



**Department for Business
Innovation & Skills**

Post Office Banking: A consultation on developing the banking and financial services available at the Post Office

Response form.

Please write your answers in the boxes below and email to postofficebanking@bis.gsi.gov.uk

or post to:

Post Office Banking Consultation
Shareholder Executive
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Question 1 – What do you value about the Post Office’s existing financial, banking and payment services and what determines whether you use them?

This is a response from Credit Action, the national money education charity (registered Charity in England & Wales No. 1106941) established in 1994. In January 2009 we also created our dedicated Welsh arm Credit Action Cymru. We offer a range of resources, tools and training to help everybody handle their money well, and to inform consumers so that they can make learned decisions about their personal finances. Credit Action operates at a national level through advocacy, collaboration and partnerships with various groups and companies as well as at a local level through a variety of targeted projects, with a particular emphasis on those most vulnerable to financial difficulties and over-indebtedness. It is this focus of our work on those that maybe classed as financially excluded or vulnerable that means we are well placed to comment on the proposed changes to the Post Office.

The Post Office plays a unique role in the fabric of the UK – its strengths, particularly during the recession, have been that it is a trusted institution with a national spread and an unrivalled local presence, demonstrated in the 11,500 branches located nationwide. Given the recent events in global financial institutions Credit Action agrees that now is a good time to review and expand the Post Office’s banking services, using a trusted institution like the Post Office to bring banking back to the heart of communities, offering products and services that are transparent and good value.

At present the Post Office offers a wide range of mainstream financial products and it is this range of products that we believe is a real asset of the Post Office. Offering a wide range of products is greatly beneficial, yet if the Post Office is to offer these products, it must be ensured that they are also competitive when compared to other financial products offered by high street lenders. We believe that this, alongside ensuring that Post Office staff are trained and supported to offer and advise customers on banking services, is crucial to satisfying the four values that are outlined as central to the future of banking at the Post Office.

However, we are aware that in many Post Offices (particularly those located in major cities) there are often large queues, and often this appears not to be due to staff shortages but rather due to the range of services that the Post Office provides to customers – i.e. you can post a parcel, buy some foreign currency, have a passport application checked, renew your car tax and withdraw your benefits all in one visit. Given that there are often long queues, sometimes even queuing to post a simple letter can be difficult! We believe this is something that needs to be addressed in order to ensure that people are attracted to using the Post Office for their banking needs. Poor service levels are a primary reason why we at Credit Action feel people could be disinclined to use the Post Office.

Question 2 – Do the products or services offered by Post Banks around the world provide any opportunities for the development of banking or financial services at the Post Office in the UK?

The fact that there is no set model for the operation of a Post Bank is particularly pertinent to this question. As indicated in the consultation document there is no right or wrong way for the Post Bank to operate – whether it is a fully fledged bank in its own right or a joint venture with a particular bank. Similarly as noted in the consultation document, with the exception of a current account the overall product range of the international Post Banks is very similar to the product range of financial services that is currently offered by the Post Office.

Yet as the Post Office seeks to expand the financial products and services that it provides, Credit Action believes it will be wise to have clear separation between the part of the Post Office which deals with posting parcels, checking passport applications and the like and the part of the Post Office which provides financial services and products. Credit Action is of the opinion that if the Post Office is going to be able to provide a good level of customer service, competitive financial products, and ensure that it is able to do all the things it does currently to a high standard, some separation between the different functions of the Post Office needs to be in place. In practical terms this might mean that the a 'Post Bank' would operate under different branding within the Post Office, and would be clearly demarcated in branches where customers can clearly be signed to go to a specific desk or counter to access banking services.

We think it also wise to point out that as the Post Office expands to providing new financial products, it is important that Post Office staff are trained to provide and deliver the same level of support to customers to those that in high street banks do. For the Post Office to increase its market share of financial services it is important that it operates professionally to appeal to all customers.

Question 3 – Do you agree that these are the right values for banking at the Post Office, i.e. universal, accessible, trusted and sustainable?

