



The looming cash crisis

and are the banks cashing out?

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In the August–September 2025 edition of NEXUS Magazine (volume 32, number 5), I warned of the possibility that your bank deposits might not be government guaranteed due to changes in legislation¹. Well, there is another looming potential crisis if the Australian Government, the Australian Payments Regulatory Authority (APRA) and the Reserve Bank of Australia (RBA) fail to act to protect Australia's payments system due to declining services dealing with cash and escalating branch and ATM closures in the banking sector.

Why is there a Looming Crisis?

In short, services are declining, particularly in terms of availability and access to cash in many communities. Banks are shifting away from "bricks and mortar" to an

online presence as customers embrace digital payments. The increasing efficiency of digital payments means that both banks and businesses, in their pursuit of profit, are making it harder for customers to access and pay with cash. Even criminals no longer rob banks. For larger sums of cash, one has to place an order and make an appointment.

We are on the cusp of major change, with analogue systems such as physical cash and cheques to be replaced with digital currencies. In doing so, we are marginalising a sector of the population that depends on cash and creating vulnerabilities within our payments system should electronic and digital services fail. In our complacency, we don't realise that our financial system hangs by a thread. This is no exaggeration.

Take, for instance, one recent notable outage in July 2024 when a faulty software update to the CrowdStrike



Falcon security sensor² caused Windows computers to crash, resulting in worldwide disruptions. The fix required manual intervention to get affected computers back online; the recovery process for some businesses and services took several days to complete.

Similar or other lengthy disruptions on the payments system (such as a cyberattack) raise fundamental questions about the ability of our financial system to absorb any widespread outages without damaging the economy. Hence, the reason cash (analogue systems) must continue to be available as a buffer in case a systemic risk occurs.

Further examples of other risks are highlighted below.

Some History

During the COVID-19 outbreak, Australian banks claimed "essential service" status to take advantage of special concessions that allowed them to maintain operations while other businesses had to close. The government and RBA supported broader measures designed to ensure financial stability and credit flow during the pandemic. For example, the RBA implemented a comprehensive set of monetary policy measures, including lowering interest rates, government bond purchases, and a Term Funding Facility (TFF) for the banking system. The TFF, for example, allowed authorised deposit-taking institutions (DTIs) to access funding at very low interest rates, with additional

allowances for lending to businesses.

These measures were designed to lower overall funding costs for banks and support the supply of credit to the economy. In addition, the government supported bank lending through schemes like the Small and Medium Enterprise (SME) Guarantee Scheme, which guaranteed a percentage of new small business loans issued by eligible lenders.³

While the banks claimed "essential service" status, they have, in the six years since ATM fees were removed by the RBA, halved the number of their ATMs⁴ in a drive towards an online digital-only service. Banks such as Bankwest have shifted to an online presence only and no branch structure. Other banks are closing a considerable number of branches, particularly in rural towns where there are no other banking facilities available, except limited services at the post office. The latest pending bank closure of note is in Queenstown, Tasmania, by Bendigo Bank, where customers will have to drive in sometimes difficult conditions to access banking services, two hours away in Burnie. The Queenstown branch was the last "bricks and mortar" bank on Tasmania's West Coast.

The APRA table below shows that in major Australian cities alone, bank branches declined by 44.3 per cent over the past seven years. Yet the banks are sending mixed messages, claiming special status as an "essential service" provider to gain concessions from the government. And they appear unwilling to maintain proper services for customers in both the city and regional and remote locations.

