Submission to the Mandating Cash Acceptance consultation

Date of submission: 7 February 2025

About Financial Counselling Victoria

FCVic is the peak body and professional association for Victoria's 300 practising financial counsellors. Our organisation was established in 1978 by Victorian financial counsellors to provide sector professionalisation, peer support, and undertake systemic advocacy.

FCVic's vision is *'a fairer and more equitable society with improved community wellbeing and better lives for vulnerable people'*. FCVic develops resources, builds sector capability, and advocates on behalf of financial counsellors and community members on systemic issues that cause and exacerbate poverty and financial hardship. We work with government, banks, utilities, debt collection agencies and other industries to improve approaches to financial hardship and vulnerability.

Financial counselling is a free, confidential, and independent service. It provides vital help for people experiencing, or at risk of, financial hardship. Financial counsellors are uniquely qualified professionals, specially trained to deal with complex financial matters. They assist more than 23,000 Victorians each year – including newly arrived migrants and refugees, family violence victim-survivors, people impacted by catastrophic natural disasters, and people with disability.

About this submission

We welcome the opportunity to provide a submission to the Mandating Cash Acceptance consultation by the Federal Government.

This submission has been informed by the input of our members and specialist financial counsellors. We acknowledge and give special thanks for the input and expertise of member financial counsellor Margie Tickner of Anglicare NSW, which has helped to inform this submission.

Further questions about this submission can be sent to Amanda Chan, Advocacy Manager at achan@fcvic.org.au.

Our commentary

Firstly, we emphasise that we agree that cash acceptance should be mandatory for goods and services.

The practical, psychological, inclusivity and resilience aspects of using cash to pay for goods and services are multi-faceted and measurable. Below, we provide some examples of the benefits of cash acceptance for different communities.

Importance of cash acceptance for different communities

People with long-term and permanent vulnerability

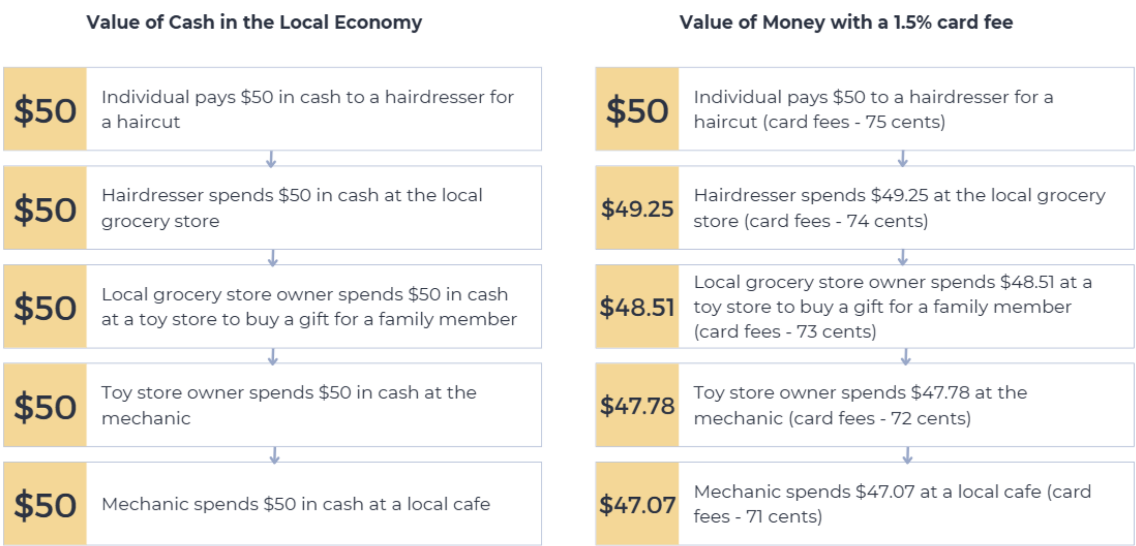
Any payment system that creates a scenario in which one person is dependent on the goodwill and honesty of another person carries an unacceptable level of risk of financial abuse and exploitation.

