

Submission to the Senate Standing Committees on Rural and Regional
Affairs and Transport

Bank Closures in Regional Australia

2023

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CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Communities & Justice and Health and the Australian Government Department of Health.

CPSA appreciates the opportunity to make a submission to the Senate Standing Committee on Rural and Regional Affairs and Transport's Inquiry into Bank Closures in Regional Australia.

Banking is an essential service for all Australians. It is vital that individuals, small businesses and community organisations have access to the banking services they need to be able to conduct their financial activities without impacting their lifestyle or wellbeing.

Bank branches are closing all over Australia and this is having an impact on everyone, but especially those in regional areas, where there are fewer branches to begin with and a greater distance to travel to another branch.

While online banking is the alternative pushed by the banks, this is not an option for many individuals, small businesses and community organisations. The reasons are many and varied and include:

- Concerns about online safety and security, both in terms of scams and the risk of personal data being leaked by banks or other companies
- Personal preference to not use a debit card for anything other than withdrawing cash from the bank and using a combination of cash and personal cheques for all transactions
- Small businesses or community organisations receiving primarily cash or cheque payments that must be deposited at a branch
- A lack of digital literacy or knowledge of online banking systems
- Not having access to a device and stable internet connection, either because of cost or location
- Safety reasons – for example, home care recipients who receive assistance with shopping will often prefer to give workers cash as it is easier to track to ensure they aren't being taken advantage of

For these and other reasons, alternative face-to-face banking options are a vital service that should always be available.

The submission responds to terms of reference a, b, c and e.

Recommendations

Recommendation 1: That the closure of bank branches be a last resort and that when branches do close, adherence to closure protocol can be demonstrated at the branch level.

Recommendation 2: That in cases where branch closures are implemented, other services such as Bank@Post and fee free ATMs be made available to ensure continued community access to cash.

Recommendation 3: That banks be required to offer cheque accounts and accept cheques for processing.

Recommendation 4: That regional banking hubs, similar to those established in the New Zealand pilot, be introduced to ensure that everyone has the option to access face-to-face banking services.

a. the branch closure process, including the reasons given for closures

The main reason for bank branch closures is the failure of branches to contribute to the overall profitability of the bank.

While the Australian Banking Association and Australian banks point to customer preference for online banking, it is likely that branch closures are also motivated by banks' interest in pushing customers online. One way of doing this is by making face-to-face banking less accessible.

Across Australia online banking has become dominant. According to the Australian Banking Association over 80 per cent of customers do their everyday banking tasks, such as checking balances, paying bills and transferring money, online.¹

Cashless transactions are also increasingly dominant with the average customer making around 650 electronic transactions in 2021-22.² This has more than doubled since 2011-12, increasing from 300 over the decade.

It is not clear how much the dominance of online banking can be explained by customer preference and to what extent bank branches have forced customers to start using online banking.

The Australian Banking Association has a Code of Practice that all member banks, which includes the big four, must follow. Their Bank Closure Protocol states that if alternative face-to-face banking services are available, banks must provide customers and relevant organisations with 12 weeks of notice and actively assist people in accessing alternative services.³ If there are no face-to-face alternatives available the bank must provide 24 weeks of notice, waive any fees associated with transferring accounts to other banks, and provide information and training to help customers access alternative services such as online banking.

While the Australian Banking Association is never remiss in pointing to its branch closure protocol, it would be interesting to see if this protocol is always followed in a way that gives customers who rely on face-to-face banking realistic, workable alternatives. This would require surveying customers, preferably by the banking regulator.

Online banking will never be an option for many due to the cost of an internet connection and a device, digital literacy, or security concerns, which in light of recent data breaches at major Australian companies are not far-fetched. People in regional and rural areas face the added

¹ Australian Banking Association, 2021, Banking customers continue shift to digital, accessed at <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>

² Reserve Bank of Australia, 2022, Payments System Board Annual Report – 2022, accessed at <https://www.rba.gov.au/publications/annual-reports/psb/2022/the-evolving-retail-payments-landscape.html#:~:text=In%202021%2F22%2C%20Australians%20made,retail%20payment%20methods%20in%20Australia.>

³ Australian Banking Association, 2022, Branch Closure Protocol, accessed at <https://www.ausbanking.org.au/wp-content/uploads/2019/05/Branch-Closure-Protocol-Oct-2015.pdf>

barrier of insufficient infrastructure which makes reliable internet connection harder to access. It is important that face-to-face banking remain an option, especially in regional and rural areas.

Recommendation 1: That the closure of bank branches be a last resort and that when branches do close, adherence to closure protocol can be demonstrated at the branch level.

b. the economic and welfare impacts of bank closures on customers and regional communities

From 2017 to 2022 the number of bank branches across Australia fell from 5,694 to 4,014.⁴ In regional and rural areas this number has fallen from 2,359 to 1,682. While falling at a similar rate, regional and rural areas feel the effects of closures much more strongly as they had access to fewer branches to start with.