Cash was once "king" and considered legal tender for all payments until COVID-19 occurred. Cash is still legal tender, but businesses can opt out of accepting cash for payment by displaying signage to that effect.⁵

In our complex world, assumptions are made about how to do business. In rural areas, they fully understand the difficulties and complexities. For instance, a country town that runs a major fair or annual show day cannot rely on the electronic payment systems to manage payments

APRA Key Statistics (Deposit Taking institutions)								
	Year end							
	Jun 2017	Jun 2018	Jun 2019	Jun 2020	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Branch level of service								
By remoteness area								
Major Cities of Australia	3,359	3,254	3,048	2,902	2,566	2,350	2,050	1,872
Inner Regional Australia	1,305	1,246	1,125	1,080	1,003	945	870	841
Outer Regional Australia	807	768	640	627	597	569	532	517
Remote Australia	148	142	110	110	107	100	96	91
Very Remote Australia	75	75	52	50	50	48	42	39
Total	5,694	5,485	4,975	4,769	4,323	4,012	3,590	3,360

Source: APRA authorised DTI points of presence statistics, June 2024

due to internet bandwidth issues and outages, restricting their use. Therefore, cash is the only viable option. Yet, access to sufficient cash remains problematic in smaller communities.

The Early Role of the Post Office

For over a century, Australia Post (AusPost) has played a crucial role in providing financial services, particularly in regional and remote areas where banks have no physical presence. Post offices functioned as agents for the Commonwealth Bank of Australia (CBA) and other financial institutions. They managed deposits, withdrawals, and cash transfers, effectively serving as a primary point for cash distribution for many communities.

The Move to Banks and Specialist Armoured Transport

As banking grew, major banks expanded their branch networks and managed their own cash logistics for some time. However, the secure transport of cash became a high-risk and high-cost operation. This led to the emergence of specialised cash-in-transit (CIT) security companies⁶ in the mid-20th century that were purpose-built to handle the secure movement of banknotes and coins between banks, businesses, and ATMs. Major players you may recognise are Chubb, Armaguard, and TNT Group 4 (now G4S, a major global security firm).

The Modern Era: Consolidation, Contraction and Catastrophe

In recent decades, the industry has seen significant consolidation. The primary reason for the declining use of physical cash is the rise of electronic payments. This trend has made it less economically viable for multiple companies to maintain large, separate fleets of armoured vehicles and networks. In 2023, for example, the industry faced a major crisis with the financially troubled Armaguard, leading to a consolidation of services. RBA has banknote distribution agreements with four major banks, specifically: Westpac, ANZ, NAB, and CBA, which contract their cash logistics services out to CIT groups, effectively outsourcing a core part of their operations to a few large, specialised providers.

If you don't think the phasing out of cash is a problem, Sweden's Central Bank thinks otherwise and believes cash still must play an essential role in an increasingly cashless world. Sweden is considered one of the most cashless nations on the planet, with only one in 10 payments made with physical cash. The former deputy governor of Sweden's Riksbank thought back in 2018 that the country would be fully cashless by 2025. However, the Riksbank's submission to the country's inquiry on physical cash⁷ suggests it has changed its mind. Riksbank governor Erik Thedéen said: "People should always be able to pay for food, healthcare and medicines both

digitally and with cash."

In Norway, a technical error within Nets Norge, the company that operates a significant part of the country's payment terminals, caused an outage on a busy shopping day in May 2022. For two hours, approximately 130,000 payment terminals weren't operational. This caused widespread chaos, and the incident was widely viewed as a massive "wake-up call" and led to recommendations for citizens to always carry cash as a backup. Norway also realised it needed an alternative payment option should it become subject to a cyberattack, and has written into law that digital-only businesses must also accept cash as a means of exchange.



In what might be considered one of the largest IT outages in history, the CrowdStrike event mentioned earlier cost US Fortune 500 companies around \$5.4 billion, according to insurers.⁸

The Cashless Society

The World Economic Forum (WEF) and other global financial bodies, like the Bank for International Settlements (BIS), often discuss the trend toward a "cashless society" as a natural evolution driven by consumer behaviour and technology. However, critics believe it is a de facto push to eliminate cash. I do not think the evolution towards cashless transactions is a natural one, but one driven by the banking sector to drive operating costs down and maximise profits at the expense of the public. Sure, the upside of the digital system is its efficiency and convenience. However, the downside is that we are very dependent on this payment system, without a secure (analogue) back-up alternative, none of which appear to be supported by the banks. That means there need to be tough laws that ensure there is



an accessible supply of cash. Regulations are necessary, requiring all businesses to accept cash as a means of exchange, so that the public has access to cash and is able to transact by cash or cheque.