Financial counsellors have raised concerns about people with long-term and permanent vulnerability being at risk of exploitation – and have provided an example of clients with vision impairment who are able to manage their finances with cash, but would struggle to access their accounts without external assistance if they were required to manage all their regular transactions with card payments.

The same risks apply for people who are currently not using digital or card payment systems for reasons other than physical accessibility – for instance, those who are locked out due to a lack of technology skills, or are restricted by circumstance from owning or accessing digital devices. Any payment system that requires individuals to seek assistance from others to access and use their own money will necessarily create an additional level of dependence and risk of exploitation.

People in financial hardship

Financial counsellors are particularly concerned about the budget implications of the move towards digital and card-only transactions for those in financial hardship.



It costs more to pay for goods and services through digital means. $50 paid in cash for a good or service retains its value no matter how many times it changes hands. $50 paid by credit card with a 1.5% surcharge will lose $10 in value by the time it changes hands 12 times – resulting in more money for financial institutions, and less money in the hands of those individuals and small businesses who need it most. This is particularly important in rural and regional areas where the cost of running a business is generally higher due to freight and other unique costs.

Cash as a budgeting tool

The feedback from financial counsellors is clear – the use of cash is critical as a budgeting tool for people in financial hardship, and is proven to be more effective as it is more tangible and provides a real connection for people to their finances. Without cash, there is a heightened risk of disconnection from their finances, increased opportunity to exceed one's financial capacity by overusing lines of credit including Buy Now Pay Later, and subsequent experience of financial hardship.

Research by George Loewenstein and his colleagues has shown that there is a greater psychological loss and pain that occurs when purchasing items with cash. The act of handing over cash couples a loss of available money with a purchase – whereas paying for the same item with a card 'decouples' and creates a buffer zone between the actual purchase and the pain of paying for it.

A recent study from University of Adelaide researchers also found that "The pattern was clear; it does not matter whether consumers use a credit card, a debit card, a buy-now-pay-later service, or a mobile phone—they're likely to spend more when using cashless payment methods compared to using cash".

Given that the Federal Government through the Department of Social Services has a focus on supporting financially vulnerable people through the 'Financial Wellbeing and Capability Activity' to 'empower people to look after their money and become financially resilient and independent', we suggest that retention of and mandating widespread cash acceptance for all goods and services is critical to achieving a stated DSS goal.

Case Study: State Trustees Victoria

Our clients typically have very limited, if any, financial literacy – they are clients of State Trustees because they have been deemed by the court system to not be capable of managing their own financial affairs.

One tool we use is to use play money to teach clients in a tangible way about the value of money. Using this tangible tool is a better way of illustrating to our clients how to budget and put money aside for essentials, as digital numbers on a screen has limited, if any value to them.

In fact, a large number of our clients are locked out of accessing financial institutions altogether due to their personal circumstances. They have no access to credit cards, and some have no access to debit cards either. Digital payments are not possible for this cohort. Some of these clients need to attend our office to collect gift cards and others will access their cash once a week with the help of their support worker and divide their cash into envelopes to better manage their budget.

If cash was to be phased out of use in certain businesses, it would mean that this very vulnerable cohort will be left unable to access goods and services altogether.

Mandated cash acceptance across all goods and services, in all business sizes, is the only way to ensure that these most vulnerable individuals continue to be able to participate in the economy.

(Leanne Khan, Financial Counselling Advisor at State Trustees Victoria)

People experiencing family violence

Cash is not traceable – something that may be of concern for financial institutions, but is critical to maintaining the safety of people experiencing family violence. The use and 'stashing' of cash can help to build an escape from family violence, and can be a form of safety when living in family violence.

When living in family violence, card purchases can be traced and questioned by the person using family violence. The victim-survivor's location can be traced based on purchases, through notifications on joint accounts or if the person using violence has access to a victim-survivor's bank account. This can also happen after separation, if bank accounts have not yet been separated – creating a real risk to the victim-survivor's safety.