This is especially relevant for those who do not use online banking services. There are a variety of reasons online banking is not an option for many people. One barrier is knowledge of how to use these services.

The Australian Digital Inclusion Index (ADII) measures Australians' digital inclusion using three key measures of access, affordability and digital ability. The ADII score for regional areas is lower at 67.4 compared to the average score for metropolitan areas at 72.9.⁵ This score is also impacted by other factors such as age with the score decreasing with age until reaching 47.4 for those aged 75 and over.

Digital connectivity is not always affordable either, as 14 per cent of Australians would have to spend over 10 per cent of their household income in order to have secure, reliable internet connectivity.⁶ This increased to 67 per cent of households in the lowest income quintile, earning less than \$33,800.

Some also have poor experiences with online services or have been scammed or fear scams. This leads to a hesitance to using online services.

For people not using online banking, access to face-to-face banking services is essential. Without branches they have limited access to, and control over their money which has a significant impact on their quality of life.

Some Australia Post outlets provide banking services through Bank@Post, which is a possible alternative for some. However, whether using Bank@Post services or the next closest bank

⁴ APRA, 2022, Authorised deposit-taking institutions' points of presence statistics

⁵ Thomas, J., Barraket, J., Parkinson, S., Wilson, C., Holcombe-James, I., Kennedy, J., Mannell, K., Brydon, A. (2021). Australian Digital Inclusion Index: 2021

⁶ Thomas, J., Barraket, J., Parkinson, S., Wilson, C., Holcombe-James, I., Kennedy, J., Mannell, K., Brydon, A. (2021). Australian Digital Inclusion Index: 2021

branch, many will be required to travel significant distances to access in-person banking services.

With public transport not available or extremely limited in regional and rural areas and driving not an option for many older people or people with a disability, Bank@Post may not be an adequate fall-back.

One CPSA member, Jim, has written to us about this very issue. Jim banks with the Commonwealth Bank and lives in the Southern Highlands. This is a large area covering 52,678 people and has a higher proportion of people aged 55 and over at 42 per cent compared to just 29 per cent in Australia as a whole.⁷ Despite this there are only two Commonwealth Bank branches in the area at Bowral and Moss Vale.

Jim expressed his frustration at the closure of his previous branch. “I need to deposit coin. The bank is at Bowral but I've elected to not drive past Mittagong due to age related safety reasons [having applied for a modified license rather than annual driving tests], therefore I cannot deposit the coin. In my view, that equates to discrimination by the Commonwealth Bank in closing the Mittagong branch.”

Jim also said that accessing this branch is made difficult not just by his own driving restrictions but also because there is a lack of adequate parking and a lack of public transport options.

Bank@Post also only offers a limited number of services such as depositing or withdrawing cash and checking account balances. You are unable to open or close accounts, let alone access more complex services such as applying for a loan or selling your property. This means you have to deal directly with the bank for any of these services.

However there are rarely local branches to visit to do any of this in person, they are available online but this is clearly not an option for many for the same reasons that online banking is not accessible, and trying to get assistance from banks over the phone can be time-consuming and confusing at the best of times. This leaves people with very little option other than to once again travel great distances to their next closest bank branch.

Branch closures affect more than just people's ability to access their money but also their access to loans and the ability to make big life decisions such as buying or selling their home.

⁷ ABS, 2022, Southern Highlands 2021 Census All persons Quick Stats, accessed at <https://www.abs.gov.au/census/find-census-data/quickstats/2021/11402>

c. the effect of bank closures or the removal of face-to-face cash services on access to cash

The impact of branch closures is heightened by the fact that it is not compensated for by the increase of other types of services. From 2017 to 2022 the number of bank branches fell from 5,694 to 4,014.⁸ Over the same period other face-to-face services, such as Bank@Post services, fell significantly from 2,639 to 2,473, while the number of ATMs in regional and remote areas saw a massive drop: from 3,762 to 2,083.

There is also anecdotal evidence that many of the ATMs that are being removed are bank owned ATMs, leaving behind ATMs where a fee is charged.

Helena is a CPSA member who shared her experience. “Recently all bank ATMs in the shopping centres have been replaced with the fee-charging ATMs. I find this abhorrent. My local bank knows of the situation and says it’s only ATM's attached to the bank branch that still remain. This will affect pensioners and the less mobile customers - we do not all do our banking via our smart phones, nor does every pensioner have a computer to use.”

This, combined with the significant number of branch closures, has made banking much harder for Helena and others like her.

With other services decreasing at the same time, cash is increasingly harder to access. After the February 2023 meeting of the Reserve Bank’s Payments System Board, it was announced that the bank would “work with financial institutions and the government to support the further transition away from cheques”.⁹ In other words, confirming its policy to phase out yet another traditional payment method on the basis of cost, again without reference to what a significant number of customers might want.

As previously mentioned, many people prefer to use physical payment methods rather than digital payments or online banking. Whether this is due to a lack of digital literacy, a lack of access, poor previous experiences or concerns about security, physical payment should always be an option.

