

29 July 2011

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Arun Kendall
Industry Policy
Australian Payments Clearing Association
Level 6, 14 Martin Place
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To whom it may concern,

Re: Submission to the Australian Payments Clearing Association's inquiry into the role of cheques in an evolving payments system

National Seniors Australia welcomes the opportunity to provide input into the Australian Payments Clearing Association (APCA)'s inquiry into the role of cheques in an evolving payments system.

With a quarter of a million members Australia wide, National Seniors Australia (NSA) is the largest organisation representing the views of Australians aged 50 and over. NSA operates for the social and economic benefit of its members and represents the interests of older Australians in a broad range of community, business and government forums.

NSA considers that the potential abolition of cheques as a method of payment raises a number of issues in so far as this will impact on older people...

Financial inclusion of older people

APCA in its consultation paper acknowledges that almost half (48 per cent) of active cheque account holders in Australia are aged 60 and over, and the abolition of cheques would disproportionately affect older people, particularly those who are geographically isolated.

The consultation paper cites a number of reasons why older people prefer to use cheques. These include, acknowledging that cheques provide an opportunity for face-to-face interaction; they provide a mechanism to make immediate payments while at home without having to keep larger amounts of cash, especially for people with limited mobility; they provide people who are computer illiterate or otherwise unable to use online banking facilities with an alternative payment system; and the fact that older people often have a preference for not changing their habits.

NSA believes it is wrong to assume that older people's usage of cheques is primarily due to computer illiteracy and lack of access, combined with an overall lack of knowledge of alternative payment options. While this may be true in some cases, anecdotal evidence suggests that many older people are aware of other payment methods such as online banking and ATMs, but make a conscious decision not to use them.

Despite their costs and declining usage, paper-based payment systems appear to include benefits for some older people. Therefore, they play an important role in ensuring that older people are not financially, and therefore socially, excluded. Simply increasing awareness of online or mobile payment methods will be insufficient to prompt older people to change their payment habits.

Barriers to using new payments technologies

The greatest barriers to internet and mobile-phone-based banking for older people are access, affordability and ability to use these technologies. However, it cannot be assumed that even those able to afford a computer with internet connection are necessarily computer literate and comfortable with using online banking facilities. While cheques are relatively easy to administer, research has shown that some older people are faced with practical barriers when wanting to use newer payment systems, such as ATMs. For example, people with limited vision, manual dexterity or memory, those with limited mobility and people using a wheelchair, can find ATMs to be inaccessible, and further problems can be caused by the designs of the PIN pads.

A 2004 Inquiry by the Human Rights and Equal Opportunities Commission into the accessibility of technologies for older Australians and people with a disability also found that older people are particularly concerned about personal safety, privacy and security, and consumer protection mechanisms. The inquiry showed that many older people do indeed value the personal face-to-face interaction over the counter and may consider online banking less safe.

The traditional interpersonal service model, compared with self-service banking technologies, also minimizes the financial risk of making a mistake, providing older people with peace of mind. Using a paper-based payment method or cash allows people to double-check and rectify mistakes easily, whereas a wrongly pressed button can cause distress.

The need for more research

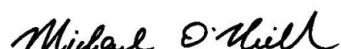
As indicated above, older people would be particularly affected by the abolition of cheques. NSA believes that more information about older Australians' payment habits is needed and draws the APCA's attention to recent research by AGE UK that reveals a majority of older people in the UK still heavily rely on cheques as a means of payment and would have trouble finding alternative ways to pay.

The report, *The Way We Pay: Payment Systems and Financial Inclusion*, further notes that recent changes in the way people access payments and cash (ATMs, increase in internet banking, reduction in bank branches) are excluding many older people and stresses the importance of at least one paper-based payment system to ensure their financial inclusion. Everybody should have at least one safe, accessible and affordable way to pay without relying on cash. AGE UK concludes that there is a real risk that, if cheques are abandoned without providing a paper-based payment alternative, many older people will have to revert to cash payments and reliance on other people, thus increasing their vulnerability to become victims of financial abuse or crime.

NSA agrees with this conclusion and believes that the findings from the UK study are generally applicable to the Australian context. NSA suggests that further research is required to provide a sound evidence base to inform the composition of an Australian payments system which best enables the financial inclusion of older people, while minimizing their risk to become victims of financial abuse or crime.

NSA would be pleased to assist the APCA further with their inquiry into the role of cheques in an evolving payments system. To expand on any of the issues addressed in this letter, please do not hesitate to contact Kathrin Stroud, Policy Advisor, on (02) 6230 4588 or k.stroud@nationalseniors.com.au.

Yours sincerely,



Michael O'Neill
Chief Executive