Julie Barrow, FCVic's Family Violence Lead states "Cash is a lifeline – and a safer option for victim-survivors to meet their needs for goods and services in a way that can't be traced by the person using violence."

Communities vulnerable to natural disasters and digital outages

Financial counsellors based in regional areas noted that the consultation paper seemed to demonstrate a lack of first-hand regional and rural experiences, noting that in remote areas, internet connections can be unreliable and so digital payments are a real issue. Cash is the only tried, true, and reliable payment system in these circumstances.

Kellie Davis, FCVic's Disaster Recovery Lead states, "Cash is king in the aftermath of a natural disaster – it ensures that individuals can get the goods they need, and businesses can stay afloat".

- **Individuals get what they need:** Cash allows individuals and families to purchase what they need most, whether that's food, water, shelter materials, medicine, or other essentials. This flexibility is vital because the specific needs of people can vary widely.
- **Businesses stay operational:** Cash injections into local economies help stimulate business activity. Local vendors and markets can remain operational and continue to provide essential goods, which supports the immediate needs of the community and helps speed up recovery for the entire area.
- **Empowering Individuals:** Cash gives people a sense of control over their own recovery. It helps reduce reliance on aid agencies and allows recipients to make decisions based on their own circumstances and priorities

Without a cash acceptance mandate, the growing number of communities impacted by the increasing frequency of natural disasters will be

The proposed mandate scope and application

It is proposed that a corporation, in trade or commerce, that:

- *supplies an essential good or service to a consumer; and*
- *offers in-person payment; and*

- *is not an exempt small business;*

must accept cash payment for those goods and services.

We believe that the proposed mandate scope and application is unnecessarily limiting, and will continue to exclude core communities from using cash as a necessary part of their life.

Definition of 'Corporation' and 'Exempt small business'

The definition of 'corporation' should be expanded to capture all registered service and goods-providing businesses. We note that the consultation paper suggests that 'turnover of under $10 million' aligned with Australian taxation law could be a factor in considering which businesses are excluded from this mandate[1].

However, this arbitrary limit would exclude people using cash from accessing 98.2% of all Australian businesses[2]. This creates an entrenched system of segregation, excluding people who may already be experiencing disadvantage from fully participating in Australian society and the economy.

Definition of 'Essential good or service'

We have significant reservations about the definition of 'essential good or service' provided in the consultation paper and the different measures of 'discretionary vs non-discretionary', 'basics vs non-basics', 'essential vs non-essential'.

It is not the role of government to determine what is essential or non-discretionary. It is not even the role of financial counsellors working with people on their household budgets to determine what is essential or non-discretionary. This is a highly personal, highly individual decision based on a person's own circumstances.

As an example – the proposed classification Table 3.1. suggests that "Cakes and biscuits; snacks and confectionery; ice cream and other dairy products; and soft drinks and juices; and meals out and take away foods" are non-essential goods and services and therefore should not be captured under this mandate.

However - someone with type 1 diabetes who needs to carry confectionary or juice with them as a precaution against hypoglycaemia would argue that this is an essential good. Someone with physical, mental or environmental limitations against preparing meals at home would require takeaway or pre-prepared meals as a non-discretionary spend.

Under 'Clothing and footwear', the categorisation of 'Garments, footwear, accessories and jewellery for women and men; and tailoring, dry cleaning and shoe repairs' as a discretionary item is short-sighted and doesn't capture the essential nature of garments in facilitating individual engagement in the workforce, society and community.

Appropriate clothing is required to participate in employment, social engagements, and more. Additionally, immediately after a natural disaster, people often need to buy clothing and footwear as they are only left with the clothes they are wearing once a natural disaster

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[1] See the definition of "small business entity" in sections 328-110 of the Income Tax Assessment Act 1997 (Cth).