Post Office Banking Worldwide

Given the rapid contraction of face-to-face banking, the banks no longer prepared to guarantee full services across their networks as they shift to an online-only presence, it becomes imperative that we have a viable and efficient cash distribution network and a physical presence that operates independently of traditional banks.

The only viable solution is to convert the post office network into a full banking services operation that can also operate as a cash conduit. Legislative changes are required, along with some infrastructure and staffing. But the network is already there. As mentioned above, post offices used to move cash for banks at a lower cost, before groups like Chubb and Armaguard took over at a far higher cost of service.

With a post office bank system, this would reduce the systemic risks and give the public equal access to basic face-to-face banking services. AusPost provides Bank@Post financial services, but these services are somewhat limited. For example, one cannot make a cash transfer between banks or via Bank@Post without a digital card. The solution is for AusPost to hold a full banking licence with DTI facilities. This is not new as there are overseas examples of post offices providing full banking services, e.g.:

GiroBank:⁹ In the UK in 1968, the post office launched National Girobank, as a publicly owned bank. It aimed to provide a modern, low-cost banking service, particularly appealing to those who didn't have traditional bank

accounts. In 1990, Alliance & Leicester acquired National GiroBank. Despite the demise of National GiroBank, the Post Office remains a vital part of the UK banking infrastructure through agreements with most major high street banks. This meant that customers of participating banks could carry out everyday banking transactions at Post Office branches, much like they would at their own bank's branches. The Post Office has agreements with most major UK banks.

Japan Post Bank (Yucho Ginko):¹⁰ This is perhaps the most well-known and largest example globally. Japan Post Bank is a large financial institution, a subsidiary of Japan Post Holdings, offering a full range of banking services, including savings accounts, current accounts, and even international remittances. It's a key player in Japan's financial landscape.

La Banque Postale, France: This is a full-service commercial bank that spun off from the French postal service (La Poste) in 2006. While legally separate, it has strong ties to the post office network, leveraging its extensive branch presence.

Postbank, Germany: Originally the banking arm of Deutsche Post, Postbank was later taken over by Deutsche Bank. While its origins are in postal banking and it still uses post office branches for some services, it's now primarily integrated into a private banking group, so it's less of a standalone postal bank in the traditional sense, but it originated as one.

India Post Payments Bank (IPPB): Launched in 2018, IPPB is an initiative by India Post to offer banking and financial services to the unbanked and underbanked population, using the vast network of post offices. It focuses on digital and accessible banking.

PostFinance, Switzerland: A financial services institution owned by Swiss Post. It provides payment services, savings, investments, and financing solutions, functioning as a full-fledged bank for private and business customers, with a strong focus on digital services and its branch network.

Poste Italiane/BancoPosta: Poste Italiane offers a wide range of financial services through its BancoPosta division, including cheque accounts, savings accounts, and investment products, making it a significant banking provider in Italy.

Banco Postal, Brazil (Operated by Bradesco): While historically distinct, most postal banking services in Brazil are now operated under agreements with large private banks like Bradesco. So, while you can do banking at the post office, it's often an agency model rather than a purely standalone postal bank directly offering accounts under its banking licence.

Many other countries (e.g., in developing economies) also use their post office networks to provide basic financial inclusion services, which might not be full banking licences but serve similar purposes for the population.

What is the Solution?