We are of the belief that the values outlined above are the right ones for banking at the Post Office. However, we would advocate adding the value 'professional' to the above list. We feel that if the Post Office increases the financial products it offers, to be successful at offering these services and products and being competitive with other high street banks, there is a real need for the service provided to be professional. Without this value, we believe that the other values outlined, particularly that banking is 'universal' will be hard to achieve as a high level of service and professionalism are key to making a service universal.

Question 4 – Do you think these are the right areas and products to focus on?

In light of building on the key strengths of the Post Office –its trusted brand and its local presence - Credit Action believes the areas of access, support and inclusion are the right areas to focus on.

In respect to the three proposals contained within the access area we support the creation of a Post Office Current Account and are pleased that this is being developed. We also believe, as outlined in the consultation document, that a current account would help customers to use the Post Office for further banking services, i.e. savings facilities. Similarly in this area of access we support the efforts being made to increase the access to other current accounts through the Post Office and we also welcome increasing the access to credit union accounts through the Post Office network (see our comments on question six for further remarks on the credit union network). These three proposals represent a joined-up approach to banking and we believe that this will help customers and be of benefit to the Post Office, as they will be supporting wider efforts to promote financial inclusion and increasing access to services.

With regards to the proposals outlined under the area of inclusion, we strongly support the introduction of a weekly budgeting function. We agree with the findings of the Financial Inclusion Taskforce that those who have weekly or fortnightly income cycles would benefit greatly from the introduction of this function in two main respects. Firstly, ring-fencing a proportion of income would help people to obtain cheaper deals in terms of their utilities as they can pay monthly by direct debit and thus be party to more competitive deals. Secondly, by introducing this function we believe customers with particularly low levels of financial capability can gain greater confidence since they will know that they have enough money to cover essential payments and this will therefore help them to be in greater control of their money.

Credit Action is of the opinion that the Post Office Card Account (POCA) could be amended to include this budgeting function. We believe this would be of ultimate benefit to millions of people that have their benefits paid into their POCA and as outlined above, it would help them to achieve the cost savings of paying by monthly direct debits.

Similarly we believe that even those who do have a monthly income would appreciate the option of having this budgeting function on their current account. Thus, as the Post Office develops its own current account we would advise developing the budgeting function so that it could operate in a current account. We are of the opinion that this is a simple yet potentially very effective way to help everyone to be more in control of their money. Therefore, we strongly support the proposal of a budgeting function and would like to see this introduced in the near future.

Question 5 – What new financial services would you like to see available at your local Post Office?

Alongside the areas and products that have been addressed in the preceding question we support the introduction of a basic 'vanilla' credit card and we would like to see this championed and available at the Post Office. We are aware that currently selected Post Office branches offer a credit card through the Bank of Ireland, yet this is very much a mainstream financial product and to promote financial inclusion – in a similar style to a basic bank account – we support the introduction of a basic credit card and we are aware of discussions taking place at the Treasury as to whether a 'vanilla' card could be introduced.

As the Post Office is a trusted institution with a local reach in the heart of communities, we feel it is well placed to provide these basic products and to help combat issues of financial exclusion. For example we support the POCA and believe that although this is a very basic account it is helping those who often have no other contact with financial institutions to be included. Similarly the marketing of basic 'vanilla' insurance products would be something that we would support in a bid to help those that might be vulnerable or excluded to be included. We strongly believe the Post Office is best placed to serve these people that would otherwise perhaps not even consider or be able to access such products from high street providers.

We also believe that by working more closely with credit unions, which also operate in the heart of communities and tackle issues of financial exclusion, there could be real benefits to both the Post Office, credit unions and those financially excluded as there are opportunities for increased services to be made available. Our comments on a closer partnership between the Post Office and credit unions have been reserved for question six.

Finally, we support the efforts that have been made to increase the number of free cash machines in Post Offices. However, we believe that by increasing the number of these and increasing their functionality i.e.: allowing deposits to be made into Post Office and other bank accounts, this could help to remedy the concerns we have outlined previously in relation to long queues at Post Office counters.

