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Submission to the Reserve Bank of New Zealand on the Future of Money – Cash System Redesign | Te Moni Anamata – He Whakahou i te Pūnaha Moni

Introduction

1. The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing over 200 organisations affiliated at either national level or to one of our 14 branches. In addition, about 450 people are individual members. Collectively our reach is over 450,000 with many of our membership organisations representing all genders. NCWNZ's vision is a gender equal New Zealand and research shows we will be better off socially and economically if we are gender equal. Through research, discussion and action, NCWNZ in partnership with others, seeks to realise its vision of gender equality because it is a basic human right.
2. This submission has been prepared by the NCWNZ Economic Independence Action Hub after consultation with the membership of NCWNZ. It provides feedback on some of the questions asked in the issues paper *Future of Money – Cash System Redesign*.

Question 1: Should there be a campaign to increase public awareness of cash issues? If so, why - and what form should this campaign take?

Should there be a campaign to increase public awareness of cash issues?

3. The majority of our members believe that a campaign was needed. Those who did not agree thought that the public was already aware of the issues.

Why an awareness campaign?

4. We believe that there is a strong need to raise public awareness on a number of issues. A campaign is needed to provide robust information on the significant issues involved, including: why a review of the cash system is being considered; and what the potential benefits and risks of any changes are. The campaign would give people an opportunity to identify the implications of any cash system redesign for them, their families, and

communities. Such a campaign should be inclusive, recognising, in particular, the need for people who are vulnerable and on the margins of society to access cash and the availability of cash transactions.

5. Issues identified by members included awareness of the uses of cash, accessibility issues, emergency, and security risks

Awareness of the uses of cash

6. People need to be aware of the current status of cash as legal tender and their right to make cash transactions. Being able to access cash from their bank accounts, either via ATMs or banks, enables people to engage in cash transactions, give cash to charities requesting donations, and collect cash at events which rely on small contributions to costs. In particular, we note that those involved in a range of non-governmental organisations (NGOs) want to be able to bank cash that they collect from those supporting their organisations.
7. Examples of the use of cash by one member demonstrates the importance of cash on a day-to-day basis:
 - Put 2 smooth \$50 notes in my step granddaughter's birthday card.
 - Dropped \$5 in the busker's music case to say, "Thank you for making me happy today".
 - Slipped a little to someone in need.
 - Gave a koha.
 - Used the honesty box to pay for roadside fruit and vegetables, honey, plants etc.
 - Supported community markets, school fair, village pickle stalls etc.
 - Supported the local kids' school fund-raisers when they unexpectedly and at the last minute knock on my door.
 - Settled up for my cinema ticket when a friend books for our group online.
 - Paid the window cleaner and the gardener.
 - Paid the neighbour who fetches me a few necessities when I'm sick.
 - Put a little in the charity collector's bucket as I exit my supermarket.
8. Another member argued that Kiwi culture depended on the continued availability of cash, stating that "It is both a safety net and a lubricant". While this need is highlighted in emergencies, it is also important for many of the small interpersonal transactions that occur in everyday life between people who are exchanging goods and services in the informal economy. For example, the teenage babysitter or lawn mower, who may not operate their own bank account or do internet banking, is paid via a small cash transaction, learning how to value and manage money from this cash transaction.

Likewise, pocket money for children in the form of cash can help teach similar lessons which are harder to learn via using online bank accounts. For some people, such as those on low incomes, cash also serves as a budgeting tool.

9. Clubs and organisations, such as branches of NCWNZ, meet some of the cost of hiring rooms for meetings from cash donations made at every meeting, while other organisations, such as churches, collect small amounts of cash at meetings or services. Sometimes people want to have their koha or donations blessed before they are banked. In some cultural contexts it is important to offer a koha in cash – this includes visits to marae and also at some weddings. In this respect, cash has a symbolic and cultural value that a direct debit does not have. Many small cash donations, including coin donations, can enable significant positive interventions directed at well-being in Aotearoa and other parts of the world.

10. Summary

A public awareness campaign is necessary to inform people of the issues involved, and in particular because there are perceived threats to the availability of cash, to banking cash, and the continued opportunity to use cash in a variety of different transactions. In addition, people need to be aware of the status of cash as legal tender and their right to make cash transactions.

