Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Some Features of Financial Services in Regional and Remote Communities

Background Paper 18

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1. Purpose of the Paper

This paper provides an overview of the ways in which people in regional or remote communities interact with financial service entities.

This paper shows that:

a) As at 30 June 2017, around 6.9 million people, or around 28% of Australia's population of around 24.6 million, lived in regional or remote areas.

b) Around 8 million people, or around one-third of Australia's population of around 24.6 million, live outside a capital city.

c) Access to a bank branch, other face-to-face service or ATM decreases as remoteness increases.

d) Because of the greater distances involved to access products and services, those in regional and remote areas may access financial services in different ways to those in metropolitan areas.

e) Social, cultural and economic factors can result in members of the Australian population, including those in regional and remote areas, suffering from a lack of access to banking and financial services, or financial exclusion.

f) People residing in capital cities were more likely to be severely or fully financially excluded, whereas people residing in country areas were more likely to be marginally excluded.

g) Three examples of ways in which those in regional and remote areas may suffer from financial exclusion are bank branch closures, relatively high ATM fees and relatively less access to the internet and other digital services.

h) As a result of financial exclusion, individuals may become more vulnerable to financial stress and can fall into a spiral of debt, hardship and poverty.

2. Introduction

The term ‘rural and remote’ or alternatively ‘regional and remote’ encompasses all areas outside Australia’s major cities.[1] The Australian Statistical Geography Standard (ASGS) defines remoteness areas into five classes, defined using a consistent definition across Australia and over time:

- Major cities
- Inner regional
- Outer regional
- Remote
- Very remote[2]

These classes of remoteness are calculated using the Accessibility/ Remoteness Index of Australia (ARIA). ARIA is a geographic measure of remoteness, measuring the distance people have to travel to obtain services from five ‘Service Centres’ which are identified by population size. Localities with populations greater than 1,000 persons are considered to contain at least some basic level of services (such as health, education or retail) and these towns and localities are regarded as Service Centres. Service Centres with larger populations are assumed to contain more services.[3] The further away from one or more service centres, the more remote the location.

By this definition, those who live in regional or remote areas are more likely to have a lower level of access to products and services, including financial products and services. This paper will discuss access to, and use of, financial services by those in regional and remote areas and challenges people may face when accessing financial services.

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1 Australian Government Australian Institute of Health and Welfare, *Rural and remote Australians* (7 August 2017), <https://www.aihw.gov.au/reports-statistics/population-groups/rural-remote-australians/links-other-information>.

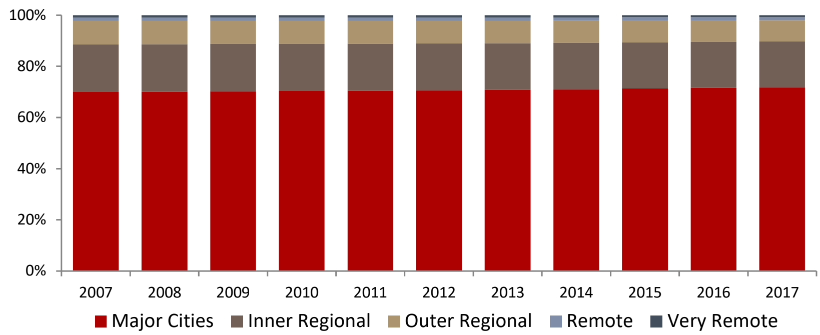
2 Australian Bureau of Statistics, ‘Defining Remoteness Areas’, *1270.0.55.005 – Australian Statistical Geography Standards (ASGS): Volume 5 – Remoteness Structure, July 2016*, (16 March 2018) <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/1270.0.55.005Main%20Features15July%202016?opendocument&tabname=Summary&prodno=1270.0.55.005&issue=July%202016&num=&view=>.

3 See University of Adelaide: Hugo Centre for Migration and Population Research, *ARIA*, (7 March 2018), <https://www.adelaide.edu.au/hugo-centre/spatial_data/aria/>.

3. Number of people in regional and remote areas of Australia

As at 30 June 2017, around 6.9 million people, or around 28% of Australia's population of around 24.6 million, lived in regional or remote areas. The proportion of Australia's population living in regional and remote areas has remained relatively constant since 2007. In 2017, almost three quarters (72%) of Australia's population lived in major cities of Australia, 18% lived in inner regional Australia, 8% lived in outer regional Australia, and 2% lived in remote or very remote Australia.

Chart 1: Australian population by remoteness, as at 30 June 2017



Source: ABS[4]

By State and Territory, the ACT has the highest proportion of its population living in major cities, while Queensland has the lowest. Because the measure of 'remoteness' does not include cities in Tasmania or the Northern Territory as major cities, the entire population of Tasmania and the Northern Territory are classified as living in regional or remote areas. Similarly, Victoria does not have any areas that are classified as very remote and the ACT's population is classified as either living in 'major cities' or 'inner regional.'

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[4] Australian Bureau of Statistics, 3218.0 Regional Population Growth, Australia, 2016-17 (24 April 2018) <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3218.02016-17?OpenDocument>,(Population Estimates by Remoteness Area (ASGS 2016), 2007 to 2017).

