

# The future of cash use - Te whakamahinga moni anamata

To:

Economics, Financial Market, Banking Department  
Reserve Bank of New Zealand  
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## Executive Summary

Tēnā koutou,

Thank you for providing the opportunity to provide feedback on this important Issues Paper.

Christians Against Poverty (CAP) supports the majority of the conclusions drafted. We provide feedback on the Issues Paper focusing on Section 6, “*Considerations arising from having less cash in society*”.

Christians Against Poverty provides feedback and recommendations on Issues 1 and 4. These recommendations are put forward on the basis of over 11 years’ experience, working at the coal face with some of New Zealand’s most vulnerable people.

Relating to Issue 1, CAP believes that having less cash would **severely negatively affect those in vulnerability to whom cash provides a level of financial security**. CAP recommends that they be added as a separate group to this Issue in addition to those who are financially and digitally excluded.

Relating to Issue 4, CAP believes that restricted access to cash would **negatively impact the ability to budget, particularly for those experiencing poverty or hardship that are learning to live within their means**. CAP recommends separating the impact on budgeting from financial stability and government revenue because of this different impact assessment.

Both of these suggestions could be brought under a new Issue relating to ‘***the impact of having less cash on those experiencing hardship, poverty or vulnerability***’. This group is significant enough that the impacts could be expanded on specifically in Appendix A as a category that affects many people. If RBNZ wanted to expand on this issue further as work progresses, CAP would be happy to provide further feedback and/or consultation.

Nāku noa, nā

Michael Ward  
Christians Against Poverty

## Introduction to Christians Against Poverty (CAP)

### Free debt-counselling – CAP Debt Help

CAP has been operating in New Zealand for over 11 years. CAP’s free **Debt Help** service has now helped thousands of New Zealanders to grow in financial capability. CAP **Debt Help** builds sustainable and liveable budgets; negotiates directly with creditors to ensure that debt repayments are affordable and fair; and supports clients long-term as they repay debt.

CAP works with its clients, on average, for two years (always free-of-charge) until they have repaid debts in full. CAP’s **Debt Help** service is currently available in 47 locations across Aotearoa, from Kaitia to Dunedin. On average, clients come to CAP with **over \$28,000 of debt. Most of those**

**clients present with debts specifically related to consumer credit** such as car loans, truck shops, personal loans, credit cards and payday loans. Over 70% of CAP clients rely on a benefit as the household's main source of income. Amongst CAP clients in paid employment, many still struggle to make ends meet and to provide for families because they receive the minimum wage.

CAP visits approximately 100 households each month. As a result, CAP constantly comes face-to-face with the crushing despair and misery created by debt. **Over half of CAP clients could not provide three meals a day for their children. Anxiety and depression caused by debt caused 65% of clients to isolate themselves.** Before coming to CAP, 1 in 4 clients had contemplated or attempted taking their lives.

*“I was very stressed, depressed - I was afraid of being judged, embarrassed, agitated. My children [were] feeling and suffering with me, which caused separation with my husband of twenty plus years of marriage.” - CAP Client*

In the past ten years CAP has **helped thousands of clients to pay off over \$38 million of debts and bills.** In addition, we've **enabled the write-off of over \$30 million of debt** as result of negotiation with creditors and insolvency procedures.

**The fruits of this work mean that over 1,500 people have become debt-free. Moreover, these numbers have positively transformed the homes of over 1,700 children.**

### Money Education – CAP Money

In response to the vast need that we saw in families struggling in debt, Christians Against Poverty developed the **CAP Money** course in March 2009. Since its launch, the course has helped thousands of families avoid unmanageable debt by organising their finances. Nearly 15,000 people have successfully completed a **CAP Money** course to learn how to take control of their finances by teaching them how to build and live on a budget, how to keep track of finances and how to rely more on cash as an effective method to manage spending.

Christians Against Poverty's experience at helping some of New Zealand's most vulnerable families gives us unique insight into the importance of cash to provide security to those on low incomes or those in financial hardship, and of the importance of cash to help manage and keep track of expenditure.

## Feedback on the Issues Paper

Issue 1: People who are financially or digitally excluded could be severely negatively affected.

CAP agrees with the assessment that financially and digitally excluded groups would be severely negatively affected by a reduction in access to cash. We would, however, also advocate for the inclusion of a third, separate group, that is not readily identified in the current Issues Paper; those

for **who are in a position of vulnerability where cash provides a level of security**. In our experience, access to cash is a necessity for people who are in a position of vulnerability. It is our opinion that this population needs to be recognised as an independent group because they are both a significant size and would be severely negatively affected.

The following list is not an exhaustive list of examples, but are common occurrences amongst the clients that we serve:

**A person in financial hardship may rely on being able to withdraw their full bank account balances in cash if automatic payments / direct debits are taking funds from their account.** A person in hardship may withdraw cash in order to secure their ability to make more essential payments. This is touched on under the 'Budgeting' section on page 29, but not from a perspective of severe financial hardship. It can be very time-intensive and difficult for borrowers in situations of hardship to contact their bank or creditors to suspend automatic payments. Lenders may have set up multiple direct debit facilities on a person's bank account and can just enact the next. Payments can be taken out and leave no money for a person to meet more essential demands. People may often withdraw all their available cash to provide security against unauthorised or unwanted automatic deductions.