Accessibility issues

11. Cash can only serve as legal tender if people can access it. There are a number of current barriers to accessing cash, including the location and reduced number of ATMs and banks. As our members pointed out, digital payments and transfers of cash are not easy for many people in the community.
12. The *Future of Money* (Reserve Bank, 2021)¹ identifies older people, prisoners, Māori and Pasifika citizens as those who may not find it easy to engage in online banking. Our members also highlighted the challenges for those with intellectual disabilities, those with sight and hearing impairments, together with those on low incomes who do not have the technology required. Accessing some online banking requires using passwords and following a precise sequence of instructions. In some cases, these skills can be taught over time, but they may not be skills that can be picked up by everyone. Challenges can also be experienced by new immigrants, refugees and others who have English as a second language. Those who do not have a fixed address may also have difficulty opening bank accounts and accessing money from banks.
13. Fewer outlets for cash are available now and some banks will only give or exchange notes for smaller denominations if you have an account at their bank. Sometimes people need to go to a large bank branch outside their local area to access services associated with depositing or withdrawing cash. People wanting to deposit large sums of coins and

¹ Reserve Bank of New Zealand. Future of Money – Te Moni Anamata. <https://www.rbnz.govt.nz/notes-and-coins/future-of-money>

notes, for example from a club activity, can use a machine at some banks which counts or weighs coins or notes. Depositing cash after a fundraising event can be challenging as banks have restricted opening hours and more travel may be needed to find a bank that provides face to face services. In addition, there can be safety risks to consider if depositing money at ATMs after hours.

14. Members also stated that some people avoid the inconvenience of travelling a distance to withdraw cash at an ATM or bank by drawing out large amounts of cash at one time. This impacts on their ability to gain interest and also makes them vulnerable to theft at an ATM or if they store cash at home.

15. Summary

Accessibility and equity issues need to be addressed in a campaign that explores the future of cash in the New Zealand economy.

Emergency and security risks

16. While recognising that electronic transactions are normally convenient and secure, there are risks to the banking system that are mitigated by cash. This is particularly relevant when emergencies occur, such as the Christchurch earthquakes.
17. Security concerns were raised by members, including the risk of fraud and breaches of privacy from electronic systems, as well as online banking systems being hacked or going offline unexpectedly. While noting that such incidents may be beyond the immediate control of customers or businesses, cash can be a dependable backup if there is a system outage. As one member stated: "Although we are happy to use online banking for the saving on carbon emissions, personal convenience of no travel, and no queuing at a shop/merchant, we like to know we have a reliable alternative should these digital systems crash".
18. Members who lived through the Canterbury earthquakes highlighted how important cash transactions were after the February 2011 earthquake. Some small shopkeepers set out goods on the pavement outside their shops and could only accept cash as there was no electricity available to run EFTPOS machines. Sometimes this was the only way items could be accessed, for example bread, milk or disposable nappies. Since then, many people in Christchurch ensure that they have some cash available in preparation for a crisis, highlighting that money in the hand is a form of insurance against the unknown. A robust cash distribution network can prevent disruptions to the supply chain if online systems are unavailable for an extended period, for example for essential food and medical supplies.

19. Summary

An awareness campaign is also needed to highlight the critical part that cash plays in ensuring the safety and security of the financial system, including in emergencies.

What form should this campaign take?

20. The awareness campaign should use a comprehensive range of media outlets, including newspapers, radio, TV, websites, and social media. Media communications should be adapted to target different groups. They should include illustrations, such as cartoons and diagrams, that highlight key issues. Well-designed posters should be displayed in public libraries, city council offices, community centres, banks, and major retail outlets, such as supermarkets.
21. The campaign needs to be developed with input from key stakeholders. These include the Reserve Bank, Treasury, the banking sector and businesses who receive cash and make cash available to customers on request. Communications experts and general members of the public should also have input into the development of the campaign. Community organisations, especially those that provide support for people who use cash regularly in their everyday lives, should be given an opportunity to give advice about any planned campaign. Charitable, not for profit organisations and NGOs should have input into the campaign. The campaign needs to be trialled with people with diverse backgrounds from a variety of communities.
22. It is important that this campaign provides opportunities for people of all ages to respond to specific options relating to the place of cash in the economy. Responses to the issues raised must be recorded and have an impact on policy and strategies with respect to the future of cash. For example, the option of utility entities and the pros and cons need to be carefully defined. There should be an opportunity for people to provide comments and suggestions online and also submit hardcopy input into strategies for the future. Ideally there should be opportunities for people to present their views in person to those seeking community input. There is a need to facilitate input from people to whose views are often not represented.
23. A social research company with a strong reputation for surveying public opinion should be contracted to run focus groups which target input from specific sections of the population. It is important that those on low incomes and others who rely on cash transactions, have opportunities to provide input and respond to any public awareness campaign.

Question 2: Does the cash system require redesigning? If so, how urgent is a redesign?

24. As the *Future of Money* convincingly highlights, there has been a decline in the availability of cash and banking services in recent years and reductions in cash transactions. This is especially problematic in rural areas where banks have closed and/or reduced their hours of service. Our members mentioned the impact on them, and those close to them, of closures to bank branches in recent years. Members also pointed out that while there used to be incentives for paying in cash these have almost disappeared, with a greater reliance placed on electronic systems. The COVID-19

pandemic has contributed to this shift, with contactless or non-cash payments being preferred. These issues, combined with other issues raised in Question 1, signal a need to redesign the cash system.

