

Future of Money – Cash System Redesign | Te Moni Anamata – He Whakahou i te Pūnaha Moni

Submission by Christians Against Poverty

From:
Christians Against Poverty
PO BOX 12041
Penrose
Auckland 1064

To:
Money and Cash Department – Tari Moni Whai Take
Reserve Bank of New Zealand – Te Pūtea Matua
PO BOX 2498
Wellington 6140

7 March 2022

Submitted via email: futureofmoney@rbnz.govt.nz

Prepared by:
Matilda Gaby
Policy Advisor
Christians Against Poverty

Matilda.Gaby@capnz.org

Executive Summary

Tēnā koe,

Christians Against Poverty (CAP) welcomes the opportunity to provide feedback on the cash system redesign matters as set out in the Reserve Bank of New Zealand's issues paper.

CAP agrees that cash is an equal and fair way to pay for goods and services, an important value anchor and enables financial and social inclusion. We would also add that cash provides security to those on low incomes and can act as an effective tool for sticking to a budget as the physical nature of cash means people can more easily control how much they spend. At the same time, we acknowledge the decline in cash use as shown by the Reserve Bank 2022 metrics and the inefficiencies of cash.¹ Thus, we support a cash system redesign which will achieve resiliency and efficiency in Aotearoa's cash system, particularly in light of the coronavirus pandemic and the increasing digitalisation of money which is limiting the physical handling of cash. During this process, CAP strongly recommends that any policies for redesigning the cash system require considering the needs of those in complex financial situations, such as those who are unbanked or have limited access to digital financial services. A redesign of the cash system must be fit-for-purpose for those who rely on cash the most.

As a response to the issues paper, CAP would like to see the cash system maintain its benefits while also being resilient and effective. We agree with the proposed policy bundle and particularly support those policies that benefit consumers who have a high cash dependency.

We look forward to working with you to make constructive changes to the issues paper. Thank you for the opportunity to provide input, and we welcome any questions.

Nāku noa, nā



Matilda Gaby

Christians Against Poverty

¹ Reserve Bank. (2022). *Future of Money – Cash System Redesign*. <https://www.rbnz.govt.nz/notes-and-coins/future-of-money/cash-system>

Introduction to Christians Against Poverty

Free debt counselling and money education

CAP's free nationwide Debt Help service has now helped thousands of New Zealanders over the last 13 years to live on a budget, pay off debts, and grow in financial capability.

When visiting clients' homes, CAP constantly comes face-to-face with the crushing despair and misery created by debt. **Over 65% of clients owe money for utilities and housing.** Anxiety and depression due to debt caused 3 out of 5 clients to isolate themselves. Before coming to CAP, 1 in 4 clients had contemplated or attempted taking their lives.²

CAP has helped thousands of clients pay off over 38 million dollars of debts and bills and enabled the write-off of over \$30 million of debt through negotiations with creditors and insolvency. The fruits of this work mean that over 2,000 people have become debt-free. Moreover, these numbers have positively transformed the homes of over 2,100 children.

In response to the vast need that we saw in families struggling in debt, Christians Against Poverty also developed the CAP Money course in March 2009. Over 16,000 people have completed a CAP Money course to learn how to take control of their finances.

Feedback on the Issues Paper

Redesigning the cash system

CAP agrees with the Reserve Bank's characterisation of the cash system and the role of cash to act as a value anchor for private money, as well as contributing to financial and social inclusion.

Importance of cash

Cash acts as a value anchor for private money as its physical form helps people understand what money is and how it is used. The CAP Money course promotes the benefits of using cash as a helpful tool for those who wish to regain control of their finances and those living on a very tight budget. People who have completed the CAP Money course have provided positive feedback about the impacts of shifting to the use of cash instead of a card. One CAP Money course delegate said that the "use of cash for weekly spending gives me better control of money". The physical use of cash incites higher psychological pain of parting with funds and can be a motivating factor to want to retain and save more. Another CAP Money delegate affirmed: "Shopping with cash now, my mind is always ticking over how I can save more now". CAP would argue that the use of cash is even more important in the current economy where there appears to be a high reliance on credit and fast consumerism rather than prudent financial management and saving. CAP also acknowledges that using cash has

² Christians Against Poverty New Zealand. (2020). Below Zero: Living in unmanageable debt in Aotearoa.

become less common and more difficult in the current COVID, highly digitalised world. In the more recent CAP Money courses, we advise delegates to use an EFTPOS or debit card as the next best alternative if they are hesitant about using physical cash. EFTPOS and debit cards only give access to money currently available in the bank account and therefore ensure delegates stay within their allocated budgets.

Furthermore, cash is vital for financial and social inclusion. Some CAP clients rely on cash due to their inability or hesitancy to use digital services. This may be due to mental health and wellbeing challenges, literacy and technological barriers or not having a bank account due to insolvency or incarceration. While support in accessing the internet and upskilling people in online banking may help, CAP believes that there will always be people who will rely on cash due to the mentioned pervasive barriers. CAP also recognises that cash will remain necessary for achieving social and cultural inclusion. For example, CAP clients have experienced close whānau gradually shifting to online payments during events such as tangihanga or weddings, however extended whānau and friends continue to use cash.

