

Department for Business Innovation and Skills – Post Office Banking Consultation

Response from the National Federation of SubPostmasters

1 Introduction

1.1 The Department for Business Innovation and Skills is consulting on developing the banking and financial services available at the Post Office. This consultation follows the announcement by the Prime Minister on 29 September 2009 that he wanted “the Post Office to play a much bigger role, bringing banking services back to the heart of people’s communities”.

1.2 The National Federation of SubPostmasters (NFSP) fully supports the proposal to bring banking services back into communities through expanding Post Office banking services. We believe the consultation could represent a very welcome step towards achieving this exceptionally desirable objective. However, the NFSP is extremely disappointed with the very limited scope of the proposals outlined in the consultation, which leave some of the key issues unaddressed and fail to deliver on the need for a state-backed Postbank that the NFSP and others have been calling for.

2 Post Office Network

2.1 The UK’s post office network includes 11,500 post offices and 500 outreach services. In recent years the post office network has seen a significant decline in business due to the loss or gradual erosion of government services; changing consumer habits and use of new technology; and the move to electronic payments of state benefits.

2.2 The government has acknowledged that we need a national network of 12,000 post offices¹; and the NFSP agrees that the network needs to stabilise at 12,000 outlets. It is essential for subpostmasters to know their offices have futures, both individually and as part of a wider thriving network. Without this, subpostmasters will find it very difficult to invest in their businesses and will lack the confidence necessary to do so. Nor will it be easy to sell post offices on to new owners when existing incumbents need to retire or move on. Such outcomes would result in a stagnating or declining network.

2.3 It is also necessary for Post Office Ltd’s clients to know the number of post offices is secure. Fears of an ever diminishing network are not likely to bring in new business or renewed contracts if there are alternative networks or methods of service delivery. The strength of the network lies in its depth and reach - an ever reducing network would inevitably undermine its strength and future viability.

2.4 If the network is to remain at 12,000 outlets new services are urgently required to provide subpostmasters with new sources of income to ensure their post offices remain viable. A great many sub post offices are operating at the very margins of viability. The expansion of the Post Office’s banking and financial services should be one of the key means to providing post offices

with additional income. Expanded Post Office banking and the regular repeat transactions it would bring, has the potential to provide subpostmasters significant income both through payment for banking transactions and by bringing customers in through the door.

3 Sub Post Office Income

3.1 The urgency of the need to address sub post office income cannot be overstated. If we are to retain anything like the kind of post office network we have today, the low and declining levels of sub post office income need to be addressed immediately.

3.2 Last year the NFSP surveyed subpostmasters on their Post Office incomes.² We found that in March 2009, subpostmasters received an average of £2,882 net pay. From his or her net pay, the subpostmaster must pay for the running of the post office, including overheads and staff wages, as well as taking their own personal drawings. The vast majority (74%) of subpostmasters told us their pay had not increased over the previous year; but over the same period 64% of subpostmasters had seen increases in staff costs, and 77% had seen increases in overheads.

3.3 Subpostmasters' average personal drawings were £866 (or 30% of average net pay). This is the equivalent of an employee's annual salary of around £12,300 (before tax). A significant number of subpostmasters (14%) took nothing at all, drawing income instead from pensions, savings or their retail business. Our survey found subpostmasters' personal drawings had decreased by 8.5% on average between 2006 and 2009.

3.4 Since the NFSP carried out the subpostmaster income survey in spring 2009, volumes of transactions carried out over post office counters have dropped and subpostmaster incomes reduced further. Post Office Ltd figures show that over 50% of subpostmasters' incomes have fallen over the past year.³ Information from our members makes clear that morale amongst subpostmasters is extremely low; and more and more subpostmasters are being forced to hand in their keys and walk away from their post offices because they are unable to make a living.