Table 1: State and Territory population living in regional or remote areas, 30 June 2017

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Other territories
Major Cities	75%	78%	64%	74%	78%	-	-	100%	-
Inner Regional	19%	18%	20%	13%	9%	68%	-	0%	9%
Outer Regional	6%	4%	14%	10%	7%	30%	60%	-	-
Remote	0%	0%	1%	3%	3%	2%	20%	-	-
Very Remote	0%	-	1%	1%	3%	0%	21%	-	91%

Source: ABS[5]

Another way of measuring remoteness is to determine the number of people living outside a capital city. Around 8 million people, or around one-third of Australia's population of 24.6 million, live outside a capital city. By State and Territory, both Queensland and Tasmania have a majority of their populations living outside a capital city.

Table 2: State and Territory population living outside a capital city, 30 June 2017

	Greater capital city	Rest of state
NSW	65%	35%
VIC	77%	23%
QLD	49%	51%
SA	77%	23%
WA	79%	21%
TAS	44%	56%
NT	60%	40%
ACT	100%	0%
Australia	67%	33%

Source: ABS[6]

Note: Data for Australia include Other Territories.

5 Above n 4.

6 Australian Bureau of Statistics, 3218.0 Regional Population Growth, Australia, 2016-17 (24 April 2018) <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3218.0Main+Features12016-17?OpenDocument>.

4. Presence of financial services in regional and remote Australia

Very little aggregate information is available on the number of superannuation fund and insurance company branches in regional and remote areas. However, the Australian Prudential Regulation Authority (APRA) collects information on the number of branches of Authorised Deposit-Taking Institutions (ADI) branches and other face-to-face service providers in regional and remote areas, as well as the number of Automatic Teller Machines (ATMs).

As at June 2017, data from APRA shows that of the 5,814 branches of ADIs, 2,484 (around 43%) were in regional or remote areas. Of the 4,674 other face-to-face services provided by ADIs, 2,543 (around 54%) are in regional and remote areas. Of the 13,814 ATMs in Australia, 3,795 (around 27%) were in regional or remote areas. As would be expected, access to a bank branch, other face-to-face service or ATM decreases as remoteness increases.[7]

Compared to data from 2007, the share of branches and other face-to-face ADI points of presence in ‘highly accessible’ areas (broadly equivalent to ‘major cities’) has decreased and the share of points of presence in ‘accessible’ areas (broadly equivalent to ‘inner regional’) and ‘moderately accessible’ areas (broadly equivalent to ‘outer regional’) has increased. However, the share of branches and other face-to-face points of presence in remote or very remote areas have remained broadly unchanged since 2007. Aggregate ATM data was unavailable in APRA’s 2007 ADI Points of Presence publication.[8,9]

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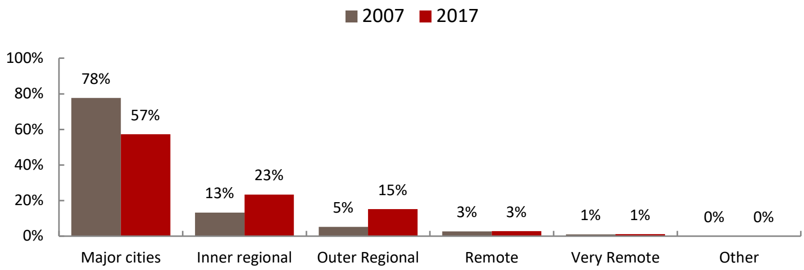
7 Data calculated from Australian Prudential Regulation Authority (APRA), *Statistics: ADIs’ Points of Presence*, June 2017 (2 March 2018), <https://www.apra.gov.au/publications/authorised-deposit-taking-institutions-points-presence>.

8 The Australian Bureau of Statistics uses slightly different category descriptions of remoteness areas (major cities, inner regional, outer regional, remote and very remote) to the ARIA+ remoteness classes (highly accessible, accessible, moderately accessible, remote and very remote). However, the categories appear to be broadly equivalent. See Queensland Government Statistician’s Office, *Accessibility/Remoteness Index of Australia*, <http://www.qgso.qld.gov.au/about-statistics/statistical-standards/national/aria.php>.

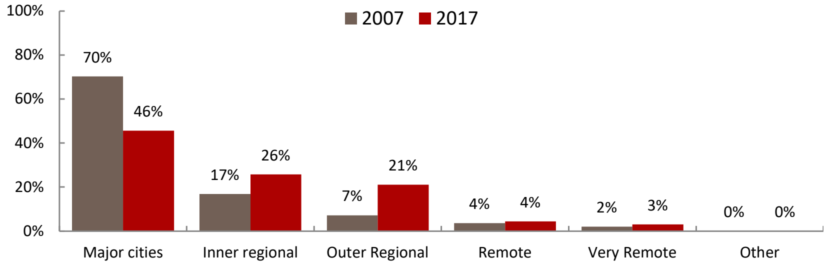
9 Data calculated from above n 7; APRA, *Statistics: ADI Points of Presence, June 2007* (8 November 2007), 5 <http://content.webarchive.nla.gov.au/gov/wayback/20080719205223/http://www.apra.gov.au/Statistics/upload/2007-Points-of-Presence.pdf>.

