

Dear Sirs

PROPOSAL TO ABOLISH CHEQUES - SUBMISSION

I am a retired finance professional, former director of an organisation providing in-home aged care services and former chairman of a community centre providing educational and other programmes for seniors (in whose planning I am still involved). I also have personal experience of supporting aged parents and as executor of the wills of deceased family members.

While the number of cheques in use has declined, there remain various circumstances where an electronic transfer of funds is not possible and where cheques serve a valuable purpose.

Examples include:

1. There are parts of Australia with:
 - a. inadequate or no internet and mobile phone coverage;
 - b. no bank branch within a reasonable distance; and
 - c. no post office within a reasonable distance.

How are people who live in these places supposed to pay their bills with any convenience if they cannot send a cheque?

2. There are times when the internet goes down, sometimes for significant periods. This can be for an individual customer or for a whole area affected by a power outage (so the NBN does not work) or other communication failure. Mobile towers can be out of action at the same time, so mobile phones cannot then be used either.
 - A friend has just been without the internet for 2 months because an error was made by the NBN when connecting a neighbour. This has been escalated all the way to the Telecommunications Industry Ombudsman, but has not yet been fixed.
 - Bushfires and natural disasters, with their attendant internet and communication outages, are not going to stop happening.

People still need to be able to pay their bills or send funds under circumstances such as these, and cheques enable them to do so.

3. There are many elderly people who:
 - do not use computers; or
 - had a degree of IT skill but lose the ability to use devices when changes/updates to technology occur; or
 - had to replace a device that no longer works, the new one is not identical and there is no user manual provided.

While the number of people in the first group (who have never had IT skills) will decline as they age and die, the second two groups will continue to be replenished and grow as new cohorts of people in their 60s and 70s age further and their tech skill cannot keep up with updates/change.

The IT challenged elderly can pay some of their bills at a post office, but cannot make all payments there. In addition, many have limited mobility or have lost their driving license and cannot easily get to a post office (especially if they do not have access to good public transport, which is often the case). Many are hearing impaired and cannot in practice make payments to a credit card over the phone. Sending a cheque is their fallback means of paying a bill.

4. If the bank account of the person to whom payment is to be made is unknown (and it is not public information), a cheque enables someone to acquit a financial obligation. Eg:
 - a. The executor of an estate may need to make a distribution to someone. The will includes the name and an address of the beneficiary, but not bank account details. How is the executor to obtain the information necessary to transfer the funds to the beneficiary electronically? If the executor writes to the beneficiary asking for bank account details, some beneficiaries may well consider this a scam and not reply or refuse to provide bank account details.
 - b. In adversarial situations, one party may refuse to cooperate with another party in providing bank account details.
 - c. Some people are simply risk averse and unwilling to provide bank account details to other parties whose IT security could be poor, as this potentially exposes them to hackers obtaining their details and places them at financial risk.
5. Overseas companies used to send out dividends to Australian shareholders by cheque rather than electronic funds transfers, and I understand that this still occurs. How are Australians meant to bank their overseas dividend cheques if the cheque system is abolished?

Possible partial solution

To assist in situations such as executors finalising an estate etc, there could be somewhere they can deposit the money and notify the beneficiary that it is there.

I suggest that the Treasury could create a special Trust Account where funds can be deposited showing the name, address and any other identifying details of the intended recipient, and the source of the funds. A deposit into this account, together with a mail notice to the intended recipient, should be sufficient to discharge the relevant financial obligation.

There would need to be sufficient information provided to make it difficult for the amount to be claimed by a fraudster. Perhaps some reference number that can be obtained from the party lodging the funds, if they have not received the relevant notice in the mail (people may well have moved since a relative's will was drawn up, for example).

The creation of such a Trust Account, however, is not a complete solution and will not resolve all the issues noted above.

We are all aware that banking services are being reduced across Australia – branches are being closed, ATM machines are being withdrawn and some banks are now ceasing to offer cheque facilities on their accounts. I contend that the banks' social license to operate and the degree of government support they enjoy requires them to carry a degree of responsibility for ensuring that banking services are provided to people throughout Australia as far as is reasonably possible. Perhaps that should be the subject of another investigation!

In summary, abolishing cheques will adversely affect some of the most underserved and vulnerable members of our society - it is completely unfair to increase their disadvantage even further. While it

may cost the banks something to maintain cheque facilities, this should be borne as part of the cost of their social license to operate.

Unless you can find a satisfactory solution for all the people and circumstances where the abolishment of cheques will create adverse effects, I believe it would be wrong to abolish cheques and urge you not to do so.

Yours faithfully

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