4 Post Office Banking Background

4.1 Banking at the Post Office has a long and august history. In 1861 the Post Office Savings Bank was set up, at a time when there were few banks outside major towns it offered savings facilities for ordinary wage earners. In 1969, the Bank ceased to be part of the Post Office. Instead it became a separate government department and was known as National Savings. However, the Bank's link with the postal services persisted as post offices continued to handle deposits and withdrawals over the counter. In 1968 a new banking service National Giro was set up by the Post Office (later called Girobank) – offering current account banking and extending banking services to people on low incomes. Girobank was very popular and by the late 1980s it had become Britain's sixth largest bank. However, in 1990 the Alliance & Leicester building society purchased the Girobank from the government.

4.2 In 2000 the Cabinet Office's Performance and Innovation Unit recommended the development of a new bank to bring the "unbanked" into the financial mainstream, the Universal Bank. The Post Office was presented as the ideal home for such a bank. It was proposed that the Universal Bank would offer account opening over a post office counter and all transactions could be undertaken at post offices. The account would allow direct debits or a Post Office developed budgeting product more in line with the needs of the new bank's customers. The account was also to be configured so that customers could not fall into debt.

4.3 Although the Universal Bank never came to fruition, the much more limited Post Office card account (POCA) did. POCA was launched in 2003, when the government changed the main method of paying state benefits and pensions from a paper-based order book and girocheque system to electronic payments directly into accounts. The POCA is a simple account that can only be used to receive benefits, state pensions and tax credits at post offices and (from March 2010) Post Office/Bank of Ireland ATMs.

4.4 Despite the much-criticised lack of publicity for the POCA and extensive barriers people encountered when attempting to open the account; around 4 million people across the UK use the card account, making 6.5 million visits to post offices each week. Among those served by the card account are some of the most vulnerable people in society, including older people, people on low incomes, those living in rural or urban deprived areas, non-car owners and those least able to afford the cost of public transport. Many POCA customers rely on their post office to help them understand and operate their account.

4.5 The importance of the POCA to its users has been underlined repeatedly. In January 2006, when the government announced it would not be renewing the POCA contract after 2010, a petition of four million names was handed to Downing Street during a lobby at Westminster. In 2008 the government put out to tender the contract to run the POCA between 2010 and 2015. Fears that Post Office Ltd would not be awarded the tender resulted in three million people sending campaign postcards to their MP, calling on the government to keep the contract at the Post Office. Two hundred and sixty five MPs of all parties signed an EDM in favour of awarding the POCA contract to the Post Office. The Department for Work and Pensions cancelled the tender process and awarded the contract exclusively to the Post Office in November 2008.

4.6 In addition to the POCA, today the Post Office offers a wide range of other financial services. These include access to some high street bank accounts; access to some National Savings and Investment accounts; and Post Office Financial Services products ranging from insurance to mortgages, loans and a credit card.

5 Post Office Banking Expansion

5.1 The NFSP believes that an extension 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.

5.2 The public likes and trusts the Post Office, and wants local, free access to cash and banking services in a trusted environment. Research shows the public are very enthusiastic about the idea of banking at post offices, with access to banking the main factor that would encourage people to make more use of post offices.⁴

5.3 Following the near collapse of the UK banking system in 2008, public trust in and respect for the high street banks is extraordinarily low. Research carried out by Cohn and Wolfe asked the public which words best describe the perception of their financial institution. Researchers found 49% said “greedy”, 36% “impersonal”; whilst only 4% said “trustworthy” and 5% “transparent”.⁵ Comparison website Money.co.uk reports its research found just 7% of people trust their banks to treat them fairly, and a quarter do not trust their banks at all.⁶ Consumer Focus comments that “many consumers do not feel comfortable in, or welcomed by, mainstream providers.”⁷ In particular, Consumer Focus highlights its finding of 59% of people without bank accounts and 42% of those who only have POCAs saying that they do not trust banks to look after their money. Consumer Focus Wales finds young people in particular appear to have a general mistrust or suspicion of banks.⁸

5.4 Despite the widely reported dislike and distrust of banks, people still need financial services and access to a branch network. Yet the high street banks have been closing branches over the last decade, particularly in the less affluent areas.⁹ Since 1990, 42% of bank branches have closed, and the UK has far fewer branches per head of population than many other European countries. The UK has only 170 branches per million inhabitants; in comparison France has 430 branches per million; Italy 560; Germany 510; and Spain 1010. Moreover, there is a better geographical spread in other countries, compared with the UK.¹⁰