Chart 2: Share of ADIs' Points of Presence, as at 30 June 2017

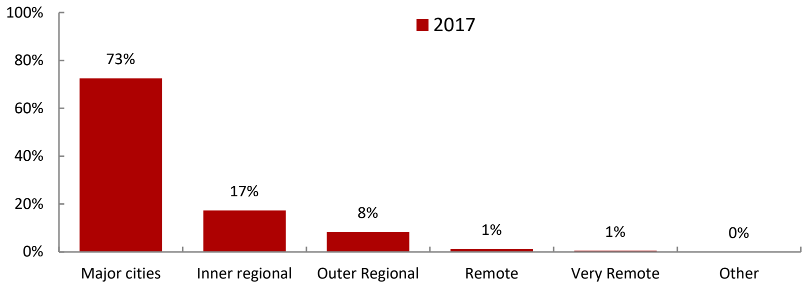
Branches



Other face-to-face



ATMs



Source: APRA[10] [11]

According to a submission by four regional banks to the 2014 Financial System Inquiry ('Regional Banks' submission'), nearly all domestically-owned banks in Australia either commenced as regional banks, building societies and credit unions.

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[10] In its June 2017 publication, APRA uses slightly different category descriptions of remoteness areas (major cities, inner regional, outer regional, remote and very remote) to the ARIA+ remoteness classes (highly accessible, accessible, moderately accessible, remote and very remote). However, the categories appear to be broadly equivalent. See above n 8.

[11] Above n 7; APRA, *Statistics: ADI Points of Presence, June 2007* (8 November 2007), 5 <http://content.webarchive.nla.gov.au/gov/wayback/20080719205223/http://www.apra.gov.au/Statistics/upload/2007-Points-of-Presence.pdf>.

Regional banks compete in all markets but have the greatest presence in retail banking. Regional banks are less represented in institutional and large corporate financing.[12]

The Regional Banks' submission notes that most regional banks have agribusiness offerings[13] and that regional banks make 'relatively large' investments in banking infrastructure (such as ATMs, branches and other facilities) than major banks and other banks, as measured by facilities per $1 billion in assets.[14]

The Regional Banks' submission also notes that regional banks have developed different corporate structures tailored to regional areas, citing examples such as Bendigo Bank's Community Bank model and Bank of Queensland's Owner-Managed branch (OMB) model.[15]

5. Interactions of regional and remote Australia with the financial sector

Because of the greater distances involved to access products and services, those in regional and remote areas may access financial services in different ways to those in metropolitan areas. However, many of the services described below can be, and are, used in metropolitan areas as alternatives to traditional banking models.

5.1. Agribusiness banking services

'Agribusiness' is the business sector encompassing farming and farming-related commercial activities.[16] Agribusiness-specialised financial institutions provide those in the agricultural sector with financial products, such as business loans, online banking access in rural areas, insurance and credit cards as well as some more specialised services. These financial products are tailored to the sector, encompassing all farming and farming-related activities.[17] These products might be offered by 'agribusiness bankers' who are trained to understand the specific needs of the agricultural sector.

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12 Bendigo and Adelaide Bank, Bank of Queensland, ME Bank, Suncorp Bank, *Regional Banks' submission to Financial System Inquiry: Levelling the Playing Field*, 15 <http://fsi.gov.au/files/2014/04/Regional_Banks.pdf>.
13 Ibid.
14 Ibid 18.
15 Above n 12.
16 Investopedia, *Agribusiness*, <https://www.investopedia.com/terms/a/agribusiness.asp>.
17 Canstar, *What is agribusiness or farm finance?* <https://www.canstar.com.au/agribusiness/>.

Examples of products tailored specifically to the agricultural sector are:

- **Seasonal finance** – a loan or line of credit that is only repaid in the months when the business is earning a return on a harvest. This serves as an alternative source of cash flow to cover ongoing farm operational expenses, and usually allows farmers to make as many additional repayments as they want, to take advantage of seasons when they are receiving income from buyers;[18]
- **Equipment finance** – loans for, or to upgrade, farming equipment such as irrigation systems, harvesting machinery and tractors;[19]
- **Farm Management Deposits (FMDs)** – similar to a term deposit, money is quarantined for a timeframe to allow a smoothing of taxation on profits,[20] which may be irregular from season to season; and
- **Risk management products** – products (such as swaps) to assist with managing currency fluctuations and commodity price fluctuations in export markets.[21]

5.2. Community banks

According to the website of Bendigo and Adelaide Bank, the concept of the 'community bank' was created in response to the closure of many bank branches in regional and remote areas of Australia.'[22] Bendigo and Adelaide Bank's registered trademark 'Community Bank' represents 'a locally owned and operated company, which functions as a franchise of Bendigo and Adelaide bank'.[23] Bendigo and Adelaide Bank provides 'coverage of its banking licence, a full range of banking products, training of staff and ongoing support'[24] and both the bank and the local company 'are each entitled to agreed portions of the revenue of the local Community Bank branch and the local company is responsible for paying branch running costs'.[25]

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18 Canstar, *Agribusiness seasonal finance* (26 May 2016), <https://www.canstar.com.au/agribusiness/what-is-seasonal-finance/>.
19 Canstar, *Agribusiness: Financial Institutions – What We Look For*, (2 June 2017), <https://www.canstar.com.au/agribusiness/agribusiness-what-we-look-for/>.
20 Canstar, *What is a Farm Management Deposit (FMD)?* (26 May 2016), <https://www.canstar.com.au/agribusiness/farm-management-deposit/>.
21 Above n 19.
22 Bendigo and Adelaide Bank, *The Community Bank story*, <https://www.bendigobank.com.au/community/our-branches/upwey/news/the-community-bank-story>.
23 Ibid.
24 Ibid.
25 Ibid.

