

# **Department of Treasury – Taskforce Consultation on Regional Bank Branch Closures**

Submission by Legal Aid Queensland

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### Introduction

Legal Aid Queensland (LAQ) welcomes the opportunity to make submissions in relation to the impact of bank closures on regional communities.

LAQ provides input into State and Commonwealth policy development and law reform processes to advance its organisational objectives. Under the *Legal Aid Queensland Act 1997* (Qld), LAQ is established for the purpose of “giving legal assistance to financially disadvantaged persons in the most effective, efficient and economical way” and is required to give this “legal assistance at a reasonable cost to the community and on an equitable basis throughout the State”. Consistent with these statutory objects, LAQ contributes to government policy processes about proposals that will impact on the cost-effectiveness of LAQ’s services, either directly or consequentially through impacts on the efficient functioning of the justice system.

LAQ always seeks to offer policy input that is constructive and is based on the extensive experience of LAQ’s lawyers in the day to day application of the law. We believe that this experience provides LAQ with valuable knowledge and insights into the operation of the justice system that can contribute to government policy development. LAQ also endeavours to offer policy options that may enable government to pursue policy objectives in the most effective and efficient way.

LAQ’s Farm and Rural Legal Service (FRLS) provides advice and assistance to rural producers and rural small businesses throughout rural and regional Queensland that have severe debt related problems or are in dispute with their lenders or are otherwise facing financial hardship directly related to their business of primary production. The service is free of charge. No income or assets tests apply.

The FRLS works closely with rural financial counsellors and professional advisors, such as agribusiness consultants, accountants and private legal advisors and represents rural producers in farm debt mediations as well as other debt negotiations with their financiers. The FRLS does not provide representation in court proceedings.

LAQ’s Consumer Protection Unit (CPU) provides advice and assistance to clients regarding issues with banking, home loans, other credit and finance related matters and insurance.

## Consultation questions

### Question 1: How are Australians changing the ways they are accessing banking services? What are driving these changes?

#### *Farmers and Rural Based Businesses*

Farmers and Rural Based Businesses have generally moved away from using hand-written cheques and cash to using on-line banking and digital communications for both accounting and banking services.

These changes for farmers were driven by changes to technology from both an accounting and banking perspective.

However, many small businesses require access to a daily cash float and need to bank cash daily because they rely on cash transactions. Access to a local branch is important for ensuring access to this necessary cash.

#### **(i) Face to face banking transactions**

There has also been a significant decline in face to face communications between banks and their customers. This decline has been caused by bank closures and the gradual erosion of services.

#### **(ii) Specialist Agri-Business and Small business Bankers**

Specialised agri-bankers and small business Bankers have been removed from most regional banks and placed into major hubs. This has greatly reduced the ability for farmers and rural based businesses to have face to face meetings with experts at their banks that have specialist knowledge about their operations. Customers with loans under \$1 million dollars often have no face to face communication with any banker and must deal with call centres in locations unknown to the customer.

The reason for this is that most banks do not provide a face to face bank manager for farmers or small businesses with loans below \$1million dollars.

#### *Consumers*

With the reduction of services offered by the banks, consumers have been pushed towards using online banking and credit card transactions. These changes have been encouraged by banks who have focused on digital technologies. There has been a push to discourage the use of pass books and cash transactions requiring face to face banking. There has also been a reduction in trading hours and services to the regions which has resulted in customers being forced to adopt online banking and credit cards. The customers have had little choice but to comply.

The closure of bank branches and reduction in services has had a detrimental effect on:

- (a) Regional and remote areas where technology means that the internet is not always accessible.
- (b) Older people who are not comfortable using the internet or digital services and prefer the comfort of a face to face interaction.
- (c) People with a disability who may need to attend a branch to access bank services for a variety of reasons.

**Question 2: What banking facilities, services and products are used in regional bank branches?**

*Community Banking*

Generally speaking, the banking needs of regional communities are no different to those of any communities living in larger metropolitan areas. They need access to the whole ambit of banking services and products banks offer.

Access to banking services that metropolitan areas take for granted are not always accessible in regional areas. For example, ATM machines that accept and provide cash withdrawals are a necessary part of every Australians banking services. FRLS has been advised that following the closure of banking branches and services some towns have no ATM's or banking services which provide cash transactions in an efficient manner due to faulty machines

Where bank ATM are no longer available private operators may provide an ATM service but at a cost to consumers.

Facilities have been closed and removed from many areas in Qld leaving customers significant distances away from their closest branch. FRLS has seen a bank close its branches in 2 small country towns while also reducing the opening hours of its branch in the larger town located relatively close to each of these small towns. This occurred in the Central Queensland towns of Moura, Theodore and Biloela. Moura and Theodore no longer have a bank. This approach greatly reduces the accessibility of services for these customers.

