	2027	\$ 40.62 BILLION. *****

The above Losses both within Australia and Globally will fall on CONSUMERS **NOT** BANKS, Credit Unions, other Financial Institutions (ADI's).

The first consideration should **not** be cost savings for Financial Institution's or the speed of the digital transaction ----- BUT the risk to AUSTRALIANS----- 678 Million lost in 2023 (AusPayNet Fraud Stats).

Every day Australian corporate leaders have warned that cyber attacks represent the single biggest threat and the Consultation Paper makes no mention of the possibility. Not only Medicare Private and Optus being recent victims BUT eventually all Financial Institutions.

The Reserve Bank noted that the increase in concerns over privacy and cybersecurity has spurred a drive for Australians to withdraw and safekeep their cash, even though it still runs a risk of being stolen. Cybersecurity threats are and will continue to be a serious concern, however strong passwords, and vigilance against scam emails and texts are essential with the use of cards

Corporate/commercial credit cards were the second most vulnerable to payment Fraud. In 2021 26% of organisations using cards had fallen victim, compared to 2022 increasing to **36 %**.

Nearly half of all American adults have had a fraudulent charge on their credit/debit cards with more than one in three card holders having experienced card Fraud more than once.

Consultation Questions:

1. No, Yes.
2. No, No (see above)
3. No, World timing.
4. Restructuring of the Clearing House.
5. Ensuring their Customers have the same protection as the Cheque system.
6. NO.
7. Combine all with one processing centre.
8. Bank@Post charge an appropriate indexed fee (\$5.)
9. Yes, until Australia's major trading partners change.
10. The Volume of cheques displayed on P.7 does not indicate the \$ in Billions.
11. Restructuring of the Clearing House to handle foreign cheque.
12. Payments to Charities.
13. No . Unless Banks are prepared to Burden the Card Losses.
14. No . (see above people without assets)
15. Banks provide Payment/Refund **guarantee's**.
16. In Line with Q. 9.
17. Data Hacking .
18. If the bases of end to end **card** processing was the same . Yes.
19. SECURITY of FUNDS.
20. Significant ----- Time Line -- Trading Partners -- Reduction of Card Fraud.

Yours faithfully,



R A Michel

30/12/2023

*CC. The Hon Peter Dutton
Leader of the Opposition.*

The Australian News Papers.