

**FUNDRAISING INSTITUTE AUSTRALIA
SUBMISSION**

**AUSTRALIAN PAYMENTS CLEARING ASSOCIATION
THE ROLE OF CHEQUES IN AN EVOLVING PAYMENTS SYSTEM**

July 2011

COVER SHEET

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Fundraising Institute Australia (FIA)

Established in 1968, FIA's purpose is to make the world a better place by advancing professional fundraising through promotion of standards, professional development pathways and measurable credentials so that our members achieve best practice.

The FIA has developed the Principles & Standards of Fundraising Practice as the professional fundraiser's guide to ethical, accountable and transparent fundraising. The Principles & Standards are vital to how the fundraising profession is viewed by donors, government, the community and fundraisers.

In order to achieve its mission, the FIA conducts the following activities:

- Promote and enhance education, training and professional development of fundraisers.
- Provide a resource of fundraising information.
- Advocate for fundraising practice to government, industry and the community.
- Support and promote certification of fundraisers.
- Develop standards and codes of practice.
- Promote and enhance fundraising as a profession.
- Promote and encourage research into fundraising and philanthropic giving.

FIA member survey

After an initial poll of our members revealed a high level of concern about any plan to abolish cheques, the FIA conducted a member survey on the issue.

The responses to the FIA's survey questions speak for themselves, including an overwhelming 93.3 per cent stating their organisation would be detrimentally affected if cheques were no longer available for payments or donations.

This level of impact is of great concern given that, according to the Productivity Commissions Research Report: Contribution of the NFP Sector (published 2010), the not-for-profit sector:

- Contributes \$43 billion to Australia's GDP.
- Contributed 8 per cent of employment in 2006-2007.
- Has grown strongly with average annual growth of 7.7 per cent from 1999-2000 to 2006-2007.
- Contributes a wage equivalent of \$15 billion from its 4.6 million volunteers.

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The FIA survey generated a significant response including from the following leading charities:

- The Salvation Army
- Oxfam Australia
- The Fred Hollows Foundation
- Anglicare
- Mater Foundation (Qld)
- Cancer Council Australia
- Australian Catholic University
- Florey Neuroscience Institute
- Breast Cancer Australia
- The Shepherd Centre
- RSPCA
- Taronga Conservation Society Australia
- Diabetes WA
- Diabetes Tasmania
- NEURA
- Guide Dogs Australia
- Lifeline
- Careflight
- Legacy Brisbane
- Australian Ballet School
- Epilepsy Association
- Monash University
- International Women's Development Agency
- University of New England
- Save the Children
- Heart Research Institute
- BlueCare
- Baptist Care Australia
- Headspace
- Royal Children's Hospital Foundation (Qld)

Guided by APCA's questions, the FIA asked members the following questions:

1. Will your organisation be detrimentally affected if cheques are no longer available for payments or donations?
2. What percentage of your overall donations are received by cheque?
3. What groups of donors will be particularly affected if they can't donate by cheque?
4. Do you believe these groups are aware of existing alternatives to cheques?

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5. What other payment methods would provide viable alternatives to donations by cheques?
6. What percentage of your organisation's outgoings is paid by cheque?
7. What other payment methods would provide your organisation with a viable alternative to paying outgoings by cheque?
8. If your organisation still accepts cheques for donations and payments, what are the benefits? Why are other payment options not used?
9. IF APCA does decide to phase out the use of cheques, how long will you need to inform your donors?
10. What government support will you need to assist you in making the transition to a cheque-free environment?

Charity sector concerns

Following is an overview of the charity sector's concerns, drawn from the FIA's member survey, regarding the proposal to phase out cheques.

1. Will your organisation be detrimentally affected if cheques are no longer available for payments or donations?

As mentioned above, 93.3 per cent of respondents firmly believe their organisation would be detrimentally affected if cheques were no longer available for payments or donations.

One leading charity's comment summarised the general concerns as follows:

- "Our donors are typically over 65 years of age and for many of them, cheques are the most secure way for them to make donations. Many donors in this age segment do not own credit cards and, if they do, are not confident to give out their credit card details. For those who don't own credit/debit cards, the only alternative to donating by cheque would be to send cash through the post."

2. What percentage of your overall donations is received by cheque?

Almost one-third of respondents said more than 70 per cent of their donations were received by cheque, with most respondents receiving 80-90 per cent of donations in this way.

Comments from leading charities included:

- "75% of the donations we received today were using a cheque. If cheques were no longer available, our fundraising efforts would be crippled."
- "Approximately 70 per cent of our donations are paid to us via cheque. We have particularly noticed an increase in cheque payments and a

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decrease in credit card payments since the GFC [global financial crisis].”

- “A very large number of our supporters are older people who either don’t own computers and/or are very reluctant to do financial transactions over the internet. Many are also reluctant to give or send credit card details. We can get 20-30 cheques each day, and if cheques were abolished, most of this money would be lost to us.”

3. What groups of donors will be particularly affected if they can’t donate by cheque?

98.3% of respondents said donors aged 65 years and over would be the most affected group, followed by the 35-64 years age group at 50%, isolated communities at 25%, 18-34 year group at 2.5%, and unwaged at 9.1%.

One charity noted: “Business donors would be affected as well, especially small business, who would normally donate via cheque when we conduct cold call visits at their place of work.”

Another said: “People not using computers/internet may find the change confronting and inconvenient. They may withdraw from donating.”