Cash is also necessary because of the security and assurance it can provide, particularly for those in unmanageable debt and poverty and those experiencing economic or domestic abuse. We know that some CAP clients may need to use cash to protect and secure it from others (such as family members who are financially abusing them or creditors who have illegally set up direct debits). Consumer NZ also notes that every day New Zealanders like to have cash in case of emergencies, such as when EFTPOS goes down.³

Impact of COVID

COVID has impacted how New Zealanders pay for goods and services. Consumer NZ found that 75% of consumers used less cash due to COVID.⁴ This is assumedly due to government guidelines on the use of cash as a measure to contain further spread of coronavirus. On the other hand, the pandemic also led to people withdrawing large amounts of money, meaning that cash in the hands of the public increased by just over \$1 billion from the end of March 2019 to the end of March 2020, underscoring the importance of cash in emergencies.⁵

CAP clients have found using cash during COVID outbreaks challenging. For example, two clients who experienced mental health challenges lost their wallets during a lockdown. No longer having their wallets translated into losing their week's income, a dispossession of valuables and additional stress. Another kaumātua was hesitant about going to an ATM or the bank to withdraw cash as he was particularly vulnerable to COVID. Further, other clients were unsure about using cash for groceries as some stores may not accept cash, and some unbanked clients had to rely on family to pay for essential services as retailers rejected cash as a form of payment. Overall, cash is essential and a redesign is urgent as we live in an increasingly digitalised world with an ongoing pandemic. CAP believes that the redesign of the current cash system must take into due consideration the needs of those who have a high cash dependency to be effective.

³ Consumer NZ. (2021). *A world without cash: who will be left behind?* <https://www.consumer.org.nz/articles/a-world-without-cash-who-will-be-left-behind>

⁴ Ibid.

⁵ Stock, R. (2020). *Billion dollar cash jump indicates stockpiling by nervous households.* Stuff NZ. <https://www.stuff.co.nz/business/121436076/billion-dollar-cash-jump-indicates-stockpiling-by-nervous-households>

Starter-for-ten policy bundle

CAP supports the starter-for-ten policy bundle to fulfil the criteria of resilience, efficiency, inclusion, and innovation when redesigning the cash system. We are particularly supportive of the cash-acceptance themed policies that will maintain the role of cash as a value anchor and lead to greater financial and social inclusion. We believe these policies should be prioritised and implemented urgently as part of the redesign.

Cash-acceptance themed policies

CAP favours the policy to mandate the acceptance of cash by merchants and government entities as this is important for financial and social inclusion. It is concerning that while cash is a legal tender, merchants can reject cash as a form of payment. CAP is aware of more and more stores that sell essential items such as food and shoes, rejecting cash as a form of payment. This outright excludes those who rely on cash, who tend to already be on the margins of society. We acknowledge several valid reasons why merchants are going cashless, such as the losses in interest of having physical cash in hand. Therefore, we also support policy interventions that would reduce the cost to the merchant.

CAP also supports the remuneration of merchants when a cash-out service is performed. Cash has become increasingly difficult to withdraw. For example, just under 25% of the main bank branches closed between September 2019 and March 2021.⁶ We are also aware that hundreds of bank branches have reduced their opening hours, and 181 ATM's have closed since 2019.⁷ We also note that Cooperative bank stopped cash withdrawals in June 2020.⁸ For those that already face barriers to accessing cash easily, such as kaumātua or single working parents, it is crucial to increase the number of places where you can withdraw cash. For example, supermarkets are a convenient place to withdraw cash as most people go here frequently to buy groceries. By increasing the number of sites to withdraw cash, people's confidence in private money is retained, and it makes it easier to purchase goods and services.

Overall, CAP favours the proposed policies that will lead to positive outcomes for consumers, such as more merchants accepting cash and increasing options for withdrawing money. Ultimately a redesign should not add burden and more challenges to those already struggling. It is important to draw lessons from countries like Sweden, who were front footers in the race to be a cashless society but realised the negative impacts on vulnerable people.⁹ Aotearoa has already seen this when banks stopped offering foreign cash exchange and cheques, leading to vulnerable consumers being inconvenienced and financially excluded.

Who should pay for the cash system?

CAP agrees with the proposal to reduce the cost to consumers and merchants.

⁶ Consumer NZ. (2021). *A world without cash: who will be left behind?* <https://www.consumer.org.nz/articles/a-world-without-cash-who-will-be-left-behind>

⁷ Ibid.

⁸ Cooperative Bank. (2020). *Changes to cash services in our branches.* <https://www.co-operativebank.co.nz/about-us/news>

⁹ Cash Matters. (2021). *Why cash still matters in Sweden.* <https://www.cashmatters.org/blog/why-cash-still-matters-sweden>

Conclusion

CAP wants to see hardship and poverty alleviated in Aotearoa and whānau empowered to manage their money well, build their financial capability and thrive in society.

CAP would like to thank you for taking the time to read our submission. Using cash will always be important for society's most vulnerable and those experiencing hardship. At the same time, we believe that the issues paper is an excellent opportunity to ensure that the cash system remains resilient, effective, and innovative.

We welcome any further discussion you may wish to have.