In summary, clearly, there are strategic and systemic reasons for retaining the analogue system of cash and cheques as part of the broader payments system. But it also needs to be diversified so that an efficient payment system can be maintained and accepted by all merchants. That might require a change in law to require acceptance of cash. While 80 banks have basic banking services agreements with the Bank@Post program,¹¹ if the traditional banks aren't prepared to provide full services to the broader community, then the government should step in and either require all banks to form partnerships with the post office or legislate for a full banking licence for a post office bank (aka AusPost bank). The aim is to guarantee that every community in Australia has access to full face-to-face banking services, including physical cash.

A consultation paper issued recently by the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC)¹² sought public submissions on a draft regulatory proposal to address issues around the cash distribution system. It closed for comment on 15 August 2025. All submissions will be publicly listed on their website. However, it doesn't consider the option of a fully-fledged post office bank, which will address all concerns raised, and has other significant benefits for the Australian economy—recalling that we once had a publicly owned bank called the Commonwealth Bank until it was privatised in 1991.

Other Benefits of a Post Office Bank

The Bank of North Dakota (BND)¹³ is a case in point. It is a state-owned, state-run financial institution based in Bismarck, North Dakota. It is the only government-owned general-service bank in the United States. Established in 1919, BND has been amazingly successful, and its success has also supported the finances of the State. It has been named the safest bank in America. BND is number one in fiscal health, and boasts lower taxes. Across the US, small businesses are failing at a high rate, but not so in North Dakota, which *Forbes* magazine rated as the best state in which to start a business in 2024¹⁴.



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BND operates within the private financial market and works alongside private banks rather than competing against them. It provides loans and other banking services, primarily to other banks, local governments, and state agencies, which then lend to or invest in private sector enterprises. It operates at a profit, with profits either retained as capital to increase the bank's loan capacity or returned to the state's general fund, which supports public projects, education, and infrastructure.

JPMorgan Chase (JPM), the largest bank in the US, with \$2.4 trillion on deposit, has an average ROE (return on equity) from 2000–23 of 16.6 per cent,¹⁵ while over the same period, BND averaged ROE of 19.51 per cent.¹⁶ It has no overpaid executives; pays no bonuses, fees, or commissions; has no private shareholders; and has lower borrowing costs. It engages in old-fashioned conservative banking, does not speculate on risky derivatives and does not need expensive advertising.

Having a fully licenced post office bank means the profits and benefits flow back to the community, not a select few shareholders. The post office already has an extensive network, which is something that the US BND doesn't have. AusPost has some experience in handling banking transactions and can fill the gap in banking services that the banks don't want to provide. In addition, from its reserves and deposits, it can facilitate similar lending activities to those undertaken by the BND.

There is anecdotal evidence of business and private customers being "debanked" in Australia¹⁷ and around the world, and a post office bank would provide a sanctuary for those who have been debanked without having committed a crime and having no right of appeal.

Australian banks are rapidly integrating AI platforms that are taking over various employee roles. Here's an opportunity to use retrenched banking employees in the post office network. Depositors can be confident that their deposits in a post office bank will be safe, as it is a government-owned enterprise.

Obviously, the private banks will be opposed to a public bank. However, they have repeatedly shown by their conduct that they do not deserve our trust. That they are not interested in providing services to everyone, only to those they can sell products to. So far APRA, the Department of the Treasury, the RBA and the ACCC have stood by while the banks dictate what services they will provide, including making it difficult to access cash while claiming "essential services" status. All the above-mentioned agencies understand the risks that I have

outlined and yet seem powerless to act.

To make a post office bank possible and ensure cash remains an important part of the system, we can't rely on the government or big business to come to our rescue. It requires NEXUS readers to lobby their Member of Parliament. Tell your friends and family—spread the word about the benefits of a post office bank and ask them to lobby for a public bank before it's too late.

About the Author:

Trevor Ward holds a diploma in banking and finance and financial markets. He worked in the banking industry for 27 years at the management level, involved in risk and compliance in credit risk management. He also spent 14 years in the public sector as a financial analyst. He authored "Bailing Out Banks: Our Deposits at Risk", published in NEXUS volume 32, number 5 (August–September 2025). See our website for more.

Endnotes

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