



Post Bank Campaign Briefing

The Post Bank campaign is calling for a new publicly owned bank to be set up, based on the Post Office network, to provide socially useful local banking to communities and small businesses across the country and secure the future sustainability of the Post Office. Key principles for the bank:

- it should be publicly owned keeping profits within the business;
- it should deliver a Universal Banking Obligation to ensure access to financial services in local post offices throughout the UK;
- it should provide a more extensive range of financial services than are currently available through the Post Office, crucially including current and business accounts;
- and it should reconnect banking with local communities and provide a trusted financial service responsive to their needs.

The Government's position

Gordon Brown, Labour Party Conference 2009:

'I want the Post Office — to play a much bigger role, bringing banking services back to the heart of people's communities.'

Peter Mandelson, BIS press release September 2009:

"The Post Office is one of the country's great assets. It is a trusted institution that offers face-to-face contact in the heart of local communities. The time is right to build on these strong foundations and substantially increase the banking services it offers. Today's announcement will help secure a viable future for the Post Office network. It is also excellent news for consumers and small businesses — giving people access to a full range of banking products at an institution they trust and value."

Delivering a Post Bank in line with the key campaign principles:

1. The Government should buyout the Post Office's joint venture for financial services with the Bank of Ireland.

The Bank of Ireland currently takes 50% of the profits generated from the joint venture (£34m in 2008/09 and £36m for 2007/08) which is currently scheduled to run until 2020. A precedent for such a buyout would be Tesco's buyout of its joint venture with RBS in 2008 to set up its own retail bank. The

Bank of Ireland initially invested around £125m in start up costs for the joint venture and they would want to see a return on this.

2. Incorporating NS&I. The Post Bank could incorporate National Savings and Investments. In 2008/09 the Post Office brought in 57% of NS&I's income from sales. NS&I holds over £97bn in investments and its assets could be used to give the Post Bank greater financial security and capacity.

3. Northern Rock. The Government is the sole shareholder of Northern Rock and using it as the basis for a Post Bank would provide access to a banking infrastructure including a banking licence, mortgage services and banking expertise, already in the public realm.

The Government is currently awaiting an EU pronouncement on state aid (expected before the end of 2009) for Northern Rock and its proposals to split it into a 'good' and a 'bad' bank, before confirming plans for its future. One condition the Treasury has placed on this is to get a return for the taxpayer for the bailout; we would argue that the future profits and the wider social benefits of a Post Bank would be a significant public gain.

4. Mutual Banking models. A mutual bank or not for profit model such as the original Trustee Savings Bank would keep profits within the business and enable more ethical and socially beneficial services to be offered.

Key Arguments for the Post Bank

i. The Post Office has outgrown and outlived the usefulness of the joint venture and it does not make sense to see it held back and splitting the profits of its financial services for another 11 years. The Post Office now has 2 million customers with financial products – 50 per cent more than the Bank of Ireland has in Ireland – and is looking to expand now to capitalise on its advantage in the market. However, the Bank of Ireland will not provide current account services through the Post Office until 2011 at the earliest. Tesco, in contrast, is moving quickly and will be doing so in the second half of 2010.

In the last year the Bank of Ireland's credit rating has been downgraded and it has been bailed out by the Irish government, due to estimated bad debts of almost 7bn Euros. In light of this it is clearly not well placed to advance the business and particularly to deliver on a 'people's bank'. With its network and higher levels of trust from the public it is clear that the Post Office is now bringing far more to the partnership than the Bank of Ireland.

ii. A successful Post Bank would reduce and could ultimately end the Post Office's dependency on Government subsidy and secure the future of the network. The current settlement granted the Post Office £1.7bn through the Network Subsidy Payment over 5 years from 2006-2011 – reducing the dependency on this would not only reduce Government spending but could end the risk of further closures. The Bank of Ireland received £34m in profit last year from the joint venture on limited services – an expanded Post Bank

could significantly improve these, hugely increase Post Office custom and embed the Post Office Card Account with the Post Office.

iii. A Post Bank would deliver a wide range of social benefits. A new Post Bank could address the problems of financial exclusion providing services and financial advice in communities without banking facilities – almost 3 million people are ‘unbanked’ and are vulnerable to loan sharks or would be forced to pay a premium for basic services; it would provide key services to small businesses, many of which are currently denied credit, boosting local economies and employment; and it would reconnect banking with communities and partner credit unions and local social enterprise initiatives.

iv. A Post Bank has significant business potential and could emulate successful international examples of post office banking. Many of Post Office Ltd’s overseas equivalents have developed comprehensive banking services. The French postal service La Poste launched its bank in January 2006 and now has over 11 million postal banking accounts; Deutsche Post’s Postbank is the biggest retail bank in Germany with around 14.4 million customers; and BancoPosta in Italy was launched in 2000 and now has 5.5 million current account customers. While these are not like for like comparisons they demonstrate the business potential for a synergy of post and banking services.

Conclusion

Establishing a Post Bank would help secure the future of the Post Office and allow it to capitalise on its potential to provide a ‘people’s bank’. This would have wide ranging social benefits and prove popular throughout the country. EDM 1082 calling for a Post Bank has been signed by 219 MPs and the Post Bank campaign includes the CWU, Unite, the Federation of Small Businesses, the National Pensioners Convention and the New Economics Foundation and is working in partnership with the National Federation of Subpostmasters.

The potential for such a bank and the support from the Government now need to be translated into concrete action. We must move at pace while we have the opportunity to deliver the benefits of a Post Bank.