5.5 The problem in rural areas has been highlighted by the Commission for Rural Communities which finds only 12% of bank branches are located in rural areas.¹¹ Help the Aged reports that 51% of older people do not have a local accessible bank.¹² Yet further significant bank branch closures in suburban and rural communities are anticipated, as the banks are expected to emphasise investing in “sales focussed outlets in high footfall sites”.¹³

5.6 The banks frequently defend their branch closures, citing increases in online banking leading to less need for local banking. However, the NFSP believes this case is seriously overstated. The latest figures show that 22 million UK adults have undertaken some internet banking on their main current account. However, the most popular tasks are checking account balances and checking statements. Fewer than 20% of those who bank online use the internet to “enquire about their account”.¹⁴ It is too easy for policy makers to focus on the needs and habits of educated, well funded, reasonably youthful citizens. A high proportion of internet users do not use online banking; and critically, nearly one in three people do not have any access at all to the internet. Typically, these are older people, people in the DE social class, people who live by themselves and those with low qualifications.¹⁵

5.7 Clearly, there are also many transactions that simply cannot be undertaken online - including cash withdrawal, cash deposits and cheque deposits. Research studies confirm the key role of cash - and therefore cash withdrawal - in budget management for many people. A recent Welsh survey found two-thirds of the population in Wales said that they prefer paying for things in cash as it gives them greater control over their money.¹⁶ Age Concern and Help the Aged also confirm that many older people prefer to withdraw small amounts of money for security and budgeting reasons.¹⁷ For many less well-off pensioners, collecting their pension in cash is central to their financial management. Help the Aged points out that the preferred cash-based method of managing their finances means that older people are often very dependent on being able to get to financial outlets such as post offices or banks.¹⁸

5.8 ATMs, or cash machines, cannot fulfil all cash withdrawal needs. Whilst free-to-use ATMs may be plentiful in towns and cities, fewer than 10% of cash points are based in rural areas¹⁹ even though nearly 25% of the population lives there.²⁰ Moreover, ATMs based in rural and disadvantaged areas are often fee-charging – a significant barrier for people on low incomes.²¹ Research for the Financial Inclusion Task Force finds that the majority of people with no bank account, or those who do not use a bank account for day-to-day banking, are not happy to use ATMs. The vast majority had concerns about privacy and security. Around a third thought ATMs were difficult to use, and two thirds said they would only use one as a last resort.²² Research by Age Concern also finds many older people are reluctant to use ATMs for security and access reasons, many cannot remember PINs and have problems using key pads.²³ Help the Aged research found as many as 45% of older people find PINs difficult to remember or use.²⁴ The older people's charities emphasise the need not only for local access for banking, but the need for "trusted support" and staff who know their customers and are more aware of their needs.²⁵

5.9 The NFSP holds that the need for local banking remains, and that the post office network is best placed to meet this need. Even after the recent waves of post office closures, the post office network is larger than all the retail bank branches put together. Furthermore, the spread of the post office network is far more geographically even. The Commission for Rural Communities points out that there are three times as many post offices as bank branches in rural England. Supporting the expansion of Post Office banking as an "attractive proposition", the Commission for Rural Communities says it would double the number of banking outlets in rural areas and provide banking services to communities without such provision.²⁶ With 55% of post offices based in rural areas, and 11% based in urban deprived areas, the Post Office is the only national network with the geographical reach to fill the gap that bank branch closures have left.

