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Future of Money  
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## **SUBMISSION on "Future of Money: Cash System Redesign" Issues Paper**

### **1. Introduction**

Thank you for the opportunity to make a submission on the "Future of Money: Cash System Redesign" Issues Paper. This submission is from Consumer NZ, an independent, non-profit organisation dedicated to advocating on behalf of New Zealand consumers. Consumer NZ has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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### **2. General comments**

Even though New Zealanders are increasingly using non-cash payment methods, the Reserve Bank's latest research shows around two-thirds still use cash to pay for everyday items. Children, young people, the elderly and those on lower incomes in particular, tend to use cash more often.

People use cash for a variety of reasons including for budgeting purposes, small transactions, anonymity or privacy, cultural reasons, security and safety concerns, to avoid fees, ease of use etc. Many consumers also store cash, and the percentage of people storing cash is increasing.

However, we know from the complaints we receive, and comments on our articles and banking satisfaction surveys, that it is not always easy for consumers to access and use cash.

The decline in the number of bank branches and ATMS, reduced opening hours, reduced services, removal of deposit facilities, and decline in the number of merchants that accept cash payments are all problematic for consumers. The fact major banks no longer accept cheques has also created issues for some consumers.

We therefore support the Reserve Bank's review of the Future of Money and agree a policy response is urgently required. Without such a response, we consider the cash system will lack resilience and efficiency and will not be financially and socially inclusive.

We are also concerned that problems being experienced by consumers are likely to worsen.

Our answers to selected questions in the Issues Paper are set out below.

### **3. Answers to questions**

*Q1. Do you agree with our characterisation of the cash system?*

Yes, we support the Reserve Bank's characterisations of the cash system.

*Q2. Do you agree with our assumptions about the business strategies being pursued by firms in the cash system?*

Yes, we agree with the Reserve Bank's assumptions about the business strategies being pursued by firms in the cash system.

*Q4. Do you agree that the cash system needs redesigning?*

Yes, we agree the cash system needs redesigning. As stated above, without intervention, we consider the problems being experienced by consumers (in accessing and using cash) are likely to worsen.

In our latest banking satisfaction survey, a number of respondents made comments about the issues they are facing with the cash system. Comments include:

- *"Need more branches. Cashless is frustrating too."*
- *"Getting rid of the fast cash deposit boxes at my local branch was so frustrating."*
- *"I was told that the bank does not have, hold or have access to, any money or cash. A bank without money? That sounds scary."*
- *"Biggest issue is a lack of ATM machines."*
- *"Branches have such limited hours now, and ATMs are often out of order."*
- *"Not enough smart deposit ATMs to make up for branch closures."*
- *"When one goes to withdraw money from the bank, one has to do it through an ATM as they do not hold cash on the premises, any longer. Go figure! A bank where one cannot take money out of."*
- *"Customer service is lacking at times. I have wanted to change money and they have referred me to the ATM."*

Comments on our recent article "A world without cash: who will be left behind" demonstrate other issues with the cash system, and the importance of a cash system redesign. Comments include:

- *"I belong to a walking group which carpools to the destination, and passengers pay a small amount to the driver. So I have to rely on dairy purchases or similar to break a \$20, which is the smallest notes available from an ATM. Removal of cash altogether would create even more problems."*
- *"The electronic forms of cash are just not safe."*

- *"Using cash and dealing with physical money is the best way to teach kids about the value of money, and what money really means. Sliding your card through a machine gives the impression to little kids that money is always on tap and comes from a hole in the wall."*
- *"I had thought that cash covered under 'legal tender' meant it had to be accepted."*
- *"Our 91 year old aunt does not have a mobile phone or use the internet.... [She] has a good handle on her finances but is confused she cannot pay using cash."*

We've also received complaints from consumers who have been unable to pay for goods and services with cash.

In some cases, the goods have already been consumed or the service already provided before the consumer finds out the merchant doesn't accept cash. For example, one member had a haircut and attempted to pay with cash but was informed this wasn't an option. When this happens, the consumer then has to find an alternative way to pay for the goods or services, which can be both stressful and time consuming. Also, consumers may not always have an alternative way of paying for the goods or services.

*Q5. How urgent do you think redesigning the cash system is?*

We agree the issues facing the cash system are significant and that a redesign of the cash system is urgent.

As outlined above, consumers are already finding it difficult to use and access cash.

Those in "cash deserts" are being substantially disadvantaged by the current system so the need for a system redesign is most urgent for these consumers.

*Q7. Do you agree with our arguments supporting the 'starter-for-ten' policy bundle?*

Yes, given the complexity of the cash system and the variety of challenges it is facing, we agree the Reserve Bank needs to consider the collective impact of different policies in combination, rather than assessing individual policies in isolation.

*Q10. What policies would you include in a bundle? In what order of priority?*

Consumer NZ supports the starter-for-ten bundle as it is likely to result in more merchants accepting cash than is currently the case, more merchants providing cash out, and more options for depositing and withdrawing cash.

In particular, we agree in principle that there should be a policy mandating the acceptance of cash by merchants, especially for essential services. We look forward to seeing further work by the Reserve Bank about the scope of such a policy.

We also understand there is a cost to merchants in accepting cash. We therefore support policies that reduce the cost of accepting cash to the merchant, such as remunerating the merchant when it offers cash out services and, again, look forward to seeing more detail on how this could work in practice.

*Q11. Is there anything else you would like to say in response to this issues paper?*

Consumer NZ encourages the Reserve Bank to continue to have regard to all consumers, including children, the elderly, vulnerable consumers, those who are unbanked and those who have limited or no access to the internet.

Thank you for the opportunity to provide comment. If you require any further information on the points raised, please do not hesitate to contact me.

*ENDS*