After ‘the Bank’s share of revenue is received, the remaining funds are available to be reinvested back into the community through dividends to shareholders and grants to community groups and projects’.[26] As at 11 December 2016, there were 313 Community Bank branches in both metropolitan and rural areas.[27]

The Bank of Queensland also operates as a franchise model, with most of its branches run by local Owner-Managers.[28] The Bank of Queensland notes that it encourages its franchisees ‘to be the “face” of their branch and develop and maintain the relationship with their customers and their local community’.[29]

5.3. Mobile lenders

Used in both metropolitan and regional areas, mobile lenders can visit individual customers in their homes or place of business on days or at times when they are unable to visit a local bank branch. Mobile lenders can set up as a franchise[30] to provide services in metropolitan, regional and remote areas. This type of model may be cost-effective in a regional or remote area where bank branches are unavailable or some distance away from a local community.

5.4. Bank@Post

Australia Post offers transaction services on behalf of more than 70 banks and financial institutions at over 3,500 participating Post Offices around Australia, with no fees charged for the service (although participating financial institutions may charge fees).[31] Bank@Post provides alternative banking services where no bank branch is available, such as in some regional and remote areas. Using Bank@Post requires an account with a participating bank, a transaction card and a Personal Identification Number (PIN).[32]

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[26] Ibid.
[27] Ibid.
[28] Bank of Queensland, *About us*, < https://www.boq.com.au/About-us/company-overview>.
[29] Bank of Queensland, *Franchising FAQ,* <https://www.boq.com.au/About-us/franchise-opportunity/Franchise-faq>, (‘Do I have to work in the branch?’).
[30] See e.g. ANZ, *ANZ Mobile Lending: How it works,* <https://www.seekbusiness.com.au/business/anz-mobile-lending/14782/how-it-works>.
[31] Australia Post, *Bank@Post,* <https://auspost.com.au/money-insurance/transfer-money/bank-at-post>.
[32] Ibid.

6. Financial exclusion

Social, cultural and economic factors can result in members of the Australian population, including those in regional and remote areas, suffering from a 'lack of access to banking and financial services, sometimes termed financial exclusion'.[33]

There is no single definition of financial exclusion. Some example definitions are provided below.

- 'poor access to fair, safe and appropriate financial products and services … low understanding of financial matters, and … greater likelihood of experiencing financial difficulty' (Australia and New Zealand Banking Group Limited, 2008);[34]
- 'to lack access to appropriate and affordable banking services and products … access is a prerequisite to full social and economic participation, while lack of access prevents participation and compounds financial hardship' (Financial Ombudsman Service Code Compliance Monitoring Committee, 2017);[35] and
- 'lack of access to appropriate and affordable financial services and products from mainstream institutions … on the basis of ownership of three basic financial services and products … a transaction account, general insurance and a credit card' (Centre for Social Inclusion, in research commissioned by National Australia Bank, 2015).[36]

This paper mainly refers to the third, more detailed, measure of financial exclusion and discusses the research undertaken by the Centre for Social Impact for National Australia Bank from 2006 to 2013.

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33 Siobhan McDonnell, *Money Talks: Overcoming the financial exclusion problems faced by Indigenous Australians* (2003), 1, <https://www.aspc.unsw.edu.au/sites/www.aspc.unsw.edu.au/files/uploads/aspc_historical_conferences/2003/paper159.pdf>.

34 Australia and New Zealand Banking Group Limited, *Home Ownership and Indigenous Australians: Final report and response* (August 2008), 2, <http://www.anz.com/Documents/AU/Aboutanz/Community/AN5610-Home-Ownership-August-FINAL.pdf>.

35 Financial Ombudsman Service Banking Code Compliance Monitoring Committee*, Special Report: Access to Banking Services by Indigenous Customers* (July 2017), 3, 9, <https://www.fos.org.au/custom/files/docs/ccmc-special-report-access-to-banking-services-by-indigenous-customers.pdf>. See also above n 33, 2, which defines financial exclusion as *'the processes which work to prevent individuals having access to banking and financial services'*.

36 Centre for Social Impact for National Australia Bank, *Eight Years on the Fringe: What has it meant to be severely or fully financially excluded in Australia?* (March 2015), 6, <https://www.nab.com.au/content/dam/nabrwd/About-Us/corporate-responsibilty/our-programs-and-initiatives/social-and-financial-inclusion/Eight_Years_on_the_Fringe.pdf>.

This latter definition also considers the severity of financial exclusion, noting that people ‘with all three items [a transaction account, general insurance and a credit card] are considered fully financially included; a person holding two is marginally financially excluded; a person holding one is severely financially excluded; and a person holding none of the services or products is fully financially excluded’.[37]

In 2011, the Centre for Social Impact, when considering the definition of financial exclusion noted that there can be many causes of financial exclusion, caused either by a lack of access to appropriate financial products and services (‘supply side’ factors) or individuals being unable or unwilling to access financial products and services to which they would otherwise have access (‘demand side’ factors).[38]

‘Supply side’ factors can include:

- financial services do not exist at all or in the individual’s locality (‘geographic exclusion’);
- structural factors or issues an individual faces may prevent access to financial products and services (e.g. bad credit record, language issues, physical disability);
- individuals may not be aware of appropriate financial products and services because of inadequate promotion of basic, fair products by financial service providers (‘marketing exclusion’);
- mainstream products may not be appropriate to individuals’ needs or cultural backgrounds; or
- individuals may not be able to afford the cost of existing financial products and services.[39]

‘Demand side’ factors can include:

- individuals voluntarily elect not to purchase financial products or services, which may be due to religious or cultural reasons, a lack of need for financial products and services or indirect access through relatives and friends;
- individuals may feel challenged when accessing financial products and services due to lower levels of financial literacy;

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37 Ibid 7.