[2] Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, June 2019 to June 2023

has impacted their lives. To classify this as non-essential goods without the requirement of cash acceptance could lock people out of full participation in society, and recovery after a natural disaster.

Similar arguments could be made for every other item listed under 'non-essential good or service', and so we suggest that the proposed classification is simply too stringent. Removing the term 'essential' from the mandate scope and application recognises that all goods and services should be included for mandatory cash acceptance as all people have different personal needs due to their own personal circumstances.

Definition of 'In-person payment'

We agree that this is an appropriate inclusion that will help to exclude online-only or app-only goods and services, even if goods are picked up in person or the service delivered in person (e.g. Click and Collect at a department store, or UberEats).

Processing fees and charges

We are conscious that there is a danger as the use of cash decreases overall, that businesses may start to consider charging additional fees for the handling of cash.

As we have already noted earlier in this submission, cash is currently the only payment method which retains its value with each transaction. This unique quality must be preserved given the tight budgets that many low-income and vulnerable households are already working with.

The mandate should include wording to ensure that businesses are restricted from charging fees for the handling of cash.

Suggested revised definition

With the above recommendations, we suggest that a revised mandate scope and application could be as follows:

> *A registered business, in trade or commerce, that:*
>
> - *supplies goods or services to a consumer; and*
> - *offers in-person payment;*
>
> *must accept cash payment free of handling fees and charges for those goods and services.*

Mandate options

We prefer the option for the mandate to have a dollar limit, where businesses are only required to accept cash for transactions below this dollar limit (but are encouraged to accept cash for transactions above this dollar limit where requested).

However, given the fluctuation in the value of money, we suggest that the dollar limit should be variable number rather than a set number, to ensure that it is relevant into the future. One option for this variable number could be 'Average weekly ordinary time earnings for full-time adults'[3] as regularly updated by the Australian Bureau of Statistics.

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[3] $1,923.40 as of May 2024.

Whichever metric is chosen, we suggest that it be a realistic number that recognises that people may make larger purchases with cash (e.g. someone living rurally may do an entire month's worth of grocery shopping with cash payment while 'in town'), and therefore should not be too restrictive.

The consultation paper floated the idea of a time limit – this should not be considered as it is not useful for shift workers.

Compliance measures

We agree with the compliance measures noted in the consultation paper – investment into community and business awareness and education is a critical component of this mandate. These education measures should be in Plain English, translated into community languages, and other mediums including short-length video and animation to ensure accessibility across as many community cohorts as possible.

We also agree that enforcement is a critical component of ensuring that businesses comply with this mandate. Multiple opportunities, both public and private, for enforcement should be made available, however it is crucial that public enforcement via a regulator should be well-funded, resourced to effectively deliver enforcement activities, with sufficient powers to act.

We make this recommendation because while the empowerment model of financial counselling always aims to empower clients (consumers) to act to enforce their rights, we also recognise that the different circumstances and types of vulnerability that they experience may make it challenging to act. As such, appropriately funded and resourced public enforcement where a financial counsellor can act on behalf of a client to make a complaint to a regulator is crucial.

A final note

Discussions about mandating cash acceptance must go hand-in-hand with considerations about mandating continued access to cash through bank branches and ensuring accessibility of payment methods for all people.

Bank branch closures in regional areas create additional cost-of-living pressures for regional communities. The cost of travelling to a town with a bank branch can be prohibitive – both financially and in time and resources expended. As part of this work on mandating cash acceptance, the Federal Government should publish their response to the final report of the Senate Inquiry into Bank Closures in Regional Australia, and implement all eight recommendations from the report.

Finally, ongoing efforts from the financial sector to improve accessibility of all payment methods for all people should be required to ensure that those who are most vulnerable are not left behind as systems evolve and grow.

Thank you for the opportunity to provide this submission to the Mandating Cash Acceptance Consultation on behalf of Victorian financial counsellors who each year, assist over 23,000 vulnerable people experiencing financial hardship.