In addition, some bank customers in small towns have found themselves many hundreds of kilometres away from their nearest branch following the closure of the local branch. Recently a bank closed its branches in both Charleville and Longreach leaving the nearest branch in Roma.

*Farming and small business banking*

Farmers have been forced to accept that they won't have a manager who is located nearby to them. In many instances they have no bank manager managing their affairs. This makes it difficult for farmers to feel comfortable in seeking assistance from banks.

Farmers and small business owners have highlighted that if they are dealing with a call centre:

- (i) They rarely get to speak to the same person twice;
- (ii) They are often frustrated having to repeat their current circumstances and reasons for contact while not receiving satisfactory responses or not in a timely manner.

- (iii) This can result in substantial loss of opportunity for the farm which may have specific banking needs for short periods of time.
- (iv) If the needs are not met quickly, the window of opportunity to assist the farmer to improve their finances can be lost resulting in loss of crop or income. This has the knock-on effect of adversely reducing cash flow and capacity to meet ongoing banking payments.
- (v) The lack of understanding in call centres of specific agricultural needs is a common experience of many clients. The lack of knowledge of geography, and its effect on the climate conditions experienced by the farmer, by bank staff alarms many farmers and small business operators..
- (vi) Clients complain that the call centre staff have a lack of flexibility and don't have the capacity to work with the customer if their business model does not fit into the pro forma model the bank is using. For example a stud cattle enterprise has vastly different needs and timing of income compared to say a grazing or fattening business. Stud operators complain that call centres struggle with their business model.

**Question 3: Are there particular banking products or services that need to be delivered face-to-face or have support provided face-to-face? Are any of these particularly important for regional customers?**

Loan applications, annual reviews, or emergency funding assistance needs to be delivered face to face. Farmers have seasonal needs for banking which demands a banker with agri-business background, a knowledge of the local area and experience to assess and assist the farmer face to face meetings.

The reasons for this are:

- (a) Each type of agriculture business has different and specific funding and banking needs.
- (b) Income is irregular and may be dependent upon the seasonal conditions and commodity prices at the time.
- (c) Experienced bankers understand the needs of each individual business; face to face contact is needed to work through the specific needs of the business. For example, in horticulture there is a need to access significant funds for harvest, staff, picking, packing, marketing and transport needs while income may be some months away. Grain growers require funding to prepare ground and plant crops while the income will be many months away.

Small Business requires face to face meetings for many of the same reasons as farmers depending upon the cash flow movements of the business.

Consumers require face to face meetings for services such as loan applications.

All of these services are important for regional customers and need to be provided face to face.

**Question 4: What are the impacts of regional bank branch closures on the banking needs of individuals?**

Individuals should know the identity of their banker. If a situation arises such as illness, accident, or other event requiring information to be given to the bank regarding changes in their circumstances, a customer may struggle to adequately communicate with the bank without a specific person to deal with the matter. Particularly in regional areas they also are unlikely to feel comfortable talking about such serious issues with a faceless person in a call centre who they have not met.

**Question 5: What are the impacts on the banking needs of businesses, community organisations and communities?**

Bank closures have a major impact upon all the community.

For Small Business which has cash transactions:

- (a) Daily cash floats each morning and banking of cash nightly is necessary to protect the business and its staff. Retaining large amounts of cash on premises exposes the business to criminal activity putting staff/ owners/ customers/ buildings and facilities at risk.

FRLS has been advised that certain Post Offices in small country towns have a limit on the amount of cash transactions it can handle. Business owners which deal in larger cash transactions are forced to either personally travel with cash to the nearest town which has a branch to conduct business or pay staff to do so. This results in many hours of unproductive time being used to attend to daily banking needs. FRLS has been advised that some businesses in the township of Theodore in Queensland have engaged their own armoured vehicle to take cash to banks at great expense.

- (b) FRLS has been advised that small towns have suffered when customers travel to larger centres to undertake banking and may tend to then undertake other business in the larger centre taking that business away from the smaller centre. This contributes to the decline in the town and ultimately its amenity of life.

*Community Organisations*

These organisations rely upon volunteers to carry out banking services and to ensure their survival. This volunteering can involve members taking significant time away from their work travelling many kilometres round trips to pick up and deposit bank takings from an event. Most often, the volunteers are not reimbursed for either their time away from work or for the travel costs.

### *Internet*

The internet connectivity in some regional centres is very irregular and, in some instances, non-existent.