5.10 The Post Office's current financial services offer - which includes the POCA - presents it with an excellent platform and infrastructure on which to expand further into banking. Post office premises have the security, and subpostmasters and other post office staff the skills and experience from

which to launch a more extensive offer. A total of £86bn cash passes through the Post Office every year, and for every £1 transacted in the UK, 14p is handled through the post office network.²⁷ There are over one million cash withdrawals made every day in post offices across the UK.²⁸ The public is accustomed to transacting official, financial and confidential business at post offices. In a rural survey, Age Concern found 43% of older people already use post offices to access cash.²⁹ Separate research shows overall 28% of all people in deprived urban areas and 26% of all people in rural areas use a post office to access cash.³⁰

6 Banking and Financial Inclusion

6.1 The NFSP agrees with the Department for Business Innovation and Skills that the Post Office has a particular role in providing services suited to those on low incomes and the more vulnerable members of society. Pressure groups and consumer bodies emphasise the unmet need for banking and financial services that are genuinely accessible to, and appropriate for, people who are on low incomes. Post offices – used disproportionately by the more vulnerable groups including people on low incomes, older people, disabled people and carers - are ideally placed to meet this need.

6.2 The basic bank accounts, run by the high street banks, although aimed at people on low incomes have been met by fierce criticism.^{31,32,33,34,35} Pressure groups point out that not everyone can open a basic bank account – there is evidence of acute problems for people who do not have acceptable evidence of their identity and address. The banks may also refuse people a basic bank account if they have an undischarged bankruptcy or bad credit history. In addition, few banks promote basic accounts which means many potential account holders are simply unaware of their existence. Other problems include the fact that banks can take money out of accounts to pay other debts to the bank without checking the customer's circumstances; charges levied for failed direct debits; and banks sometimes upgrading basic accounts to full current accounts where this is not in the individual's best interests.

6.3 The significant problems faced by the UK's 2.7m adults without access to a transactional bank account are well-documented. The Fuel Poverty Advisory Group estimates the inability to access cheaper utility tariffs and other cost benefits relating to direct debit yields a "poverty premium" of £1,000 per household per year.³⁶

6.4 Similar problems arise from a lack of access to mainstream credit. Options for people on low incomes who do not have bank accounts and who have poor credit ratings are limited, and many are reduced to use high interest home credit or door stop lenders.³⁷ Likewise, whilst paying a cheque into a bank account is free, cashing a cheque at a service like Cash Converters commands a hefty fee.³⁸ Pre-paid cards - which enable people who do not qualify for a debit card to buy things over the internet or telephone - require purchasing, annual management fees and make charges each time money is loaded onto the card, as well as charging for each cash withdrawal.³⁹

6.5 The Post Office's ideal position to meet the needs of people on low incomes and bridge the gap in the market has long been recognised by a wide range of agencies. In 2000 the Cabinet Office emphasised the strength of the proposed Universal Bank as an account that people would see as "a Post Office account and be attracted to it precisely because they did not view it as a bank account."⁴⁰ More recently, this year, Consumer Focus stated "For a new approach to banking for low-income consumers to truly succeed, it has to be offered by and available at the right institution. Our findings show that the Post Office is well placed to be that institution, it is seen as a safe place for money and is deemed to understand its customers and work hard to help them."⁴¹

7 Business Banking at Post Offices

7.1 Nearly eight in ten small businesses say that a local banking facility is either "very important" or "important" to them. Three-quarters of small businesses visit local bank branches to deposit cash and cheques, one in ten to withdraw cash.⁴² But many small businesses have been affected by local bank branch closures.

7.2 Post offices are used quite heavily by smaller firms – 54% of micro businesses, 52% of small businesses and 43% of medium sized businesses use the post office at least once a week.⁴³ A quarter of SMEs use a post office to pay in cash, collect change and use other banking services.⁴⁴ However the business banking services available at post offices are very restricted. The range of services is limited to paying in cheques, withdrawing money and checking balances. These services are only available to business banking customers of three banks - Alliance & Leicester Commercial Bank, Clydesdale and Bank of Ireland.

7.3 Organisations representing the interests of small businesses have criticised the current arrangements for not being well advertised. The Federation of Small Businesses (FSB) says the majority of customers do not use the existing access to their bank account because they are not aware that it exists.

7.4 The FSB would like the Post Office to be fully linked to all high street banks, allowing comprehensive Post Office access to all business banking accounts.⁴⁵ This a position the NFSP strongly supports. Numbers of small businesses are rising and there are now 4.8 million small firms in the UK. Expanded Post Office banking access is likely to be particularly valuable in rural areas where small firms are especially prevalent -12% of the workforce in rural England work from home and 17% are self employed.⁴⁶ These groups rely heavily on post offices, and are more likely to suffer from a lack of local banking access.