Question 6 – The Government already offers and supports substantial credit services for people on low incomes, such as Social Fund loans and credit unions; what other range of services could the Post Office offer to support those on low incomes and address financial exclusion, and how could these best be made to work together?

At Credit Action we recognise the work that the government does to support credit services for those on low incomes and we believe that the Social Fund provides invaluable financial assistance to individuals who are in need of short term credit or grant facilities. Yet, we believe that the government needs to reform the Social Fund to ensure that this provision is both extensive enough to cover the current need and is easily accessible so that there are no unnecessary barriers to those who require the Social Fund's help. We realise that this consultation is not the right forum to outline our recommendations in full, but we think it appropriate to briefly summarise how the Social Fund could be reformed to work more closely with the Post Office to be of mutual benefit to the Post Office and those using the Social Fund.

We believe that there are several weaknesses in the Social Fund which could be addressed through the Post Office. One of these is the organisational structure and delivery of the Social Fund – that all claims have to go through Jobcentre Plus. We are of the opinion that (and we raised these points in the 2008 consultation on the Social Fund) as one can now apply for a Crisis Loan over the phone, Job Centre Plus' performance in delivering other Social Fund awards and services has been affected. Evidence also suggests that in the long run Jobcentre Plus is not expected to be able to cope with the demand for Social Fund assistance. Secondly another weakness we have identified is that awareness of the Social Fund is often low and we would like to see this increased so that people who are in need are able to access the help they require.

Therefore, we think that the Post Office is well placed to address both of these issues. As approximately 21 million people use the services of a Post Office every week and because the Post Office has a national spread and local reach, there is a real opportunity for the Post Office to raise awareness of the Social Fund, particularly given this reach and also, because of the Post Office's tender of the POCA. It is these account holders, on low-incomes that would benefit from increased information and advice on the varying aspects of the Social Fund. Therefore we are of the opinion that it is not just sufficient for the Post Office to raise awareness of the Social Fund but to also take over the delivery of the Social Fund applications.

Given the unrivalled reach of the Post Office, the tender of the POCA and the fact that the Post Office already checks application forms for things such as obtaining a new passport we think that there are real advantages for the Post Office to undertake the administration of the Social Fund and we will be seeking to commence further research to substantiate this recommendation.

We also believe the Post Office is excellently located to further bridge the gap between credit unions and their current and future customers. Credit unions and Post Offices both play a key part in their local communities and as credit unions offer inclusive financial services it seems appropriate that they both work together both for mutual benefit and to benefit those that are currently financially excluded or vulnerable.

We are aware that credit unions already make use of their local Post Offices to allow members to pay into their accounts via PayPoint or to use a cheque cashing facility. Yet, we believe that further steps could be taken to increase the linkup between Post Offices and credit unions. For example, if credit union members could use any Post Office in the network to access these facilities this would be greatly beneficial to credit union customers. In addition to this there are clear benefits to establishing a linkup between credit unions and the Post Office where credit union members could pay into savings and loan accounts and withdraw cash at any given Post Office. This would go towards increasing the number of people who use a credit union and also assist in combating some of the issues that we know credit unions face. For example we know that some credit unions have

restricted opening hours, which limits when credit union customers can visit collection points – so there is an issue of access. As the Post Office generally has much longer opening hours we believe that this could be a direct way to overcome this problem.

Alongside this credit unions provide affordable credit through the Growth Fund – something that we at Credit Action support. As credit unions look to address financial exclusion, it makes sense to work closely with the Post Office. As the Association of British Credit Unions (ABCUL) has pointed out there are 6.5 million visits each week to Post Offices to withdraw funds from the Post Office Card Account (POCA), and these people in receipt of state benefits and tax credits are those that are more likely to use high-cost credit and those most likely to not hold any other financial product. At present the Post Office, through its partnership with the Bank of Ireland, does not offer any credit products that would serve these customers well.

Therefore, partnering with credit unions which can loan low sums of money at an affordable rate seems clearly beneficial, and demonstrates two of the four values at the heart of Post Office banking: that the service is universal – Post Offices will offer a range of products that are available to everyone in the community – and accessible – Post Offices are offering products that are widely accessible across the network.