Many older customers are not computer literate and struggle with using computers let alone using internet banking or banking using computers. FRLS has been advised that some elderly customers who do not own a computer access their banking at the local library. It is common for them to forget to log off exposing them to theft and personal safety issues.

### *Auditing of Business*

FRLS has been advised by an auditor that it is difficult for some organisations to arrange for banking; cash is held by the organisation for considerable periods of time before banking is undertaken. This creates problems for the organisation to comply with auditing regulations.

### *Employment in Regional towns*

Banks have traditionally provided good employment opportunities for small communities. Bank managers and senior staff are relatively well paid and are valuable contributors to the fabric of the communities in which they live in. They generally have family with them; their children attend local schools and participate in local clubs and sporting events. They can hold responsible positions in community organisations. Reducing bank services usually sees the senior staff and more highly paid bankers leave the area for larger centres. Most often, the remaining staff have been drawn from the local area and can be out of work when bank closes its doors in the town. This adds to the unemployment in the area; leaving their families with few options. Bank closures can mean the staff are forced to move town. This further contributes to the decline of the towns and the erosion of essential services.

Small communities are affected greatly by the loss of a major service such as banks; it can result in the reduction of pupils at local school which may have a critical number before it losses grades to larger centres. This can down grade other vital services. This trend is very hard to reverse; it can lead to towns losing their amenity and quality of life.

### **Question 6: Are there particular issues in the provision of banking services in regional Australia for specific vulnerable groups?**

In LAQ's experience, the provision of banking services in regional towns is important for:

- (a) Older consumers who are not comfortable using digital technology and need to talk through their banking needs on a face to face basis.
- (b) People with a disability. For example, for some sight impaired consumers, not all banking documents are accessible using their screen reader so they need to attend a branch to be able to fully engage with their banking services.

**Question 7: What more could banks do to help customers transition to alternative banking services that would enable them to do their banking in a timely, efficient and cost-effective way?**

In LAQ's view, banks could provide much better education to customers in the use of new banking services introduced as a result of the bank choosing to reduce its services to the community.

Provide facilities where cash transactions (deposits and withdrawals) can be undertaken within the town alleviating the need for customers to travel long distances to undertake mundane regular banking services.

**Question 8: Are there facilities, services and products provided in bank branches that are not available through alternatives like ATMs, Bank@Post, phone banking, mobile banking, the telephone and the internet?**

There is no substitution for face to face contact. This is the clear message LAQ is told when it is discussing banking concerns with clients. Customers can feel confident that their needs are being listened to and being attended to when discussing their concerns face to face with a bank officer. Clients are frustrated and dissatisfied dealing with call centres. Customers feel that call centres have a lack of accountability, solutions are slow and delayed, and they have to tell their story multiple times.

ATMs have limited capacity for businesses which deals with cash transactions requiring larger deposits and withdrawals. Some clients have reported that ATMs are faulty and have no confidence in using them. They have concerns for safety and the potential for scamming.

Post Offices suffer from the same concerns for security dealing in cash and keeping cash on premises. Business operators report that these facilities have limitations on cash transactions which are insufficient for the business needs of some cash businesses needing floats and daily banking needs.

**Question 9: What are alternatives to bank branch models that would maintain or improve banking services and accessibility in areas where branches have been closed?**

FRLS notes that in the past, limited banking services were provided by local business operators such as stock and station agencies, accountants and lawyer offices. These facilities are insufficient for the banking needs of small businesses and farmers.

Where banks have been withdrawn from towns and regions, a mobile banking service may provide some limited appeal. Agribusiness managers do already travel to meet with some clients. It would be appropriate to consider an expansion of this form of service.

**Question 10: Are there any alternative models for the provision of banking services that could be considered for adoption by banks in Australia?**

LAQ is unable to offer any options.



**Question 11: What are the lessons from Australian and international experiences that can help improve banking services and accessibility in regional communities where bank branches have been closed?**

Banking services are essential services; these services should be readily available to meet the needs of rural and regional communities; many people in these regions may have limited education and are not computer literate; internet services are often unreliable are non-existent in some areas; the erosion of essential services to one part of the community has a knock on effect to other essential services which often leads to a spiralling down of services with staff leaving the district contributing to greater decline; it becomes a self-fulfilling prophecy.

Rural and regional Australians are entitled to the same level of essential services as their urban counterparts and the social licence to operate and provide essential services should require banks to consider these customers when conducting business within Australia. The vast distances between towns in Australia is well known. The costs of doing business and living in these towns and regions becomes more burdensome and expensive with the erosion of essential services required by business and communities in general who live there.