7.5. The NFSP believes that post offices are also well positioned, through Post Office Ltd's extensive cash and coin supply chain, to be able to take business cash deposits for all banks, as well as supplying their coin needs. This would further increase access to local banking for small businesses and would generate further footfall and income for post offices.

7.6 There is also considerable demand for the Post Office itself to provide business banking accounts. A recent survey for the FSB found that the majority of small businesses would like to see the Post Office developing full retail banking facilities and be more like a bank. Thirty eight percent of small businesses said a national bank built on the post office network (a 'Post Bank') is a good idea and that they would definitely use it.⁴⁷ The FSB comments "It is clear that if the Post Office could offer competitive financial products for the small business community, the network could significantly increase its customer base."⁴⁸

7.7 The FSB is highly critical of the UK banking system which it says does not currently provide the lending that small businesses need. The FSB believes a state-backed Postbank could meet this need. For example, the European Investment Bank (EIB) has made €30bn available in loans to support small businesses. The funds are allocated to commercial banks in each member state to enable them to be flexible and risk-friendly when giving loans to small businesses. In the UK these funds are being distributed through Barclays, Alliance & Leicester Commercial Bank and Close Brothers. FSB reports its members have found the banks to be very short on knowledge of and unwilling to promote these loans. The FSB states "In the UK EIB funding could easily be distributed through the PO network and this is another reason why business banking must be established urgently to support the small businesses community, allowing small firms to access this much needed financial help."⁴⁹

7.8 The FSB cites similar problems with the Enterprise Finance Guarantee scheme under which the government guarantees lending to viable businesses to ensure that they can get the working capital and investment that they need. The FSB is concerned that banks are still charging high fees and demanding that small businesses put up their personal property as security. The FSB says administering government schemes such as the Enterprise Finance Guarantee through the Post Office could make them more accessible to small businesses.⁵⁰

8 Current Post Office Banking Model

8.1 This consultation does not address the mechanism by which Post Office banking and financial services would be expanded. Business Innovation and Skills (BIS) minister, Pat McFadden MP, recently told the BIS committee "I hope we do not let an argument about structure get in the way of the main point which is the expansion of the services."⁵¹ The government looks very likely to use the model under which Post Office financial services are currently provided - through a partnership between Post Office Ltd and the Bank of Ireland.

8.2 The NFSP disagrees that the consultation should focus purely on products and services and believes the mechanism is central to the success of any expansion of Post Office banking services. It is essential to get the structure right if the government is to achieve its stated aims of a sustainable Post

Office offering a wider range of services that its customers actually want. The NFSP is extremely concerned that the Post Office Ltd/Bank of Ireland model is not the right model – either for the post office network or for the public.

8.3 Under the current Bank of Ireland model, the vast majority of subpostmasters earn nothing at all from many Post Office financial services products. The evidence that the model is not delivering for subpostmasters is clear.

8.4 NFSP research reveals that in March 2009:

- 92% of subpostmasters earned £0 for PO Credit Cards
- 92% of subpostmasters earned £0 for PO Home Insurance
- 86% of subpostmasters earned £0 for PO Vehicle Insurance
- 99% of subpostmasters earned £0 for PO Life Assurance

For the few subpostmasters who received income for the sale of one of the above financial services products, earnings were typically £25 for the month.⁵²

8.5 Under the Post Office Ltd partnership with the Bank of Ireland, post offices also offer the Post Office Instant Saver account. This account is more successful for subpostmasters than the financial services listed above because subpostmasters receive income related to the balance of funds in the account, as well as income for ‘introducing’ the account to the customer. The NFSP’s research found the Instant Saver account earned some income for the vast majority of subpostmasters (83%). However, income levels were still extremely low: subpostmasters earned an average of £25 for Instant Saver account transactions in March 2009.⁵³

8.6 The NFSP is deeply concerned that unless the proposed new Post Office banking services are radically different to other banking services already on offer in the market, public uptake of the services will not be sufficient to yield significant new income for the network. We are also concerned that the current model will not deliver banking and financial services that are genuinely accessible to people on low incomes, or fully meet the needs of small businesses. 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.

