

3 December 2021

Submitted via futureofmoney@rbnz.govt.nz

Future of Money
Money and Cash Department
Reserve Bank of New Zealand
Wellington

RE: Te Moni Anamata – Kaitiakitanga issues paper

In Aotearoa the use of money is essential for the health, wellbeing and social participation of whānau. Effective oversight and action to ensure all can use money confidently is a cornerstone of building financial capability and overcoming hardship in our communities.

FinCap welcomes the opportunity to comment on the Reserve Bank of New Zealand's (RBNZ) Te Moni Anamata – Kaitiakitanga issues paper (**Issues Paper**). The 900 financial mentors we support who work with whānau throughout Aotearoa need the confidence that the monetary system will not be unstable and undermine their work. We strongly support the proposal for RBNZ to take a kaitiakitanga (stewardship) role to responsibly manage and oversee a system to create long-term value and sustainable benefits for society.

We consider the Issues Paper promising and strongly recommend that it lead to work that ensures all in Aotearoa have a right to access essential banking services. A functional cash system must be maintained as a safety net to stop absolute exclusion from full social participation but there should also be work to realise a right to essential services and lower chances that whānau are vulnerable to having no choice but using cash in the first place.

We expand on these comments below.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 200+ local, free financial mentoring services across Aotearoa. These services support more than 70,000 people in financial hardship annually. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Response to Issues Paper questions

Q1 Do you agree with the proposed objectives of stewardship?

We strongly agree with the proposed objectives in the Issues Paper, especially the second objective's inclusion of "access to money in a form/s that suit their changing needs." We view this particular proposed aspect as a promising signal that FinCap, financial mentors or others in the community

could raise concerns and see action to resolve problems with people facing hardship due to exclusion from the monetary system.

However, we recommend a slight rephrasing of the second objective to:

Central bank money is available as a fair and equal way to pay and save, ensuring that ~~New Zealanders~~ all in Aotearoa have access to money in a form/s that suits them and their changing needs.

We recommend the addition of “all” to ensure that a group who are generally disadvantaged and most likely to be disproportionately harmed by issues in the monetary system are always included in all decision making rather than dismissed as requiring an additional ‘non-mainstream’ solution to their needs. Although most decision makers are moving away from this archaic approach and recognising that all can face hardship or experience vulnerability and this should be a central consideration, this change to objective can cement the right approach into the future work.

We recommend the change to “in Aotearoa” as opposed to “New Zealanders” so that it is clear that migrants facing issues with immigration status who may be financially excluded can see this work is also there for their wellbeing. This also widens the objective to include anyone in Aotearoa who may not identify specifically as a ‘New Zealander,’ for instance someone who prefers identifying as a part of their iwi.

Recommendation: Rephrase the second objective to; *Central bank money is available as a fair and equal way to pay and save, ensuring that all in Aotearoa have access to money in a form/s that suits them and their changing needs.*

Q2 Do you agree that the approach to the stewardship of money and cash should be proactive?

Yes. Emerging issues that cause disproportionate harm need as early response as possible. Avoiding whānau facing hardship in the first place is the best way for the RBNZ to support the work of financial mentors.

Q3 Do you agree that the stewardship role is broad, and extends across the whole financial system in New Zealand?

Yes, we need confidence that the RBNZ has visibility and is able to work with other decision makers in a co-ordinated way with action to resolve any issues that could undermine access to use money in Aotearoa.

Q4 Other than clear responsibilities, comprehensive functions, effective tools and strong accountability processes, what do you think a steward ought to have in order to be successful?

We strongly support the RBNZ gaining access to the power to “regulate access to cash services or cash acceptance” where necessary.

As discussed below in our response to Issues Paper question 7 and acknowledged in the issues paper itself, some in Aotearoa are ‘unbanked.’ This may cause unreasonable challenges. FinCap strongly advocates that access to a bank account is an essential service and that commercial banks recognise their social responsibility not to deny access.

However, as a back stop we also recommend the RBNZ consider whether it should intervene as far as itself putting necessary distribution infrastructure in place to continue access to cash and a way to bank as a backstop and whether RBNZ needs more powers to do so. If setting up an accessible way to bank for all in a community is the only way to avoid whānau facing hardship, then it is necessary.

FinCap has been involved in arranging the funding for several community organisation led trials of ways to help communities overcome issues with accessing banks. These trials are funded through the New Zealand Bankers Association and may offer insights to the RBNZ on what barriers can be overcome as well as where commercial banks need to lower barriers for the community accessing them. FinCap is willing to explore how best to share any insights from this work with RBNZ.

Recommendation: RBNZ consider whether it should intervene to the point of putting necessary infrastructure in place to continue access to cash and a way to bank as a backstop and whether RBNZ needs more powers to do so.

Q6 Do you think as a priority the steward should regularly collect, analyse and report on money and cash data?

Yes. This action will bring oversight that is essential to our communities being confident that all is working as it should or that any issues will be identified and appropriately addressed.

Q7. What do you think are the key issues the steward will be grappling with in the next 10 years or so, and which of these should the Reserve Bank prioritise?

