



**Submission in Response to the APCA Discussion Paper on
The Role of Cheques in an Evolving Payments System**

**Prepared by
National Policy Office
COTA Australia**

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1. INTRODUCTION

COTA Australia - Council on the Ageing - is the national policy arm of the eight State and Territory Councils on the Ageing in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia. COTA has a strong interest in financial services and is a member of the Australian Securities and Investment Commission's (ASIC) Consumer Advisory Panel, the Australian Competition and Consumer Commission's (ACCC) Consumer Consultative Committee and the Australian Banking Association's Community and Consultative Forum. We work through those groups and more broadly to ensure that older people's interests are more effectively covered by financial and consumer legislation and regulation and that they are not disproportionately disadvantaged by any changes in services or regulation.

We have had a strong response from older people to the release of this consultation paper and the subsequent media coverage of the issues. Most of that response has been around the particular issues facing older people - why they use cheques and the barriers they face in using alternate payments method. Whilst the paper identifies older people as one of the vulnerable groups and discusses some of the barriers to them using alternate methods and possible ways to overcome them, COTA believes more attention needs to be paid to these issues. That is the focus of this Submission.

It is important to remember that older people are not a homogenous group. As well as the differences with regard to education, financial position, location and cultural background there are quite distinct cohort differences which need to be taken into account.

2. ISSUES

Why older people use cheques

There are a range of reasons why older people use cheques. However it is important to bear in mind that for some older people it is in the absence of feasible alternatives rather than just being a matter of choice. The reasons for using cheques include:

- **Familiarity**
Many older people grew up with either passbook bank accounts or cheque accounts. Both gave people an instant and ongoing record of their banking transactions. Balancing a cheque book was one of the essential life skills.
- **Preserving independence.**
Many older people, particularly those 70 years and older, tell us that using a cheque account helps them preserve their independence and retain control over their financial affairs. They do not feel confident about using newer alternate methods

and so have indicated that without cheques they would feel forced to hand over control of their financial affairs to someone else.

To the degree that having to move to other forms of payment results in more older people handing control of their financial affairs over to other people, there is a very legitimate concern that this increases the possibility of financial abuse of older people.

- **Security.**

Being able to use cheques to pay for goods and services, particularly for large and more expensive items, reduces the need for older people to have large amounts of cash in their homes. Many of the older age group has not adopted credit or debit cards, so without cheques there is a strong likelihood we would see some older people keeping larger cash amounts at home resulting in an increased risk of theft with the attendant risk of physical violence.

Barriers to using alternate payment methods

As well as the reasons for using cheques outlined above there are a number of significant barriers to older people using alternate payment methods that COTA believes need to be examined more closely:

- **Access to technology**

There is a digital divide in Australia and older people are disproportionately represented in the group that does not have good access to the digital economy. According to the ABS, in 2009 13.5 per cent of people said they never used the internet. When we look more closely at this data we see that only 48 per cent of retired people use the internet and when we look at people over 64 years old this drops to 40 per cent. Whilst the usage by older people has risen from 30 per cent in 2007 it still means that 60 per cent of older people are not using the internet which is the main mechanism for accessing alternate payment methods.¹

The ABS data also shows that the main reason for not using the internet is a lack of interest (35 per cent), followed by no computer or no internet connection (23 per cent) and lack of skills (10 per cent²). Whilst the ABS figures do not break this down by age we know from other sources that older people identify lack of skills and lack of PC/Internet as major reasons for not accessing the internet.

Whilst not all of the alternate methods need internet access to make payments (e.g. debit cards) there is an assumption that people will use internet banking to track their transactions, read statements, etc. In addition some merchants impose surcharges on people not using direct electronic transfer of funds. The lack of a home PC is a significant barrier as alternatives such as internet kiosks for seniors and

¹ Scott Ewing and Julian Thomas , CCI Digital Futures 2010 The Internet in Australia, p 1-2.