8.7 Currently 50% of the profits from Post Office financial services are paid to the Bank of Ireland. This clearly represents a substantial financial penalty for the Post Office. The NFSP believes the public would strongly support an alternative - a state-backed bank in which 100% of the profits are reinvested in the UK’s post office network.

9 Postbank

9.1 The NFSP would like to see a genuine state-backed Postbank set up. Our preferred model is the transfer of National Savings and Investments (NS&I) from the Treasury back into Post Office Ltd with a full range of banking products; using the banking licence of one of the recently nationalised banks for the Post Office. The 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. Since much of the existing infrastructure required to build a Postbank already exists within the Post Office, set-up costs are minimised. A state-backed Postbank is particularly well-suited to offering the “simple good-value products attractive across the community” proposed in the government’s consultation document.

9.2 The NFSP believes a well-publicised state-backed Postbank would be very popular with the public. People would welcome a Postbank as an antidote to the high street banks. The popularity of publicly owned financial products was demonstrated all too clearly in the wake of the Lehmans crisis in autumn 2008, when Treasury-backed National Savings and Investments (NS&I) received “huge unsolicited volumes” of applications in the “flight to safety”.⁵⁴ Whilst sales through all NS&I channels increased over the last year, sales of its products over post office counters were disproportionately high. NS&I indicates that many people felt more secure making their investments in person over the counter.⁵⁵

9.3 The example of Kiwibank, New Zealand’s bank set up in PostShops throughout the country in 2002, shows just how successful a government-owned bank set up as an alternative to the existing market can be. Last year Kiwibank accounted an after-tax profit of \$52.5 million and was described as “on a strong growth path”. Not only do its profits stay in New Zealand, but its success is predicated on offering better services, charging lower interest rates and fees than its competitors. Kiwibank is now the country’s largest bank network.

9.4 A similar success story is told by the French postal service, which launched government-backed La Banque Postale in January 2006. By 2008 it accounted for 22.9% of La Poste Group’s turnover. La Banque Postale reported a net banking income of €4,771 million in 2008, this represents 4.4% growth on the previous year despite the problems in the global financial markets. With more than 11 million bank accounts, La Banque Postale is now one of France’s leading retail banking providers.

9.5 With the banking system discredited in the eyes of the public, a Postbank presents the ideal opportunity to provide accessible, face-to-face local access to banking in rural and urban communities alike; and to help foster a return to a savings culture in the UK. The high level of trust in which the Post Office is held, particularly by marginalised or vulnerable citizens, means that a Postbank presents a unique opportunity for financially excluded groups to begin to engage with the financial mainstream.

10 Banking Products and Features

10.1 The NFSP believes a 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 the success of Postbank that it is a truly universal service available to everyone and used by all sections of society; critically it must not be perceived as a “poor people’s bank”.

10.2 The NFSP also welcomes other proposals detailed in the consultation document including a children's savings account and the confirmation that Savings Gateway accounts will be available through post offices. We support the suggestion that credit union accounts can be accessed at post offices; however the limited uptake of these accounts means that access to credit unions is unlikely to make much difference in terms of footfall or income generation for the majority of post offices.

10.3 Transactional products resulting in regular repeat transactions will be key in generating earnings for subpostmasters – the income stream that will help keep sub post offices open. 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. The value of transactional financial services products in generating income for subpostmasters is illustrated by the success of the POCA. NFSP research found that in March 2009, subpostmasters earned an average of £202 for POCA transactions.⁵⁶

