

POST OFFICE HIT BY GIRO BLOW

It could lose £20m contract to PayPoint

THE Post Office is in danger of losing a £20million-a-year contract which could be the kiss of death for thousands of struggling branches.

The Department of Work and Pensions has put the job of cashing 400,000 giro benefit cheques a week out to tender for the first time in 40 years.

Hot favourite to clinch the deal is PayPoint which runs the terminals in 24,000 newsagents and corner shops used to top up mobile phones and energy meters.

But George Thomson, general secretary of the National Federation of Sub-Postmasters, says this would be a disaster.

"The future of the Post Office network depends on more government work, not less," he told Your Money. "If this contract

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is taken away it could be the final nail in the coffin of thousands of branches."

This is because they wouldn't just lose the money for cashing cheques. Customers often spend some of the cash they receive while they are in the branch.

Thomson said the only way to prevent carnage would be to raise the state subsidy for Post Offices. Ministers recently agreed to increase the social network payment for the coming year by £30m to £180m.

"The idea that they could give the network an extra £30m with one hand only to take £20m away with the other and then refund that sum from elsewhere is the economics of the madhouse," he added. He

is also worried for the safety of PayPoint staff if they win the contract. He said people cashing giros, who include some of society's most vulnerable, can be aggressive.

"They have to show suitable ID in order to cash their cheques. Sometimes people can turn violent if they don't have it and can't get their money," he claimed.

"Most of our people are behind protective screens but it could be dangerous if young shop girls are put in this position."

The Post Office declined to comment but a DWP spokesman confirmed the closing date for tenders was the end of this month with the contract due to be awarded in the autumn. He said the process was designed not only to trim costs but also to find a more secure payment method which would reduce fraud losses of around £8m a year.