**A person may withdraw cash to protect against people accessing money from their bank account.** It is sadly all too common for manipulative family members to take an eftpos or debit card from a vulnerable family member to use. Some people may have adolescent or older children that will take their card and help themselves to the vulnerable person's bank account. Some elderly people feel powerless to stop their family members or guilty about doing so. The ability for people to withdraw and then hide cash gives some security back to these vulnerable people and assurance that their money is safe.

A person may withdraw cash from their joint bank account **if they are concerned about a partner's spending against their wishes**. This can happen in situations where one person is withdrawing money to fuel an addiction, like gambling, shopping or excessive drinking. An addiction that is funded from a joint account can put a family's financial security at risk. The ability of the affected partner to withdraw cash can provide security that money will be available.

The ability to withdraw and keep cash can provide a level of security to a person **who is in a violent or intimidating relationship or is feeling threatened**. The ability to keep cash and withdraw it can give people confidence that a controlling partner is not going to withhold access to an account. Having cash can provide a level of security and options to people in uncertain and fragile situations.

In all these situations, and in many others like it, access to cash provides a level of security and control over personal finances. It is important to note that many of these situations are temporary in nature. Access to cash is a quick and effective solution to provide security. It is also important to note that keeping cash provides a higher level of anonymity to a vulnerable person – a bank balance immediately discloses how much money is available to access, whereas cash can be hidden and not traced.

CAP recommends that those in vulnerability to whom access to cash provides financial security be added as a separate group to this Issue 1 in addition to those who are financially and digitally excluded, and that they are explicitly referred to in the Issues Paper as a large enough group to warrant a particular focus.

Issue 4: On balance, there would be limited effects on budgeting, financial stability and government revenue.

While the Issues Paper suggests that there would be only limited effects on budgeting, we do believe that the impact of having less cash would **negatively affect** the ability for those who are learning to budget and get on top of their finances or out of hardship, because the use of cash is such an effective way to count and allocate limited resources.

CAP has years of experience as a provider of financial advice to thousands of New Zealanders. We widely promote the benefits of using cash as a very helpful tool for those who wish to regain control of their finances and for those that are living on a very tight budget.

People who have completed the **CAP Money** course have provided very positive feedback about the effects of shifting to the use of cash. As one **CAP Money** course delegate recently said:

*“Use of cash for weekly spending gives me better control of money.”*

The physical use of cash not only incites higher psychological pain of parting with funds, as the Issues Paper rightly points out; the retention of cash can also be a motivating factor to want to retain and save more. As one **CAP Money** delegate said:

*“Shopping with cash now, my mind is always ticking over how I can save more now.”*

The Issues Paper makes the comment that the ‘pain of paying’ could reduce willingness to pay bills or debt. This is not our experience, unless the bills or debts are being paid at the expense of some greater need. In the **CAP Money** course, delegates are taught to be saving adequate money for upcoming bills and debt repayment so using cash for discretionary and weekly expenses is not affected.

The Issues Paper cites Shah et al. (2016) that suggests consumers automate their essential payments. Although we made enquiries with the Future of Cash team, we were not able to identify this claim in the Shah et al. paper. This suggestion may well work for people who have full control over their account however, as pointed out in relation to Issue 1, any person who is vulnerable to have funds taken from their account would find this difficult to enact. Although not always related, many clients may come to us for debt-help or budgeting advice because of their experiences in relation to Issue 1. The automation of essential payments is not as straightforward for people in vulnerability as the Shah et al. citation seems to suggest.

Issue 4 also suggests that people who prefer to use cash for budgeting might benefit from new electronic budgeting applications. This may well be true, but we would suggest that many of our clients that are learning to budget – particularly those on low incomes or in poverty – are also more likely to be at risk of digital exclusion. Accessing and using apps on smartphones may be out of reach for some that are learning to budget.

CAP recommends that the content relating to budgeting be separated out from financial stability and government revenue because the impact on budgeting should not be seen as only of limited effect, rather as of a **negative impact**. Additionally, commentary regarding financial stability and

government revenue are more representative of themes of the general economy and society's general reaction to economic shifts, whereas budgeting is uniquely more individual to a person's own circumstances.

## Conclusion

CAP's feedback on Issues 1 and 4 relate quite closely together to the negative impact that could be experienced by having less cash **on those in vulnerability, poverty or material hardship**. CAP's recommendations above could be more broadly addressed by the creation of a separate theme to focus on that could be called '***The impact of having less cash on those experiencing hardship, poverty or vulnerability***'. The issue could address the unique benefits that cash provides to those experiencing vulnerability, poverty or material hardship, which are themes that should be expanded on in Appendix A as a category that affects many people.

We value this process of consultation and thank you for an opportunity to provide feedback. If RBNZ wanted to expand on this issue further as your work progresses, CAP would be happy to provide further feedback and/or consultation.