25. Many members consider the need to address issues with the cash system as being urgent, although a very small number thought that the present system did not need to be changed, while some members thought that there were higher priorities at this point in time. Some members also stated that the entire retail and commercial banking system needs redesigning.

Other comments

26. Although appreciating the opportunities for people to access cash from cashiers in supermarkets while engaged in making purchases using EFTPOS, NCWNZ members considered that banks rather than merchants should be primarily responsible for making cash available to their customers. As one member stated: “money is their core business”. Cash needs to be accessible at banking outlets and ATMs both of which are decreasing in number. This generates problems for older people and those with mobility and other disabilities. Members thought it was important that people should not have to pay to access cash within Aotearoa New Zealand.
27. Members providing feedback on the future of cash favoured a strategy that ensured the availability of ATMs and collaboration among banks on ATMs that provided cash and online banking without penalty to those who were consumers of different banks. For this reason, there was a favourable response to the development of what are referred in the *Future of Money* document as “utility entities” which might in a consolidated way ensure the continued provision of accessible automatic teller machines. Members welcomed collaboration among banks and the government in the organisation and ongoing provision of ways in which the public could access cash through the development of these utility entities.
28. Some members also mentioned that many people often valued interactions with a teller in a local bank, rather than negotiating financial matters on the phone or via internet banking. Sometimes they did not have the resources to pay for home-based internet services, but often it was a matter as well of levels of trust. Banks generate money for their business from those who deposit money. For this reason, they should meet the needs of a variety of customers who make deposits.

29. Summary

While recognising that the cash system is no longer the main means of engaging in economic transactions, it should be retained and redesigned to ensure equitable access.

Question 3: Which of the identified potential policy options should be investigated further?

30. Table 1: Potential policy options to investigate further

The members who responded identified the policy items they thought should be investigated further. The policy options have been ranked by the number who identified a policy option to be investigated.

	Potential Policy Options	Investigate Further: ranking
1	Achieve consolidation within the cash system via the creation of utility entities.	10
2	Broaden access to wholesale cash.	11
3	Accelerate setting of cash machine standards.	7
4	Find efficiencies related to coins.	3
5	Outsource core functions performed in the wholesale cash sector to an offshore supplier.	15
6	Mandate acceptance of cash by merchants and government entities (requires decisions about scope, thresholds).	8
7	Instigate the remuneration of merchants (or other retail cash sector cash service providers) by banks when a cash-out service is performed.	9
8	The Reserve Bank remunerates merchants for cash quality checking.	14
9	License ATM providers.	6
10	An agency representing taxpayers contracts merchants (or other providers) to provide cash services.	16
11	Use moral suasion to impact on banks' cost recovery strategies.	13
12	Prescribe minimum standards for the services provided by banks.	4
13	Create new tools that allow the Reserve Bank to direct banks to provide cash services, and at low cost to customers.	2
14	Campaign to increase public awareness of cash issues.	1
15	Financial incentives to use cash (e.g. a discount).	12
16	Limit use of consumer rewards by payment card issuers.	5

Question 4: What are other valuable policy options which should also be considered?

Everyday Banking

31. A recent initiative in the United Kingdom is the availability of banking services at UK Post Offices. People can now do what is referred to as 'Everyday Banking' at their local post office². This includes withdrawing money and checking bank balances using bankcards

² <https://www.postoffice.co.uk/everydaybanking>

and pin numbers³. This initiative in the UK is a response to bank branches and free-to-use ATMs disappearing across the country. The UK Post Office is campaigning for legislation that will require banks to offer nationwide free-to-use cash services. This is considered necessary for small businesses and those who are most vulnerable. Consideration should be given to whether post offices, and post office outlets that are now incorporated into retail outlets could offer such services. Where Kiwi Bank operates in the same facility as a post office, it is possible that Kiwi Bank could provide such services to people who are customers of other banks who want to access to cash and check bank balances.

Security

32. Some members were concerned about the safety of online banking and telephone banking. There was awareness of scamming and people receiving phone calls that asked people to provide details relating to their accounts. Members wanted assurances about how banks could protect customers from such scams. For some people, using cash was a way in which they could avoid such scams. However, opportunities to pay for goods and services via cash are diminishing, and consequently concerns about scams among those used to paying by cash and unsure about online transactions was increasing. Policy options need to specifically address these concerns.

Payment Choice

33. Some members expressed strong support for the government to mandate the rights of people to continue offering cash payments for things like rates, driving licenses and car license renewals, and for there to be accessible places where these payments could be made in cash. People should have the choice as to how they pay for goods, services, rates and licenses.

Conclusions

34. NCWNZ believes that a comprehensive public awareness campaign about a review of the Cash System is essential. This should provide robust information about why a review is needed and identify both the risks and benefits of any change. We also believe that significant equity and access issues need to be addressed in any redesign of the system.



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³ <https://www.saveourcash.co.uk/>