38 Points summarised from the Centre for Social Impact for National Australia Bank, *Measuring Financial Exclusion in Australia*, (May 2011), 24-26, <http://www.financialliteracy.gov.au/media/465150/nab-financial-exclusion-report_final.pdf>.

39 Ibid 24-25.

- limited access to funds means low income individuals cannot make use of financial products and services, such as savings products; or
- individuals may not have access to, or may not feel comfortable using, new technology such as online or mobile banking to access financial products and services.[40]

In 2015, the Centre for Social Impact noted that between ‘2006 and 2013, almost one in six people in Australia were severely or fully financially excluded, that is, they lacked access to two or more basic financial products – a transaction account, credit card and/or basic insurance’.[41]

6.1. Who is at greatest risk of financial exclusion?

The Centre for Social Impact’s research over eight years (2006 to 2013) noted that women, younger adults and those living in capital cities were more likely to be severely or fully financially excluded. The report noted that between 2006 and 2013, women represented around 53% of the severely or fully financially excluded but about 51% of the population. It also noted around six in ten of the severely or fully financially excluded were 18–34 years of age, and on average, two thirds of the severely or fully financially excluded lived in capital cities.[42]

The Centre also noted that ‘Aboriginal and Torres Strait Islander Australians and people born in non-English speaking countries were over represented in the severely or fully financially excluded group’.[43] Other factors correlated with financial exclusion included higher unemployment, lower levels of educational attainment, renting and living alone or in single parent households.[44]

6.2. Financial exclusion in regional and remote areas

In 2012, the Centre for Social Impact examined financial exclusion in capital cities and regional and remote areas. The 2012 report noted that regions ‘with high rates of financial exclusion tended to be either low income suburbs, inner-city areas of major capital cities, or large rural and remote areas’.[45]

The data analysed by the Centre for Social Impact showed that people residing in country areas were more likely to be marginally excluded compared to people in capital cities (that is, people in country areas were

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[40] Points summarised from above n 38.
[41] Above n 36, 5.
[42] Ibid 8.
[43] Ibid.
[44] Above n 36, 5.
[45] Above n 38, 8.

more likely to lack access to one of the three identified basic financial services). However, people in country areas were less likely to be severely or fully financially excluded than people in capital cities.[46]

In 2015, the Centre for Social Impact confirmed that people living outside of capital cities 'were generally more protected from being severely or fully financially excluded than their capital city counterparts'.[47] These findings indicate that while geographic location can contribute to financial exclusion, other factors may contribute more to severe financial exclusion than geographic location.

Table 3: Degree of financial exclusion by geographic location, 2012

Degree of Exclusion	Australia	Capital Cities	Country Areas
Included	40.8%	42.5%	38.1%
Marginally excluded	42.0%	38.9%	47.0%
Severely excluded	16.1%	17.4%	13.9%
Fully excluded	1.1%	1.3%	1.0%

Source: Centre for Social Impact for National Australia Bank[48]

In 2012, the Centre for Social Impact noted that those in country areas had 'lower access to credit'[49] than consumers in capital cities but had 'very high levels of access to insurance (particularly motor vehicle insurance as public transport is very limited)'.[50]

Although those in regional and remote areas are less likely to be severely or fully financially excluded, they may still be at particular risk of geographic exclusion (a lack financial products and services in regional and remote areas, including a lack of internet and other digital services to access financial products and services). Further, mainstream products designed for those in major cities may not be suitable for those in regional and remote areas, and the cost of some financial products and services in regional and remote areas could be relatively high.

Three examples of ways in which those in regional and remote areas may suffer from financial exclusion are summarised below.

46 Ibid 33.
47 Above n 36, 14.
48 Above n 38, 33.
49 Ibid.
50 Ibid.

6.2.1. Bank branch closures

In the 1990s and early 2000s, there were a number of bank branch closures in Australia, which raised concerns about access to banking services for those in regional and remote areas of Australia. From 1990 (the earliest point at which time series data on the number of bank branches is publicly available) to 2001, there was a significant decline in the number of bank branches, with a reduction of 2,132 branches between 1990 and 2001. Since the early 2000s, the number of bank branches in Australia has grown slightly but remains relatively stable. The number of branches of non-bank ADIs, such as credit unions and building societies, has declined between 1993, the point at which data are first available, and 2016.[51]

In recent years, the more detailed APRA Points of Presence data shows a further reduction in bank branches and other face-to-face points of presence (a fall of 410 in the year to June 2015 and 154 in the year to June 2016), of which a substantial proportion of closures in 2015 and all closures in 2016 were in areas other than ‘highly accessible’ areas.[52]