Financial mentors regularly report concerns about financial exclusion and frustration with the unreasonable barriers they must support whānau to overcome in order to avoid exclusion. Changes to the monetary system could see more whānau left behind than now if the RBNZ does not co-ordinate intervention.

Maintaining an effective cash system as a back stop to ensure all whānau have a mechanism for social participation no matter what is vital to preventing serious harm to community. Beyond this access for all to essential services like a bank account should be a right. People should generally not be put in a position of having no option but to use cash.

Whānau in Aotearoa should have rights as well as clear and simple mechanisms to access goods and services that are necessary for health, wellbeing and social participation. Without there being clear rights to these goods and services and simple access for all regardless of circumstances, financial mentors will be constantly seeing their efforts to walk alongside whānau building financial capability undermined by avoidable hardship.

Page 16 of the issues paper acknowledges some people are 'unbanked.' FinCap is aware of people refused banking on the basis that they have had to go through an insolvency or have no identification. Financial mentors are left to pick up the pieces or end up stuck and watching as lack of access to a bank account leads to significant harm as a person is left unable to administer payments for the necessities even if going to great lengths to find a work around. An insolvency should be a fresh start away from hardship and no one should face the consequences of being denied essential banking services. We recommend the RBNZ work to ensure a right to access for all to essential banking services as a priority.

Recommendation: RBNZ work to ensure a right to access for all to essential banking services as a priority.

We also know of people who when overwhelmed by other life circumstances take up the help of "Total Money Management" which is often administered by a financial mentor despite this not being funded in the Ministry of Social Development's strengths-based building financial capability model. This reflects community organisations filling the gap in support to ensure bills are paid for people facing significant challenges. At times these services also have resources taken up by being the last

resort for setting up a mechanism to accept electronic payments that are immediately passed on as cash for those who cannot access a bank account.

These services fill a vacuum in formal support for people at risk of financial exclusion and the needs they service should not be ignored by the RBNZ and other decision makers working towards wellbeing in Aotearoa. As this service provision is outside of FinCap's expertise we recommend RBNZ proactively reach out and consult directly with those who provide Total Money Management on current insights and the gap in support they fill. A list of all services offering financial mentoring in Aotearoa with contact details and a flag for those that do or previously did offer Total Money Management is available at <https://www.moneytalks.co.nz/find-help-now/>.

Recommendation: RBNZ prioritise work on overcoming exclusion by proactively reaching out and consulting directly with those who provide Total Money Management.

We are also aware that the exiting of bank branches from communities is creating access issues and contributing to people facing hardship. This is spilling over into the workload of financial mentors who pick up the pieces where there is harm occurring. We know the RBNZ is already tasked with working on these issues and support it being a priority. As above, FinCap is willing to explore how best to share any insights from our involvement in arranging funding from the NZBA for community initiatives with RBNZ. We also hear from financial mentors otherwise on these issues and will look to contribute what they are seeing on the ground to any consultation.

Recommendation: The RBNZ prioritise work on resolving any issues with access to physical bank services ceasing or reducing in some rural and urban communities.

Q8. Do you agree that access to cash and the acceptance of cash are issues the steward should be concerned about as a matter of priority?

Strongly agree. FinCap also hears examples of financial mentors finding that for some they work with the physical use of cash is the key to planning spending and building their financial capability. The physical use of cash is helpful for simple decision making when whānau facing hardship and poverty are overwhelmed by constant challenges from compounding, overlapping and time consuming financial, health and social issues. Cash and the acceptance of cash reduces harm in communities.

Q9. Do you agree with the analytical approach we are considering for developing policy for the cash system?

We support multiple analytical approaches as discussed in the Issues Paper.

Q10. Are there any pressing issues with the ongoing effectiveness of the cash system that we should be particularly mindful of?

Please see the issues raised in response to Issues Paper question 7.

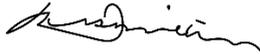
Q12. Are there circumstances or impacts related to acceptance, availability, depositing, handling or transporting of cash that you wish to highlight?

It has been shared with FinCap but we have not verified that small businesses in a remote part of Aotearoa had made the decision to break bank notes into coins at gambling venues to avoid the logistics of accessing cash otherwise. If this is true it is concerning that gambling is more accessible than banking in a community and, if it is not true, then such information circulating is a sign that community opinion sees this as plausible because of a deficit in confidence that the monetary system is working as it should. Either way this being shared with FinCap as a concern demonstrates more work needs to be done on access to, or building confidence around, cash.

Q13. Do you think the key benefits and risks related to stablecoins have been identified in the paper?
FinCap is concerned by the issues raised around monetary sovereignty relating to current stablecoins in the Issues Paper and supports RBNZ investigating the most effective way it can intervene in the interest of all in Aotearoa.

Please contact Jake Lilley, senior policy advisor at FinCap on 027 278 2672 or at jake@fincap.org.nz to discuss any aspect of this submission.

Ngā mihi,



Ruth Smithers
Chief Executive
FinCap