

POST OFFICE CARD ACCOUNT PILOTS

1. The Post Office card account was introduced in April 2003 to help support the conversion of some customers from order books to Direct Payment. It was aimed at those who did not already have a suitable account and was designed as a “stepping stone” to help people who had not used a bank account before get used to banking before moving on to an account offering more features.
2. In line with the wider Government policy on financial inclusion, we have always made it clear that payment into a bank or building society account is the best option for the overwhelming majority of customers. The Post Office card account is a simple account with limited functions. It can only receive payments of benefits, pensions and tax credits. It does not, for example, allow customers to make savings on fuel bills by paying by Direct Debit; it cannot receive payments of wages; cheques cannot be paid in to the Post Office card account; and it does not pay interest on balances.
3. Although the card account was designed for those who did not have already have a bank or building society account, seventy per cent of people who have opened one already have an account. And the remaining thirty per cent have shown that, by managing to open and operate a Post Office card account, they can use other easy to operate banking products – including basic bank accounts, which are widely available and accessible at Post Office branches. The Post Office card account has allowed some customers to move from receiving their benefit or pension through cashing an order book at the Post Office counter to getting used to the basics of banking. In practice, there is no real difference in accessing money at the Post Office via a bank account compared to a Post Office card account – customers can collect the same money, on the same day as they do now at the Post Office, by using a plastic card and a personal identification number.
4. The Post Office card account contract runs between 2003 and 2010. There was never any expectation that the Government should provide funding beyond that date and there is no case for doing so. The Post Office card account does very little for financial inclusion and does not provide good value for money. Customers will still be able to collect their benefit or pension at the Post Office by using their bank or building society account there. Around 25 different bank accounts can be accessed at Post Office branches.
5. We also understand Post Office Limited is developing new banking and savings products which will be aimed at existing Post Office card account customers. We would like every DWP customer who currently has a Post Office card account to do their banking at the Post Office if that is in their best interests. DWP can help people move off Post Office card accounts to having their benefit or pension paid into more suitable bank or building society accounts, and help them open new ones which can be used at the Post Office if necessary.
6. We will be running some small-scale pilots to help test the best approaches for moving people off Post Office card accounts. The pilots will help us see how customers behave, including how many people continue to use the Post Office, and how much we can contribute to the wider financial inclusion agenda by getting some people to open a bank account for the first

time. There will be 3 pilots running for a month or so (mainly during February 2006). Up to 40,000 people nationwide will take part in the pilots. They will involve:

- a. removing the option for some customers to open a POca when they make a new claim to benefit.
- b. writing to some existing POca customers asking for bank account details.
- c. converting some customers who have one benefit paid by POca and another already paid into a bank account.

A summary of the pilots is below.

Pilot Features	Designed to test
<p>Pilot a</p> <p>To remove the option for some customers to open a POca when they make a new claim.</p>	<p>Whether customers can use an existing bank or building society account, or easily open a new one, rather than having to open a POca. How many people will choose to collect their benefit or pension from the Post Office.</p>
<p>Pilot b</p> <p>Write to some existing POca customers asking for bank account details.</p>	<p>Post Office research has shown that 70% of POca customers also have a bank or building society account.</p> <p>We know who some of these people are because we pay one of their benefits into a bank account and another one into their POca. (Pilot c covers these customers.)</p> <p>But for those customers who have their only benefit paid into a POca we do not know whether they have an existing account or not. This pilots aims to see how many POca customers would provide us with bank account details in response to a straightforward letter and how many would then continue to use the Post Office to collect their benefit or pension.</p>
<p>Pilot c</p> <p>Converting some customers who have one benefit paid by POca and another already paid into a bank account.</p>	<p>We would write to people to say that from a future date we intended to pay all of their benefits into their bank account.</p> <p>This pilots aims to see how customers react and how many would continue to use the Post Office to collect their benefit or pension.</p>

**EXISTING POCA CUSTOMERS – NO BANK ACCOUNT DETAILS HELD –
PILOT B**

Dear [insert name of customer]

We can help you take advantage of having your benefits paid into a bank or building society account.

I notice you are receiving your [x benefits] into a Post Office card account.

Those people who can use a bank (or building society) account should have their [x benefit] paid into it, rather than into a Post Office card account.

As you have been using your Post Office card account for some time, now is the time to make arrangements to pay your benefit/pension into a bank (or building society) account. You'll go on receiving the same amount of money as often as you do now.

If you already have an account, we can pay your [x benefit] into it. Please have the following information to hand when you contact us:

- Name of the account holder;
- Sort code; and
- Account or Roll/ Reference number for building society accounts. (These details can be found on your statement, chequebook, passbook and some cards associated with the account.)
- [Your National Insurance number [or Child Benefit number]]
- Details of any other benefits you receive.

Please call us as soon as possible for free on [insert telephone number] with your account details. Or you can complete and sign the enclosed form and send it back to us in the freepost envelope.

If you do not already have an account we can help:

- If you are not sure what to do next;
- If you can't decide what kind of account to open, we can advise on easy to open and operate basic bank accounts as well as those accounts that can be used at the Post Office.

You can call us between [insert hours of business], Monday to Friday. If you have a speech or hearing problems and have a text phone, the number to dial is at the top of this letter.

Please have this letter and information with you when you call.

All calls and information are confidential.

Yours sincerely,

The Manager