



National Federation of SubPostmasters Briefing – Post Office card account Westminster Hall Debate, 24 May 2011

The National Federation of SubPostmasters (NFSP) represents the interests of subpostmasters, private business people who act as agents to Post Office Ltd (POL) and run 97% of the national post office network.

Post office network

- Post offices provide individuals and small businesses with an unrivalled range of mail, government, banking and retail services, as well as informal advice and support, in a trusted local environment.
- Every week 20 million people visit a post office. The network remains bigger than all the bank and building society branches combined. For every £1 transacted in the UK, 14p is handled through the post office network.
- Post offices provide a focal point for communities; and are heavily used by the most vulnerable people in society, including older people, disabled people, people on low incomes and also those living in rural areas.
- 47% of small businesses use the post office more than once a week - especially for stamps, mailing and cash.
- 80% of post offices are run alongside a shop (of which 24% are the only shop in the area). Two-thirds of shops would be unlikely to remain open if the post office closed.
- Research for Postcomm in 2009 calculated post offices' "social value" at up to £10bn and concluded that the network "provides a major social net benefit to the UK population".
- Post offices are a vital resource for rural areas. 4% of villages have a bank, compared to 60% which have a post office. Between 2000 and 2010 rural areas experienced a 58.3% loss of banks and building societies (in comparison, metropolitan areas lost 15.4% banks and building societies), compared to a 35.8% loss of post offices during the same period.

Post Office card account

History

- Direct Payment was the government programme which saw traditional payment of state pensions and benefits by order book or girocheque over the post office counter replaced by electronic payments made directly into an account. The programme began in 2003 and was completed in 2005. The loss of payment of pensions and benefits cost post offices around 40% of their traditional income.
- The government claimed Direct Payment would help tackle financial exclusion and provide a cheaper method of paying pensions and benefits.
- Under Direct Payment there were three main options for the receipt of state pensions and benefits: a current or savings account at any bank or building society; a basic bank account; or the Post Office card account (POCA), which was introduced in April 2003.

- A small number of pensioners and benefit claimants who cannot manage to use electronic payment to receive their entitlements can be paid by cheque (also known as 'Green Giro' or 'The Exceptions Service'). These cheques can be cashed at any post office or paid into bank accounts.
- At its peak, there were 4.3m POCA customers. This is despite well-documented efforts by the Department of Work and Pensions (DWP) to discourage customers from opening a POCA and to promote other payment methods.

POCA features

- The POCA was offered to customers as the sole Post Office-based option for the receipt of pensions and benefits.
- It is a simple account which allows the receipt only of benefit, state pension and tax credit payments.
- Account holders can access their cash and make balance enquiries at any post office.
- The card account is the only option for benefit receipt through which claimants cannot get into debt.
- It is also the only option with no restrictions on who may be able to open an account as long as they are in receipt of a state pension or benefit.
- In March 2010, the POCA was enhanced to allow access to cash withdrawals, balance enquiries and other PIN services at Post Office ATMs (as well as across post office counters).

Public support

- In 2006 the government announced that POCA would cease by 2010. The NFSP's campaign to reverse the decision resulted in four million petition signatures being submitted to 10 Downing Street in October 2006. The government announced that POCA would be renewed in December 2006.
- In 2007, the government launched the tender process for the renewal of the POCA contract. By 2008 it became clear that the government was considering not awarding the new contract for POCA to the Post Office. An NFSP campaign saw more than three million postcards sent to MPs, calling for POCA to be retained exclusively at the Post Office. In November 2008 the government announced that its tender process was to be cancelled and that the contract would be awarded directly to the Post Office.

Subpostmasters and POCA

- According to the NFSP's most recent research on subpostmasters' income (June 2009), on average subpostmasters earned £220 a month (7% of net pay) from POCA transactions.
- However, this average does not highlight the heavy dependence of certain post offices on POCA income, typically those in rural or in deprived urban areas. The 2009 survey showed that 15% of subpostmasters earned £400 or more a month from POCA transactions.
- POCA customers will also spend money they withdraw at the post office on other Post Office services, such as bill payment or mobile phone top-ups; or in the attached shop. This 'footfall' is a key factor in helping to maintain the viability of thousands of post offices.

Current context

- The post office network has reached a critical point in its history. Two major government closure programmes, the withdrawal of many key government services and major social and economic changes have resulted in 7,000 post

office closures over the past decade. There are now around 11,500 post offices and 500 outreach services.

- Sub post office income is worryingly low. New work urgently needs to be brought into the post office network, increasing income for the remaining post offices and ensuring they can continue to serve local communities.
- Proposals within the Postal Services Bill, which has just completed the report stage in the House of Lords, include:
 - Post Office Ltd (POL) and Royal Mail to be separated.
 - POL to remain in public ownership and government to consider POL becoming a mutual company.
 - Royal Mail to be privatised, with 10% of shares going to its workforce.
 - Postal regulation to be overhauled, with the current regulator Postcomm abolished and regulation transferred to Ofcom.
 - The government will assume Royal Mail's pension deficit.

Additional government plans for the post office network include:

- £1.34bn in funding for the network between 2011-15.
- Post offices to become a "front office for government".
- An expanded range of financial services to be offered at post offices.
- No further programmes of post office closures.
- The NFSP has supported the government's proposals, but made clear that post offices will only survive – and a mutualised POL can only be viable – if new government work is channelled through post offices; and if a minimum 10-year Inter-Business Agreement (IBA) can be agreed between POL and Royal Mail before the companies separate.

The future of POCA and banking at post offices

- There are currently just under 4m POCA customers.
- The current POCA contract is due to end in March 2015.
- The previous government recommended in March 2010 that the Post Office's banking offer should be extended to include a current account; a children's savings account; a weekly budgeting income for those on low incomes; new services for small businesses; and closer links with credit unions.
- As part of the May 2010 Coalition agreement, the government pledged: "We will give Post Office card account holders the chance to benefit from direct debit discounts and ensure that social tariffs offer access to the best prices available."
- In March 2011, the government announced that the contract for Green Giros would be removed from the Post Office next year and awarded to PayPoint.
- The NFSP believes that any changes or enhancements to the POCA must ensure that it, or its successor, must remain a Post Office-based product.
- Furthermore, the POCA, or an appropriate Post Office-based successor product, should form part of a suite of banking products at the Post Office, delivered through a state-backed Postbank at the Post Office. This would provide trusted local banking for individuals and small businesses in the heart of communities across the UK.
- Finally, the NFSP believes that all current and business accounts for high street banks should be made available at post offices. At the moment, a significant proportion of bank accounts remain unavailable at post offices; while many banks that do offer post office access severely limit the range of transactions available to customers.