Access to physical payment methods are also vital for the functioning of community groups and organisations. CPSA can be used as a case study for this.

In CPSA branches, as with other small community organisations, cheques are used as the main form of payment. Any spending decisions are decided at branch meetings and two assigned members are then required to sign off on any cheque before it is paid. This is more convenient as the chequebook can be filled out at a Branch meeting, rather than going to one of the

⁸ APRA, 2022, Authorised deposit-taking institutions’ points of presence statistics

⁹ Reserve Bank of Australia, 2023, Payments System Board Update: February 2023 Meeting, accessed at <https://www.rba.gov.au/media-releases/2023/mr-23-05.html>

members' homes where there is a computer and internet access, and also adds a layer of security to ensure that no one person has control of the money.

Without access to cheques, either because they are being phased out or because there is no way to cash them, branch members will be required to use online banking. This becomes an issue if no one in the group is familiar or comfortable with online banking. It also makes the branch more financially vulnerable as only one person is responsible for making payments and, as they are likely to do the online banking when they are alone at home, there is a lack of accountability. Instead of being able to sign the cheques at a branch meeting, the second 'signatory' would have to go to the home of the first 'signatory' to oversee the online banking.

For many reasons, members are reluctant to have others come to their homes. This, alongside the added responsibility of often being the only branch member who can use online banking and therefor perform the duties of the treasurer, means that fewer people are willing to take on the role. Not only are they unable to take any time off or share the role with other people, they are also opening themselves up to the possibility of being accused of misusing branch funds.

Another issue is that CPSA members make cash payments such as membership fees, payment for branch activities like bus trips and raffles or gold coin donations with cash or sometimes cheques. With limited access to cash, people's ability to participate in social and community groups is hindered, impacting their overall wellbeing. In CPSA branches, these payments are never made electronically. If there is no bank nearby to allow these payments to be made by cash or cheque they simply do not happen.

If members do pay with either cash or cheques, it is important for the branch treasurer to be able to go straight to a bank after the meeting to ensure all money is banked and accounted for. Both access to cash itself and access to services to process this cash are vital for the functioning of many community groups. Once again, other members of the group are more vulnerable to financial abuse if there is one person responsible for the money and it is not properly documented.

Whilst this example details the issue within CPSA branches, this is a real problem for other membership organisations and community groups as well.

Recommendation 2: That in cases where branch closures are implemented, other services such as Bank@Post and fee free ATMs be made available to ensure continued community access to cash.

Recommendation 3: That banks be required to offer cheque accounts and to accept cheques for processing.

e. consideration of solutions; and any other related matters

Current Bank@Post services do not offer the full range of services available at standard branches.

For example, while you can make withdrawals, deposits and enquiries, you cannot open or close accounts. Services may also be limited depending on who you bank with. Some participating banks offer all services, some offer limited services and some like ANZ do not participate in the service at all.¹⁰

In its current form Bank@Post may offer a solution to the problem of access to cash, but it is not an acceptable alternative to face-to-face banking as a whole. If the program were to be expanded to allow access to the same services as provided through traditional banking, it could be a viable alternative.

Another alternative currently being offered is the provision of digital training intended to assist in bridging the digital divide, which prevents many, particularly older, people from participating fully in their communities.

Many banks offer training and advice for their online services. The Australian Government's Be Connected initiative also provides resources and advice with the aim of increasing digital literacy, including familiarity with online banking.

However, while these initiatives are useful to many, it is of no help to those who can't or won't use online banking services. Whether this is because a reliable internet connection and functioning device is unaffordable or unavailable due to location, because they are cautious of online scams and sharing private information, because they aren't digitally literate or because they are frightened to do any online banking activities, face-to-face alternatives must always be available.

A possible solution can be found in New Zealand with their big branches joining forces to create regional banking hubs. These banking hubs offer support staff, online banking assistance and a Smart ATM that allows customers to make deposits, withdrawals and other basic transactions.¹¹ This structure is similar to current Bank@Post services, but in the New Zealand pilot program specific bank staff serve customers. They are better equipped to help customers with more complicated bank services.

Provided that, at a minimum, all four big banks agreed to and participated in establishing these hubs, it can also be assumed that most regional customers would be able to bank through the hubs.

¹⁰ Australia Post, Bank@Post, accessed at <https://auspost.com.au/money-insurance/banking-and-paying-bills/bank-at-post>

¹¹ New Zealand Banking Association, Regional Banking Hubs Pilot, accessed at <https://www.nzba.org.nz/banking-information/regional-banking-hubs/regional-banking-hubs-pilot/>

As in New Zealand, bank branches should remain open while the pilot program is operating to allow people to continue their banking in a way that is reliable and familiar. However, in the case that closures cannot be avoided, this could be a viable alternative.

It would be important to ensure that these hubs are effectively located to allow everyone in regional and remote areas access to a banking hub within a reasonable distance.

Recommendation 4: That regional banking hubs, similar to those established in the New Zealand pilot, be introduced to ensure that everyone has the option to access face-to-face banking services.