In general, the closure of bank branches and the increase in the number of ATMs and EFTPOS facilities is likely reflecting a broad trend away from face-to-face banking towards electronic, online and other digital banking services. The Australian Bankers’ Association (ABA) Bank Closure Protocol (‘the Protocol’) ‘outlines the banking industry’s commitment to provide personal and small business customers in remote, rural and regional areas ongoing face-to-face banking services in the event of a branch closure’.[53] The Protocol notes that retail banking ‘has undergone significant changes over the past decade and continues to be driven by customer preferences, innovation in technology, and commercial developments’ and that digital technology is ‘fundamentally changing how banks interact with their customers’.[54]

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51 Data calculated from Reserve Bank of Australia, *Statistical Tables*, <http://www.rba.gov.au/statistics/tables/>, (Points of Access to the Australian Payments System – C8) <http://www.rba.gov.au/statistics/tables/xls/c08hist.xls?v=2018-06-12-16-39-25>.

52 Australian Prudential Regulation Authority, *Statistics: ADI Points of Presence, June 2016* (24 August 2016), <http://content.webarchive.nla.gov.au/gov/wayback/20170226161237/http://apra.gov.au/adi/Publications/Documents/2016_PoP.xlsx>.While June 2017 Points of Presence data are available, APRA has not published a time series in its latest publication.

53 Australian Bankers’ Association, *Industry Standards: ABA’s Branch Closure Protocol,* <https://www.ausbanking.org.au/industry-standards>.

54 Australian Bankers’ Association Inc., *Branch Closure Protocol*, 1, <https://www.ausbanking.org.au/images/uploads/ArticleDocuments/149/Branch%20Closure%20Protocol%20Oct%202015.pdf>.

However, the Protocol also notes that ‘branch and other face-to-face retail banking services remain an important part of retail banking’ and that banks ‘are committed to maintaining face-to-face retail banking services through an existing outlet, such as a branch or kiosk; agency arrangement with local business and Australia Post, such as in-store facilities; franchising arrangements; or mobile banking arrangements.’[55]

Consistent with this, the number of Bank@Post access points has generally increased since 1996 (when data are first available) and the number of ATMs and EFTPOS terminals has generally been increasing since the early 1990s, as can be seen by data published by the Reserve Bank of Australia.[56]

The Reserve Bank of Australia notes, however, based on its 2016 Consumer Payments Survey, ‘consumers are continuing to shift away from paper-based payment methods towards electronic means of payment’, although cash ‘is still used for a significant share of consumer payments’.[57] This may mean the number of ATMs may not increase as quickly, or may plateau, in the future.

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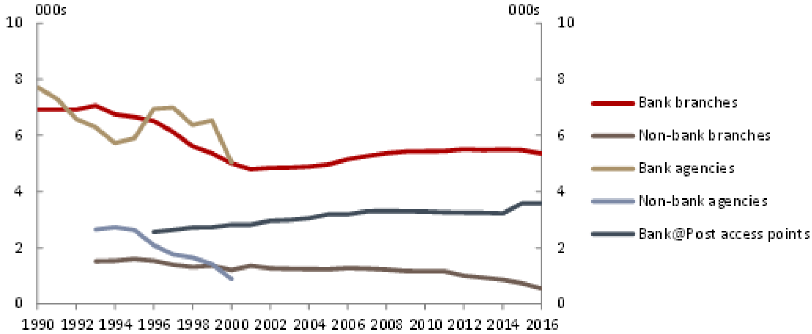
55 Ibid.

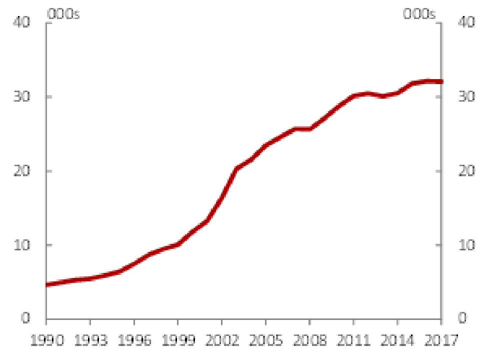
56 Data calculated from above n 51.

57 Mary-Alice Doyle, Chay Fisher, Ed Tellez and Anirudh Yadav, Reserve Bank of Australia, ‘How Australians Pay: New Survey Evidence’ *Reserve Bank Bulletin* (March quarter 2017), 64, <https://www.rba.gov.au/publications/bulletin/2017/mar/pdf/bu-0317-7-how-australians-pay-new-survey-evidence.pdf>.

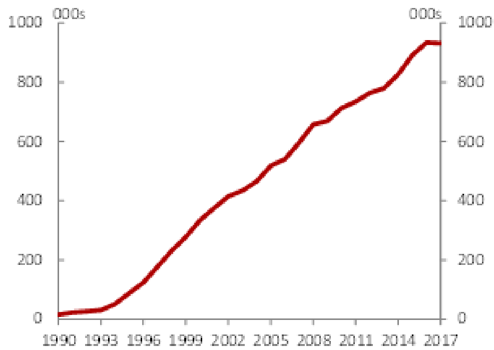
Chart 3: Points of access to the Australian payments system
Branches, agencies and Bank@Post access points



ATMs



EFTPOS terminals



Source: RBA[58]

This trend away from in-person banking facilities is reflected in recent announcement made the National Australia Bank (NAB) about its upcoming branch closures. On 16 March 2018, NAB announced that, following consultation, it would be closing a number of its branches in the Riverina and surrounding areas. In its media release, NAB noted that 'the way our customers are banking has changed dramatically in recent years … we find that our customers are banking at other branches, or prefer to do their banking online, on the phone, or through our mobile app'.[59] NAB also noted that it was aware that some customers still like to bank in person 'which is why we have a strong relationship with Australia Post offices, which offer banking services on NAB's behalf'.[60]

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58 Data calculated from above n 51.