² Scott Ewing and Julian Thomas , CCI Digital Futures 2010 The Internet in Australia, p 4.

internet cafes do not provide the required security and privacy for people to access banking functions. Indeed most banks warn against using public computers for banking purposes.

- **Lack of knowledge of alternatives**

Some older people have very limited knowledge of the range of alternatives and are confused by the vast array of different products offered by banks and other financial service providers.

- **Costs of alternatives**

The cost of using cheques is understood and relatively transparent. This is not the case with some of the alternatives, some of which incur bank imposed fees and others incur merchants' fees for using them, especially credit cards. Older people have identified the cost of getting printed statements as a factor that inhibits them from using alternate methods as cheque books provide a constant running statement that people can access whenever they want.

- **Physical barriers**

Older people have vision problems which restrict their use of alternative money transaction processes including ATMs and computer based banking. Hearing problems can be an important barrier to use of phone based banking.

3. POSSIBLE APPROACHES

COTA agrees that the three areas of activity identified in the report:

- Education
- Enhancing payment options, and
- Removing barriers to use of alternatives,

together comprise the appropriate pathway forward.

COTA supports the need for more education. We believe that the financial literacy strategy being promoted by ASIC would be a useful mechanism for improving community understanding of the financial system. We suggest that APCA and the banks have discussions with ASIC about its strategy to ensure it adequately addresses information around payment methods.

Some of the education and community awareness needs to be delivered by the banks themselves through better promotion of alternate products and targeted discussions with customers who use cheques.

We also think there is a role for some community awareness to be delivered through independent third party mechanisms such as seniors clubs, University of the Third Age (U3A), service clubs like Rotary, etc.

COTA has a network of peer educators which could also be utilised to ensure greater reach into the older community.

The industry could provide an educative element to groups affected by such a transition. It needs to be realised that many people in the seniors group are electronic and computer adverse at the moment. Whilst there will be a drop in such numbers as future generations who are more computer literate come through, there will always be a need for some information/education processes to equip seniors with options that meet their needs.

The educative processes should be adequately funded with sufficient resources on the ground. It should be noted that the telecommunication industry support for computer hubs only provides funds for the cost of the connections and the training and support is then delivered by volunteers and organisations (often quite small) must meet any costs of the service.

However it is clear that education is not sufficient to ensure older people continue to have the capacity to independently manage their finances. Clearly the lack of access to the appropriate technology is a significant barrier to older people using alternate methods. Before approaches that involve common use computers, such as in seniors internet kiosks, are promoted there would need to be enhanced security for transactions.

COTA also believes that financial institutions should not rely totally on the internet and there is scope to enhance phone banking services. We also support the suggestion in the discussion paper to have a widespread network of shopfront locations as older people like to have face to face contact when discussing financial issues. This would require a reversal of the recent trends to close and consolidate branches which have contributed to reduced access to financial services for older people.

The price of cheque processing should be quarantined to offset the rise in costs (as the volume of cheques shrinks the costs become more expensive). This may apply to seniors, indigenous and low income earners, and remote communities. Banks could see this as a community service or good public relations.

It should also be recognised by the Banking industry that going electronic will depend upon the availability of the technology/bank agency to give universal access across Australia. If it doesn't line up with the availability of technology for remote communities/properties which will enable them to maintain the service, then an alternative service should be provided where the option is removed.

4. CONCLUSION

Whilst there might be inevitability in the eventual cessation of the cheque system COTA is of the view that the timing is not right until there is a comprehensive alternative for those people who are reliant on the cheque payment system. COTA believes there needs to be a more detailed analysis of the weaknesses of the availability of alternatives and a detailed assessment of the real impact on hundreds of thousands of people needs to be undertaken.

It is also important that progress be made on education and removing the identified barriers well in advance of the removal of the option of cheques. As in the UK there should be no change until the consequences are better understood and people have adequate time to adopt the alternative methods of payment.

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