

12 February 2024

Ms Sally Etherington  
Director  
Payments Strategy and Policy Unit  
Financial System Division  
The Treasury

Via email: [paymentsconsultation@treasury.gov.au](mailto:paymentsconsultation@treasury.gov.au)

Dear Ms Etherington

### **Winding down Australia's cheques system**

COBA welcomes the opportunity to comment on its discussion paper on winding down Australia's cheques system.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). Collectively, our sector has around \$170 billion in assets and 5 million customers. Customer owned banking institutions account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market. Our sector's share of ADI housing lending is around 5 per cent and our share of ADI personal lending is around 4 per cent.<sup>1</sup>

Our members have a wide range of business models and service different demographics including those originating from employee groups (e.g., essential workers) or specific regional areas. The customer owned banking sector has a long history of putting our customers first.

#### **Key points**

COBA supports winding down cheque use given many have moved to more convenient and faster ways to make payments. Industry and government will need to address the barriers and other considerations in the transition.

COBA supports a coordinated industry approach as the Government moves to wind down cheques. Our members generally rely on third parties to process cheques so as these parties withdraw their services, so will our members.

COBA recommends amending the transition sequencing to cease issuing bank cheques later to allow for bank cheques recipients to transition to other payment forms.

#### **Regulatory barriers**

Beyond the examples in the paper, there are further legislative and regulatory barriers requiring or promoting cheque use. Winding down cheques in the proposed timeframe will need the Government to provide clear regulatory guidance on these points.

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<sup>1</sup> APRA's Quarterly Authorised Deposit-taking Institution Statistics, September 2023: [Quarterly Authorised Deposit taking Institution Statistics](#) .

For example:

- ASIC's Consumer Remediation Regulatory Guide ([RG 277](#)):
  - Currently licensees send a remediation cheque to customers when other avenues for automatic payment are not reasonably available. This is particularly the case if the only valid contact point is a home mailing address. This ASIC guidance would need to be updated to clarify what alternatives to cheques are recommended in these circumstances.
  - The option to make a remediation payment to ASIC as unclaimed money is not currently a viable alternative, as it is limited to amounts above \$500 (quite a high threshold).
  - Principle 7 of RG 277 states that the remediation process should be easy for consumers by limiting their involvement in the remediation process. However, this principle will likely be impacted by ceasing cheques as a payment option, as removal of cheques means that customers may need to be contacted by financial institutions to confirm their details for remediation payment. It follows that updated guidance will also be necessary on what constitutes applying 'reasonable endeavours' to reach customers to make a remediation payment, when cheques are no longer an option.
  
- Financial Claims Scheme ([APS 910](#)):
  - APRA guidance currently provides that Financial Claims Scheme payments can be made by cheque. This guidance would need to be updated to clarify what alternatives to cheques are recommended in circumstances where other details for electronic payment are not reasonably available, especially as the customer timeframes for providing details for an alternate ADI are very short.

### **Transition considerations**

Our members require sufficient lead time to facilitate an orderly transition away from personal cheques. This time is needed to manage operational considerations, such as:

- Changes to products and supporting disclosure documents (including sufficient time to provide customers with advance notice of the change).
- Change management activities, training, and communications to support customers through the transition.
- System changes.
- Procedural changes.
- Changes to contract arrangements with our third parties involved in processing cheques.

The proposed timeframes for ceasing cheques appear appropriate to manage these operational considerations, provided there is a coordinated approach to any withdrawal of cheque processing sponsorship. We note that many members are already in the process of winding down personal cheques.

Further factors to consider are outlined in **Annexure A**.

### **Sequencing of transition - bank cheques**

Bank cheques are still commonly used in paper conveyancing settlements. Multiple states are still transitioning to e-conveyancing (for example, Northern Territory or Tasmania) or have exemptions to e-conveyancing use (e.g. in Queensland, if a party to the instrument is a natural person, not a subscriber to an Electronic Lodgement Network Operator and is not represented by a legal practitioner). Bank cheques are also commonly used to pay deposits at property auctions or private sales. More industry solutions are needed to replace bank cheques in these circumstances, and this may require additional transition time. Banks have implemented these measures to protect consumers from scams. Other payment options like credit cards are not appropriate due to credit limit or charges.

Banks may also issue bank cheques to limit risk exposure to help ensure disbursements are made correctly. For example, bank cheques may be used to facilitate final disbursement of a deceased estate where executors, next of kin or beneficiaries may be estranged.

Industry developments for safer payments such as having an industry-wide confirmation of payee solution in place are desirable before bank cheques are ceased. This also needs to be combined with support for those who seek to be paid with bank cheques.

Amending the sequencing to allow more lead time to transition away from industry bank cheque use would be highly beneficial.

### **Sponsorship arrangements**

We believe industry should all act together and transition in a coordinated approach. It is difficult for smaller banks to create an orderly transition without the rest of the industry. Smaller banks, such as customer-owned banks, have significant external dependencies and third-party arrangements with external ADIs and major banks to process cheques for customers. As such, the withdrawing of sponsorship arrangements by these external parties can result in a 'forced withdrawal' from the cheque system for smaller banks. We note this has already occurred for a number of COBA members.

If withdrawing cheque processing sponsorship is not properly coordinated across industry and prematurely executed, it may result in some undesirable outcomes, such as smaller bank customers having to move banks or open additional accounts to access cheque-related services.

### **Impact on consumers**

COBA is cognisant that some consumers continue to use cheques for payments due to various reasons, including poor internet connection, little experience with internet banking or digital distrust. These are all understandable concerns, and COBA members are approaching these challenges with care and empathy. Customer-owned banks pride themselves on their sense of community and building great relationships with locals. As such, COBA members are already having personalised, one-on-one conversations with customers who use cheques, and providing digital education where needed. These customers may also have other alternatives available such as phone banking, Bank@Post and branch service.

Our members will continue to monitor feedback from consumers on the transition, but to date very few complaints have been received.

If you wish to discuss this submission, please contact Ilana Madjar ([imadjar@coba.asn.au](mailto:imadjar@coba.asn.au)).

Yours sincerely



**MICHAEL LAWRENCE**  
Chief Executive Officer

## Annexure A

Our members have submitted the following additional considerations when transitioning from the cheques system:

- What does the Government deem to be a sufficient grace period for consumers to transition?
- Will the Government determine what is an appropriate alternative to cheques? For example, New Payments Platform and Stored Value Cards are alternatives to cheques, but New Payments Platform does not work where there is limited access to internet.
- What is the proposed timeline for new legislation specifically where there is no stale period for bank cheques?
- If the Government does not want an uncoordinated withdrawal from cheques, what level of cheque support do banks that are still offering cheques need to offer customers? Will this include both cheque issuing and acceptance until the rest of the market leaves?
- Will the Government require tier 1 Australian Paper Clearing System participants to continue offering agency banking services for cheques?
- Bank@Post will be a 'fallback' option for many COBA members for cheque acceptance if branches/ATMs are unable to accept cheques for technical reasons.