59 National Australia Bank, *Changes to NAB's branches in the Riverina and surrounding areas* (16 March 2018), <https://news.nab.com.au/changes-to-nabs-branches-in-the-riverina-and-surrounding-areas/>.

60 Ibid.

The closure of bank branches in regional and remote areas may generate concern about the effect the loss of banking services may have on other businesses in the area. Possible effects could be a loss of patronage as a result of a loss of foot traffic (particularly older Australians who may choose to do their banking at a branch) and a loss of jobs for the local community. There are also concerns that when a bank closes in a regional or remote area, those who would normally come to the area to do their banking and conduct other business (such as shopping) may redirect their business to an area that includes a bank branch.[61]

The ABA's Branch Closure Protocol recognises that losing a nearby branch may have implications for the local community, particularly for those who live a significant distance away from a branch. The Protocol provides that where 'there is not another branch of the same brand within 20 kilometres by road … [w]here it is commercially viable to do so, a bank closing a branch will ensure that ongoing face-to-face access is locally available to its services, which provide cash deposit and cash withdrawal facilities … [w]here it is not commercially viable … and access to local face-to-face banking services is no longer available, the bank will undertake to identify other retail banking service options prior to branch closure and commence consultation with the community'.[62]

6.2.2. ATM fees

A lack of access to bank branches or alternative methods of withdrawing cash can result in those in regional and remote areas paying relatively high transaction costs to obtain cash, such as ATM fees, although access to online banking and alternative methods of payment such as PayPal may mitigate some of these issues.

In 2011, the Australian Treasury ATM Taskforce noted in its final report that a 'typical consumer in a very remote location spends much more in aggregate on ATM fees than their urban counterpart.

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61 See e.g. Maddelin McCosker, Rachel McGhee and Emilia Terzon, ABC News, *Internet banking: Rural communities left floundering as regional banks close their doors* (25 April 2018), <http://www.abc.net.au/news/2018-04-24/last-bank-moura-shuts-down-regional-communities-struggling/9691460>; Kate Dowler and Dale Webster, The Weekly Times, *Bank branch closures across rural Australia put towns on the brink* (8 November 2017), <https://www.weeklytimesnow.com.au/news/national/bank-branch-closures-across-rural-ausralia-put-towns-on-brink/news-story/773a309af2dde591a86009b8c57f5e77>.

62 Above n 54.

In large part, this reflects a lack of alternatives to paying a direct charge at an ATM each time they need to make a balance enquiry or access cash'.[63] The final report noted that 'typically remote consumers only have access to one independently owned ATM and, therefore, have no alternative to paying direct fees for balance enquiries and cash withdrawals'.[64]

Limited access to cash, including ATM withdrawal limits, may be felt more acutely in regional areas where distances to goods and services means more cash on hand is needed than in a metropolitan area. The Australian Financial Counselling & Credit Reform Association (the Association) noted in 2010 that when there are withdrawal limits on ATMs, this 'forces people who need larger amounts to make multiple withdrawals, so incurring additional fees'.[65] The Association cited an example of a $200 ATM withdrawal limit being problematic when '$200 does not even cover the cost of a full tank of fuel from the community stores' for the average four-wheel drive vehicle.[66]

The Australian Treasury ATM Taskforce examined the impact of ATM fees in remote Aboriginal and Torres Strait Islander communities. Although the focus was on Aboriginal and Torres Strait Islander people, the issue of ATM fees serves as an example of the difficulties that can be faced by those in regional and remote areas when accessing financial products and services.

6.2.3. Access to the internet and digital services

As the distance to accessible financial products and services increases, access to the internet and other digital services becomes increasingly important as an alternative way to access these financial products and services. Access to the internet and online banking services may alleviate some of the difficulties in accessing financial services when access to a bank branch or an ATM (for example) is limited. However, those in regional and remote areas may also have difficulties accessing appropriate internet and digital services.

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63 Australian Government, the Treasury, *ATM Taskforce – Report on Indigenous ATM issues* (28 February 2011), 3, <http://banking.treasury.gov.au/content/reports/atm_indigenous/downloads/atm_indigenous.pdf>.

64 Ibid.

65 Australian Financial Counselling & Credit Reform Association, *ATM Fees in indigenous communities* (November 2010), 12, <https://www.financialcounsellingaustralia.org.au/getattachment/Corporate/Publications/Reports/ATM-Fees-in-Remote-Indigenous-Communities.pdf>.

