

Treasury Trends

ISSUE 475 – OCTOBER 2026

www.bancorp.co.nz www.barringtontreasury.com

Unintended Consequences: The Cost of Failing to Think Ahead

“Unintended consequences” has become a familiar phrase in political circles. When a policy produces outcomes that were not anticipated, it can be tempting to treat them as an unavoidable by-product of change. Yet for a Treasurer or Chief Financial Officer (CFO), this explanation should prompt a more fundamental question: were the consequences genuinely unforeseeable, or were they simply not properly considered?

In corporate treasury, decisions involving funding, hedging, liquidity, taxation or operational processes rarely affect just one variable. A decision may achieve its immediate objective while creating costs, risks or complications elsewhere. While no one can predict everything, failing to consider the wider implications is not the same as encountering a genuinely unforeseen event.

A responsibility to look beyond the immediate decision

Consider Australia's recent decision to remove credit and debit card surcharges. The reform aimed to make payments more transparent for consumers, alongside reductions in interchange fees intended to lower payment costs for businesses. Of course, banning a surcharge does not eliminate the underlying cost of accepting card payments. It would not have been unreasonable to assess in advance how organisations (including government agencies) might respond, including whether they would incorporate these costs into advertised prices, change their payment options or seek savings elsewhere. The Reserve Bank of Australia recognised that organisations could respond by adjusting their prices.

The point is not that the policy or intent is necessarily wrong, but that its success must be judged against the full range of intended outcomes and wider effects, rather than simply the removal of a charge at the checkout. Who ultimately bears the cost? Will competition and lower interchange fees deliver the anticipated savings? And how might businesses, government agencies and consumers change their behaviour in response? These are foreseeable questions that should form part of the policy assessment, rather than become explanations after implementation.

New Zealand's response to COVID-19 provides another example. The Government introduced substantial fiscal support to cushion the economic downturn, protect employment and support businesses. These measures were taken under extraordinary circumstances, with considerable uncertainty about the depth and

Key Points

- Take time to plan, consider wider impacts
- Involve all relevant stakeholders
- Don't blame unintended consequences
- Own the intended consequences

duration of the crisis. However, subsequent Treasury analysis found that the economy recovered far more strongly than expected from late 2020, and spending commitments proved more enduring than temporary, contributing to persistent fiscal deficits as the economy operated above capacity.

This is not to suggest that the initial response was unjustified, or that the subsequent economic recovery could have been predicted with certainty. Rather, it illustrates the importance of considering a range of scenarios when designing policy, including how spending commitments might evolve if economic conditions changed, how temporary support could be withdrawn, and what flexibility would remain to respond to future shocks. Where uncertainty is unavoidable, the ability to adapt should be built into the original decision.

In both cases, the issue is not whether every outcome could have been predicted with precision. It is whether the reasonably foreseeable consequences were properly considered, the assumptions were tested, and a process was in place to respond when circumstances differed from expectations.

The same principle applies to treasury

For a Treasurer or CFO, the responsibility to look beyond the immediate decision is fundamental.

- A refinancing may deliver a lower interest margin but introduce restrictive covenants, concentrate maturities or reduce future funding flexibility.
- A hedging strategy may reduce earnings volatility but create accounting complexity or costly unwind requirements.
- A new treasury management system may promise automation while introducing integration problems, data-quality issues or weaknesses in existing controls.

None of the unwanted outcomes should automatically be labelled unintended. Many can be identified, assessed and mitigated before implementation.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

The same applies to operational change. A project designed to reduce banking fees may also present opportunities to consolidate accounts, automate reconciliations, improve cash forecasting or strengthen payment controls. If the review focuses exclusively on price, wider benefits may be missed. Conversely, a narrow cost-saving initiative could create additional administration or operational risk that outweighs the original saving.

The question should never be simply, “Will this change deliver the expected benefit?” Follow-on questions could be “What else will it affect, what opportunities does it create, and what could go wrong?”

Planning is an investment, not an overhead

One of the most common mistakes in change management is underestimating the value of upfront planning.

There is often pressure to move quickly, demonstrate savings and deliver results. Establishing the facts, consulting stakeholders and testing assumptions can appear to delay progress. In reality, every hour invested in understanding the opening position and planning the proposed change can save many more hours correcting problems after implementation.

A robust process begins with a clear base case: the existing costs, risks, controls, processes, contractual obligations and performance measures. Without this, it is difficult to determine whether the proposed change represents a genuine improvement.

Then identify the intended outcomes and test the assumptions behind them. What happens if interest rates move unexpectedly, transaction volumes differ from forecasts, implementation is delayed or a critical system integration fails? Which risks are material, and what contingency arrangements are required?

It is equally important to involve the people affected. Treasury, finance, technology, procurement, operations and legal teams may each identify implications that others have overlooked.

Finally, evaluate the alternatives, including making no change. Establish measurable success criteria, clear accountability and a plan to monitor outcomes after implementation.

This does not require predicting every conceivable scenario. It requires proportionate analysis of the consequences that could materially affect the organisation.

Intended consequences the true measure of success

Good treasury management is not about eliminating uncertainty. It is about making informed decisions, understanding trade-offs and managing foreseeable risks.

The phrase “unintended consequences” should remain a legitimate explanation for genuinely unpredictable outcomes, not a convenient defence against inadequate preparation. When a decision has been properly researched, its assumptions challenged and its wider implications assessed, unexpected developments can be managed with far greater confidence.

Moreover, the best changes often deliver more than their original objective.

- A funding review can improve flexibility as well as price.
- Technology investment can strengthen controls and efficiency.
- A payment reform can improve transparency while encouraging competition and better pricing.

These additional benefits are unlikely to emerge consistently from a narrow focus on the immediate decision. They require a deliberate effort to understand the whole opportunity before committing to a course of action.

Own the outcome

For Treasurers and CFOs, the ultimate test is therefore not how convincingly they explain the consequences after the event. It is how effectively they anticipate, assess and shape those consequences beforehand.

With the right preparation, the objective is not merely to manage unintended consequences, but to deliver intended ones.

Please call us to arrange a Q&A whiteboard session if you are contemplating any change in treasury.

WHAT WE DO



CONTACT US

BANCORP TREASURY & BARRINGTON TREASURY NZ
Phone: 09 912 7600
Email: admin@bancortreasury.com

BARRINGTON TREASURY
Phone: 1800 425 079
Email: admin@barringtontreasury.com

BARRINGTON ASSET CONSULTING
Phone: 1800 425 079
Email: admin@barringtontreasury.com

This document has been prepared by Bancorp Treasury Services Limited (“BTSL”) and Barrington Treasury Services Pty Limited (“Barrington”). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL, Barrington, nor any of their directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL or Barrington, their directors, officers or employees for action taken or not taken on the basis of this document. ACN 46 050 931 541 Operating under AFSL Licence No. 244594.