

Submission on proposed phasing out of cheques

1. While their use has declined substantially, cheques are still used in significant numbers, even after excluding government cheques. I am unaware of any surveys of its customers undertaken by any of the banks regarding their views on phasing out cheques. To the best of my knowledge the decision by some banks to cease offering cheques was taken unilaterally without any consideration of the effects on its customers. Presumably the decision was made to reduce costs and therefore boost profitability. There appears to be no other logical reason for it.

2. As the consultation paper notes, many individuals and small businesses, especially tradesmen, require payment on completion of the job and a cheque is often the most convenient way of doing this because they do not have the appropriate machinery for card payments (possibly for reasons of cost).

3. In supporting and promoting the alternative (to cheques) payments systems it is important that there be legislation **requiring** the banks to provide these at a reasonable, not excessive, cost. As was clearly demonstrated in the evidence given to the Royal Commission on financial services, banks and other financial institutions have often acted more in their own interests than their customers. To simply “expect” institutions to support customers is insufficient, **legislation is required** to guarantee this.

4. While fraudulent cheques are a problem, at least it should not be too difficult to identify the perpetrator – the cheque has to be cashed or paid into an account and the offender is almost always resident in this country. This differs substantially from online payment where the offender is usually offshore and cannot be identified and prosecuted and the victim has almost no chance of recovering the money lost. Furthermore, the \$2.44 million lost from cheque fraud in 2022, pales into insignificance when compared with the **\$3 billion lost** from online fraud and scams. The reality is that with any endeavour involving human beings there is almost always the potential for criminal activity (as well as just human error) simply as a result of human nature. Nonetheless, a cheque crossed and marked “Not Negotiable, Account Payee only” must be one of the most certain ways a drawer can ensure that the correct person is being paid. There is also hard copy which can be used to verify the transaction. Such verification is not readily available for online transactions.

5. While the cost of providing cheques may be significant in one sense, the Australian banks are amongst the most profitable in the world and in 2023 the 4 major banks reported a total profit before tax of in excess of \$44 billion which does not suggest that the cost of providing cheques is proving a major drain on their profitability. Furthermore, while the cost of processing a cheque may increase as fewer are written, the actual total cost should decline – e.g. 20 cheques at \$5 per cheque = \$100; if the cost per cheque doubles to \$10 then any number of cheques written lower than 10 means that the total cost of the service has declined. As the number of cheques written declines one would expect the total cost to decline also, even if the unit cost does increase somewhat.

6. There are two actions currently being taken by the banks which make it more inconvenient to bank in person and will aggravate the problems resulting from the phasing out of cheques. These are the closure of branches and the reduction in the number of staff within branches, such that customers have to travel further to transact business at a branch and the staff numbers at the branches have been reduced. The end result of these two actions is that customers are often waiting in long queues to be served. Such a situation wastes a lot of time for customers who may be working and leads to a great deal of frustration. The impression conveyed is that the banks are effectively forcing people to use internet banking to save time, regardless of whether or not they wish to do so. Regardless of that there are some procedures which simply cannot be performed online and a personal attendance is required.

7. Bank@post as it is currently set up is a very poor substitute for bank branches, at least for personal accounts. Effectively transactions are limited to account holders because for most accounts it apparently requires a card and PIN to transact business. This applies to deposits as well as withdrawals even if one has the name, BSB and account number to which one wishes to make the deposit. Furthermore, one of the 4 major banks (ANZ) does not participate in Bank@post which means that a substantial number of people cannot use Bank@post even if they wished to. Should ANZ decide to participate in Bank@post there would be a significant increase in the demand for services. Also if Bank@post was expanded then not only would staff need more training but the physical facilities at post offices would need also need to be enlarged, as well the actual number of staff working there. Currently, many “post offices” are essentially a small desk arrangement inside a larger retail business – often a newsagent. Frequently at these places there are significant queues just for postal services especially at busy times like the period leading up to Christmas, and increasing the number of banking services that can be conducted there will exacerbate the problem – effectively moving the problems from bank branches to post offices.

8. It is often stated that internet banking is a satisfactory alternative payment system to others – cash, cheques etc. Theoretically this may be true but as mentioned previously online fraud is rife and the protections offered by the banks up till now have been unsatisfactory. Essentially the approach when investigating scams, seems to be that the customer is “guilty unless proven innocent”. The internet was, and is by its nature, never meant to be secure, and the scammers are becoming more clever by the day. It would be unwise to ever underestimate them and mobile phone signals can be intercepted relatively easily. Being not very familiar and comfortable with online operations, many senior Australians deliberately shy away from it, to avoid the possibility of making mistakes and/or compromising security. The use of Artificial Intelligence undoubtedly will produce even more challenges to internet security.

9. In the event that cheque payments are phased out and inexpensive, simple to use alternatives are not put in place, it seems likely that cash transactions will increase, especially for those unwilling to use internet banking or other complicated processes. The result of this would be an increase in aggravated burglaries and robberies as criminals seek “easy money”. In this regard the elderly are more vulnerable because they are more likely to be carrying large amounts of cash and are not likely, nor are they able, to offer much resistance. The other result of an increase in cash payments is the likelihood of expansion of the “black economy” where recipients do not declare or declare fully in their income tax returns, some of the receipts from their business. Clearly this has implications for tax revenues.

10. The phasing out of cheques clearly requires a great deal of thought and planning and consideration of how it might affect the minorities who still use cheques. Considering that the vast majority of these are seniors, an option would be to simply keep the system going until natural attrition has reduced the volume effectively to zero. As time elapses the numbers using cheques will fall and the total cost of the service will fall in sympathy. It is worth pointing out also that the banks have a responsibility not just to their shareholders, but also to their customers and the communities in which they operate. They occupy a privileged position in society, being protected from competition (one cannot just open a bank like one could, say, a coffee shop) and it is thus not unreasonable to expect them to give back to the community in return for this privileged position, even though the service may not add to the banks’ profitability. After all, not everything in life has to generate a profit. Some things are just good in themselves and if there is the capacity to subsidise them without unduly stressing the overall profitability, this should be done. Furthermore, often when new technologies are introduced, the optimal outcome is not either/or but both, because one is found to be more suitable than the other for certain procedures (e.g. radio, TV, newspapers, magazines, online news as means of communicating the news),