66 Ibid.

Roy Morgan Research, which published an ‘Australian Digital Inclusion Index’ in 2017, noted in its report *Measuring Australia’s Digital Divide* that the Australian Digital Inclusion index ‘reveals substantial differences between rural and urban areas. In 2017 digital inclusion is 7.9 points higher in capital cities … than in country areas’[67] and while the ‘overall ‘Capital-Country gap’ has narrowed slightly since 2015 … the gap widened in Victoria, New South Wales and Tasmania.’[68]

The report suggests that while the gap in internet access between those in capital cities and country areas has narrowed[69] (that is, more people in country areas have access the internet), the affordability gap has widened.[70] The report noted that affordability ‘remains a key issue and a potential barrier to achieving full digital inclusion in regional Australia’.[71]

7. Potential consequences of financial exclusion

In 2012, the Australian Treasury in its discussion paper on strategies for reducing reliance on high-cost, short-term, small amount lending, noted that financial exclusion ‘makes day-to-day money management difficult. Individuals find it harder to plan for the future or manage ‘lumpy spending’ such as large bills or unexpected expenses. Individuals become more vulnerable to financial stress and can fall into a spiral of debt, hardship and poverty.[72] In 2015, the Centre for Social Inclusion similarly noted that ‘lacking access to basic financial services and products affects individuals economically, by reducing their ability to buffer against unexpected financial shocks or, smooth consumption’.[73]

In 2005, Howell and Wilson noted that financial exclusion can mean lack of access to ‘the mainstream market … with its stronger regulatory framework, more established and reputation conscious players, and (in general) cheaper products and services’.[74] Those who lack access to the mainstream market and cannot access services through community or

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67 Roy Morgan Research, *Measuring Australia’s Digital Divide: The Australian Digital Inclusion Index 2017* (2017), 6, <https://digitalinclusionindex.org.au/wp-content/uploads/2016/08/Australian-Digital-Inclusion-Index-2017.pdf>.
68 Ibid.
69 Ibid 11.
70 Ibid.
71 Ibid 21.
72 Australian Treasury, *Strategies for reducing reliance on high-cost, short-term, small amount lending: Discussion Paper*, (April 2012) 2, <https://static.treasury.gov.au/uploads/sites/1/2017/06/discussion-paper-5.pdf>.
73 Above n 36.
74 Nicola Howell and Therese Wilson, ‘Access to Consumer Credit: the Problem of Financial Exclusion in Australia and the Current Regulatory Framework’, *Macquarie Law Journal,* Vol 5, (2005), 129, <https://www.mq.edu.au/public/download/?id=16226>.

informal channels may ‘find themselves resorting to the high cost and arguably exploitative products available in the fringe market’.[75]

In 2012, the Australian Treasury made a similar link between financial exclusion and the use of high-cost lenders:

> ‘Research suggests that many Australians who are financially excluded often resort to the use of high cost small amount lenders. The need for these loans emerge when consumers, often already vulnerable, find themselves with insufficient funds to meet recurrent basic living expenses such as food, rent, utilities and other bills, or one-off unexpected expenses such as medical costs, car repairs or the purchase of whitegoods. As a result of exclusion from mainstream credit providers, these consumers may have few alternatives other than to source finance as quickly as possible from the first available lender at whatever cost and accept the terms offered’.[76]

In 2012, the Australian Treasury noted that small amount lenders and loans are ‘frequently based on fixed price fees which, when converted to effective interest rates, may amount to rates of 1000 per cent or higher’.[77] Small amount lenders may ‘provide a quick turnaround on lending decisions’,[78] ‘accept welfare benefits as a legitimate source of income when assessing [a] borrower’s capacity to make repayments’,[79] can ‘require, for some lenders, security for loans[80] therefore putting other assets at risk and may offer ‘‘roll over’ loans, where loans can be extended for a further period for an additional fee (which may result in escalating debt).[81]

As noted by the Centre for Social Impact in 2015, increasing cost of living expenses ‘such as utilities, health, and housing … may place increasing risks on [low income households’] financial stability and, for those who are severely or fully financially excluded, further place them at risk of vulnerability to cycles of high-interest non-traditional loans’.[82]

In 2005, Howell and Wilson came to a similar conclusion, noting ‘[t]he options for operating a household budget without mainstream financial

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[75] Ibid.
[76] Above n 71.
[77] Above n 71, 5.
[78] Ibid.
[79] Ibid.
[80] Ibid.
[81] Ibid.
[82] Above n 36, 28.

services are more expensive, often unregulated and very limiting'[83] and that the 'use of high-cost loans can also send consumers further into debt spirals from which it becomes difficult to escape: as more and more income is used to pay high interest, fees and charges, the likelihood of default increases, and the consumer will become further excluded from the mainstream market. Bankruptcy, and its attendant individual and social consequences, can become an end result'.[84]

Further, in 2015, the Centre for Social Inclusion noted that 'compared to the broader population or financially included segment between 2006 and 2013, people who were severely or fully financially excluded were consistently more likely to experience a number of poorer economic, social and health outcomes'.[85] Those who were severely or fully financially excluded 'were more likely to feel financially unstable'[86] and may be more vulnerable to worry and anxiety, as instances of anxiety disorder were 'most commonly reported by people in the severely or fully financially excluded group'.[87]

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83 Nicola Howell and Therese Wilson, 'Access to Consumer Credit: the Problem of Financial Exclusion in Australia and the Current Regulatory Framework', *Macquarie Law Journal,* Vol 5, (2005), 130, <https://www.mq.edu.au/public/download/?id=16226>, citing Chris Connolly and Khaldoun Hajaj, *Financial Services and Social Exclusion* (2001), 8.

84 Ibid 130-131.

85 Above n 36, 5.

86 Ibid.

87 Ibid 42.