10.4 An account aimed at those on low incomes needs particular attention paid to its features as the accounts currently available on the market have been so heavily criticised by pressure groups. For instance, Citizens Advice has advocated an enhanced POCA which can accept cash payments and cheques; enable automatic payments; offer ATM withdrawals; has flexibility over the ID needed to open the account; provides alternatives to PIN numbers; has simple procedures enabling third party access on behalf of account holders.⁵⁷ Others such as Age Concern have stressed the importance of providing a buffer zone before charges are applied.⁵⁸ Ofgem and Water UK have recommended a Saving from Poverty function which allows for weekly budgeting and debt repayment across a wide range of public and private sector service providers. This facility is the equivalent of a weekly direct debit or an 'electronic jam jar'.^{59,60} Most recently Consumer Focus research has looked at preferences for different account features amongst people on low incomes.⁶¹

10.5 However, whilst some people on low incomes would clearly benefit from a genuinely accessible bank account, others value the current simplicity of the POCA. The NFSP is concerned that this is not lost sight of in any plans to develop new types of account. In 2006, when there were fears that the POCA was going to be abolished, Help the Aged undertook a survey of older people. The charity asked older people what sort of functions they would like as an alternative product. Some responded that they wanted a simple account with limited functionality. "I just want a facility to collect my pension in cash." and "The above offers complicate what was a simple usable account" were typical responses.⁶²

10.6 The NFSP envisages Postbank offering an extremely wide range of financial and banking services accessible to all members of the public and small businesses. The development of Postbank must take a holistic view on of the impact both on Post Office Ltd and on individual sub post offices. Whilst

for example we understand current accounts tend to lose money for the banks, they do drive footfall. We acknowledge that some specific services may require more dedicated resource or more space – such as specialist advisers or private interview rooms – than the average sub post office allows. However, it is essential that as many Postbank services as possible are made available in all post offices, to maximise both the opportunity for customers to access the services, and the potential income for subpostmasters to increase the viability of the post office network.

11 High Street Banking at Post Offices

11.1 The NFSP believes that in addition to 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.

11.2 Although a number of the high street banks allow access to some of their accounts at post offices, significant numbers of bank accounts still remain unavailable at post offices. A number of major banking groups – including HSBC and Royal Bank of Scotland Group (RBS) – do not offer any access to their current accounts at post offices. Many of the banks that do offer services to their account holders limit the range of transactions available.

11.3 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 Post Office Ltd to promote given the present limitations in terms of the number of accessible accounts and the restricted range of transactions.

11.4 Public appetite for high street bank access at post offices is high. Research shows offering access to high street banks is the top factor that would lead people to increase their use of post office services, with 62% saying it would do so.⁶³

11.5 The government should take a lead in facilitating discussions to achieve full access to all bank accounts at the Post Office. The £850 billion government bailout 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.

12 Conclusions

12.1 The NFSP agrees with the Department of Business Innovation and Skills that the expansion of the Post Office's banking and financial services should be one of the key means to providing post offices with additional income. Although this should not be regarded as a cure-all solution, it is critical to the survival of the post office network.

12.2 However unless the proposed new Post Office banking services are radically different to other banking services already on the market, public uptake of the services will not be sufficient to yield significant new income for

the post office network. The NFSP does not believe an expansion of Post Office banking on the current Bank of Ireland/Post Office Ltd partnership model will deliver services that are right either for the post office network or for the public.

12.3 The NFSP holds that for the expansion of Post Office banking to be successful in inspiring public confidence and enthusiasm and delivering meaningful income streams for sub post offices, a genuine state-backed Postbank must be set up. Our preferred model would be via the transfer of NS&I back into Post Office Ltd. We believe a well-publicised publicly owned Postbank offering a full range of banking products would be very popular with the public.

12.4 In addition to a state-backed Postbank, comprehensive access to all high street basic, current and business bank accounts should be available at post offices.

12.5 Subpostmaster income is extremely low and in many cases falling dramatically. In the past 12 months more than 50% of subpostmasters have seen a further reduction in their Post Office income. The situation is critical and needs to be dealt with immediately. Subpostmasters and the post office network are poised on the edge of viability and cannot wait for further lengthy delays in the introduction of new revenue-boosting services. Morale is rock bottom; more and more subpostmasters are being forced to hand in their keys and walk away from their post offices. If this is not urgently addressed through an expanded Post Office banking service that works for subpostmasters and their customers, mass post office closures are inevitable.

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**National Federation of SubPostmasters
February 2010**