4. Do you believe these groups are aware of existing alternatives to cheques?

The following response is a fair summary of the respondents’ comments:

“Yes, they are aware of alternatives, but decline to use these because:

- (a) They do not have access to a computer.
- (b) Do not have adequate computer skills.
- (c) Do not trust the security of internet banking.
- (d) They know that their entire donation will come to us, without bank and other fees being extracted before we receive the funds.

5. What other payment methods would provide viable alternatives to donations by cheques?

More than half the respondents (55.8%) selected credit cards as the most viable alternative to donating by cheque, followed by direct debit (45%) and debit cards (40.8%).

A surprising 19.1% said that there was no other viable alternative to payment via cheque.

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Other donation alternatives were selected as follows:

- B-pay 39.1%
- Direct credit 34.1%
- More shopfront locations eg. agencies 21.6%
- Enhanced computer facilities 17.5%
- Other 12.5%

“Other” alternatives included “banking directly into our account via deposit at a local branch” and “money order from a post office”.

Respondent comments included:

- “All alternatives are available now. The removal of one choice for many people would effectively reduce the large dollar income to charities.”
- “There needs to be a capacity for elderly people living at home, who don’t go out very often, who are not computer literate, and whose eyesight makes it difficult to read card numbers, to donate!”
- “Frankly, if older donors do not have credit cards, or do not like using them, moving to these other forms of payment will not make it easy to donate for them. Primarily they are mail donors, so you also lose potential revenue by making it hard to act in the moment.”

6. What percentage of your organisation’s outgoings is paid by cheque?

Almost 20% of respondents, including many large charities, stated that more than 50% of their outgoings were paid by cheque. In fact, many said 80-90% were paid by cheque.

7. What other payment methods would provide your organisation with a viable alternative to paying outgoings by cheque?

Almost 60% of respondents selected B-pay as the best alternative to cheque payments, followed by:

- Direct debit 47.5%
- Direct credit 41.6%
- Credit cards 35.8%
- Debit cards 12.5%
- More shopfronts 4.1%

12.5% of respondents said there were no other viable alternatives.

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Comments included:

- “Our organisation would readily use other methods than cheques for our outgoings, but the bank fees are horrendous and make electronic banking not very attractive, similarly the merchant fees when accepting gifts are also not very attractive, with payment gateways taking fees as well as the banks.”

One of the larger charities felt compelled to say:

- “We utilise direct payments where possible, but are also aware of the fees associated with these ‘simple’ means. The cynic in me believes banks are forcing this issue because they make more money out of electronic banking than out of cheques. We all know it’s easier to spend using plastic than to hand over that \$50 note or cheque!”

8. If your organisation still accepts cheques for donations and payments, what are the benefits? Why are other payment options not used?

Comments by some of the larger charities sum up the responses:

- “Donating must be done in the way that is easiest for the giver, not the receiver. If they like cheques, then let them use them.”
- “Peace of mind for supporters.”
- “The most important benefit is the comfort of some supporters in using cheques. Cheques provide a physical manifestation of their support, thus a sense of confidence in the process of payment, and sense of satisfaction around their giving. Other electronic formats would not be trusted by some donors and would remove that sense of ‘satisfaction’.”

9. IF APCA does decide to phase out the use of cheques, how long will you need to inform your donors?

40% of respondents declared their organisations would require more than two years to inform donors if APCA decided to phase out the use of cheques.

34.1% said they would require one year, 23.3% said 2 years and only 8.3% required six months.

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10. What government support will you need to assist you in making the transition to a cheque-free environment?

Many respondents cited the need for mass media campaigns, higher regulations to ensure secure internet and credit card transactions through to direct compensation - "For every dollar lost, will the government replace it?"

Typical comments include:

- "If cheques are phased out and we lose our donor base, APCA may like to step into the breach and pick up the equivalent payments."
- "It will impact on our fundraising and we need assistance with the anticipated drop in income from loss of donors who do not want to give by any method other than cheques."
- "A full and intense public education program. In addition, the government should cover the cost of at least two mail-outs to donors who give by cheque to ensure that they understood the new payment options."
- "I do not believe that government support will ease the concerns our supporters have with using electronic banking."
- "The potential loss of 32% of our income would be a significant risk, requiring us to seek greater government support if another method of similar acceptance is not found."
- "I believe there is a psychological issue to donating by cheque in addition to other reasons. People love to feel they are being generous and part of the whole 'I'll write you a cheque' feeling. I have noticed that with our larger donors, all are made by cheque. Even when people are quite techno savvy and might use technology for other transactions, they use cheques for donating. I don't think this concept should be taken lightly. There is something about being able to get out the cheque book and write out a generous donation that feels good. Why would we want to take that away from donors?"
- "The only way the government could help would be to set up a system (perhaps through Australia Post) where deposits can be accepted regardless of the bank to which they are being deposited so people can go to a local outlet and deposit money without having to find a specific bank/branch. However, this is not ideal as many people can't/don't want to have to actually GO anywhere – if they can't do it from the comfort and convenience of their own home, they may simply choose not to. Or they may physically be unable to travel far."

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- “Over the counter acceptance of donations through other third parties at a minimal cost to the charity. Preferably no cost.”
- “None, for this segment of donors there is nothing that will replace cheques. They trust cheques more than they do paying by credit card or even direct debit. This will not change for at least another 20 years.”

Conclusion

The charity sector has overwhelmingly rejected any move at this time towards the phasing out of cheques, principally because it would have a detrimental impact on the fundraising capacity of those organisations.

The FIA urges APCA to follow the lead of the UK Payments Council which has this month cancelled its target of abolishing cheques in 2018 and has said they will be available “for as long as customers need them”.

ENDS