



Banking on it

Key points

- Expanded Post Office banking is critical to the survival of the network
- A state-backed Postbank should be developed
- Postbank should be aimed at everyone, including small businesses
- 100% of Postbank profits should be re-invested in the UK post office network
- All high street banks should offer a comprehensive service for all account holders at post offices
- New services must, wherever possible, be offered across the entire network.

Last autumn, the Prime Minister announced that he wanted “the Post Office to play a much bigger role, bringing banking services back to the heart of people’s communities”. The 12-week consultation that followed this announcement gave the NFSP, subpostmasters and their customers the opportunity to make a formal written submission to the government’s proposals.

Whilst the NFSP told the government that many of its plans for new financial products and services were very welcome, we heavily criticised the government for failing to ask the public for its views on creating a state-backed Postbank at the Post Office.

NETWORK FUTURE

If the network is to remain at the 12,000 outlets which the government says we need, new services are urgently required to provide subpostmasters with new sources of income. An NFSP survey of members carried out last year confirmed that most subpostmasters are experiencing falling or static pay coupled with rising overheads. The latest Post Office Ltd (POL) figures show more than half of subpostmasters’ incomes have dropped over the past year. We fear



The NFSP has been urging the public to say what banking services it wants at post offices

unless action is taken, more subpostmasters will be forced to hand in their keys and walk away from their post offices simply because they are unable to make a living.

BANKING EXPANSION

With 150 years’ experience of banking from the Post Office Savings Bank to the POCA, the Post Office is perfectly placed for a radical extension of its current financial services offer. The NFSP believes that an expansion of the banking services offered by post offices could be extremely popular with the public, as well as providing a significant source of much-needed income for the sub office network.

The public likes and trusts the Post Office, and wants local, free access to cash and banking services in a trusted environment. Following the near collapse of the UK banking system in 2008, public trust in the high street banks is extraordinarily low. Recent research shows that just 7% of the public trust their banks to treat them fairly. But people still need financial services and access to a branch network. The high street banks have been closing branches over the past decade. The closures have particularly affected rural and deprived parts of the country and more are expected to shut.

The post office network is ideally placed to meet this need. Larger than all

the retail bank branches put together, the network has a good geographic spread with a high proportion of offices located in rural and inner city areas. Subpostmasters are already skilled in handling high volumes of cash, undertaking financial transactions, dealing with confidential matters and helping vulnerable customers. Post offices are well-established, secure and trusted outlets that are reliably and well-stocked with cash, backed by the infrastructure of a large co-ordinated organisation.

BANKING MODEL

The consultation does not address the mechanism by which Post Office banking and financial services would be expanded. But the government looks very likely to use the model under which Post Office Financial Services are currently provided, through a partnership between POL and the Bank of Ireland. The NFSP is extremely concerned that the POL/Bank of Ireland model is not the right model – either for subpostmasters or for the public.

NFSP research shows that the vast majority of subpostmasters earn nothing at all for many key Post Office Financial Services products, including credit cards and insurance policies. In addition, 50% of the profits from Post Office Financial

Services are paid to the Bank of Ireland rather than reinvested in the post office network.

We are very concerned that unless the proposed new Post Office banking services are very different to other banking services already on offer in the market, people simply won’t want to use them. A partnership arrangement with the Bank of Ireland leaves Post Office banking indistinguishable from the myriad of other banking offers available from a whole range of providers on the high street.

POSTBANK

The NFSP believes the public would strongly support an alternative, a state-backed bank, a Postbank. Our preferred model is the transfer of National Savings & Investments (NS&I) from the Treasury back into POL with a full range of banking products – using the banking licence of one of the recently nationalised banks for the Post Office. With 100% of the profits reinvested in the UK’s post office network, people would welcome a Postbank as an antidote to the high street banks.

Postbank would be different from the other banks because it would be backed by the UK government, free from toxic assets and genuinely accessible to the most vulnerable members of society. With much of the infrastructure required to build a Postbank already existing within the Post Office, set-up costs are minimised.

PRODUCTS AND FEATURES

Postbank should offer a comprehensive banking service catering for all banking needs including accounts suitable for people on very low incomes, current accounts and business accounts. It is vital to its success that Postbank is a truly universal service available to everyone and used by all sections of society.

The Post Office has a particularly important role to play in developing an account aimed at people on low incomes; as accounts currently available on the market fail to meet the needs of this group. But the NFSP warns that any plans to develop new types of account must not lose sight of the simplicity that many customers value in the POCA.

Business banking should form an important part of Postbank. Groups representing small businesses have repeatedly called for more business banking at post offices. In a recent survey, 38% of small firms said a national bank built on the post office network is a good idea and that they would definitely use it.

The NFSP welcomes a number of the proposals detailed in the government’s consultation document including a children’s savings account, access to Savings Gateway accounts and credit unions at post offices.

Products that result in regular repeat transactions will be key in generating earnings for subpostmasters. Not only will each transaction generate income directly, but banking brings customers – who will use other Post Office services or make additional purchases in the shop – through the door.

HIGH STREET BANKING

As well as the establishment of a state-backed Postbank, all the major high street banks should offer a comprehensive service for their current, basic and business account holders at post offices. Although a number of the high street banks allow some access to some of their accounts at post offices, significant numbers of bank accounts still remain unavailable at post offices.

The universal availability of high street banking services at post offices would make post office banking easier to promote. Currently the banks do not advertise their post office services and it is a difficult message for POL to promote given the present limitations in terms of the number of accessible accounts and the restricted range of transactions.

Access to high street banks would be popular with the public, research shows it is the top factor that would lead people to increase their use of post office services, with 62% saying it would do so.

The government should take a lead in facilitating discussions to achieve full access to all bank accounts at the Post Office. The £850bn government bail out of the banking system, and high levels of government ownership of many banks, including RBS, puts the government in an especially strong position to demand post office access to all high street bank accounts.



The government's consultation document

Access to high street banks through post offices is the top factor that would lead to people using post offices more