



NFSP Briefing – Postbank

All Party Parliamentary Group for Post Offices

The National Federation of SubPostmasters (NFSP) believes that the government should create a Postbank, a national bank through the post office network. The Postbank would offer comprehensive banking services to the public and businesses in a trusted environment right in the heart of every community in the UK.

Why is a Postbank needed?

- **for the post office network**
 - 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 payment of state benefits.
 - 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. The creation of a Postbank would be one of the key means to achieve this.
 - Although the Postbank should not be regarded as a cure-all solution, the NFSP believes it is critical to the survival of the post office network. The Postbank, 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.
 - People tend to spend money where they access their cash, so a Postbank would be good news for local retail, including retail businesses attached to post offices.
- **for the public**
 - 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.
 - Bank branches have long been in retreat, particularly in deprived urban and rural communities. The Post Office has an unrivalled network, with a total of 35,000 counters throughout its 12,000 outlets. This network provides enormous potential to put local banking back into the heart of communities.
- **for small businesses**
 - Over 800,000 small businesses use post offices. Many small businesses already use post offices for some banking and would like access to full retail banking at post offices.
 - A recent survey for the Federation of Small Businesses (FSB) found 38% of small businesses said they would use a Postbank.

Why do we need another bank?

- With the banking system in chaos and discredited in the eyes of the public, a Postbank presents the ideal opportunity to provide accessible, trusted, 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.
- Subpostmasters are already skilled in handling high volumes of cash, undertaking financial transactions, dealing with confidential matters and helping vulnerable customers. Post offices are well-established, secure and trusted outlets that are reliably and well-stocked with cash, efficiently backed by the infrastructure of a large co-ordinated organisation.
- 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.
- 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. It would provide a range of accounts catering for all banking needs including accounts suitable for people on very low incomes, current accounts and business accounts.
- The NFSP believes that there are a range of mechanisms available to ministers to achieve a Postbank. The preferred method would be to transfer National Savings and Investments (NS&I) from the Treasury back into Post Office Ltd (POL) with a full range of banking products; and use the banking licence of one of the recently nationalised banks for the Post Office.

Post Office banking and financial services

- Postbank would build significantly on the Post Office's current banking and financial services. Banking at the Post Office has a very long history, starting with the Post Office Savings Bank in 1861.
- The Post Office card account (POCA) was introduced in 2003 and is used by over four million people to access state pensions and benefits. A simple POCA account and Exceptions Service (Green Giro) needs to be retained for people who are unable or ineligible to operate alternative or more complex systems. However, the POCA itself also serves as an excellent stepping stone for developing the more comprehensive Postbank.
- In addition to the establishment of a Postbank, all major high street bank accounts should be accessible at post offices. The government has agreed that high street banks should offer access to their accounts over post office counters, however 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.
- An extensive range of financial service products are now available at the Post Office. These are provided through the Bank of Ireland, and include an Instant Saver account, credit cards and loans, and a number of vehicle and other insurance products.
- The NFSP has supported these initiatives which bring in a considerable proportion of POL's revenue. However, the NFSP is concerned that their impact on individual sub post offices should not be overstated. Recent research by the NFSP found that in March 2009, 92% of subpostmasters earned no income from Post Office credit cards or home insurance, while 99% of subpostmasters earned nothing for life assurance.
- A more comprehensive banking service, enabling regular repeat transactions and backed by the UK government, is one of the key means by which the network's future viability can be improved.

Recent developments

- In March 2009 the NFSP launched *Six Steps to a Sustainable Post Office Network*, a report which sets out the measures required to ensure our post offices have a future. The establishment of a Postbank is one of the main recommendations of the report.
- The Postbank Coalition was formed earlier this year, made up of trade unions, a think tank, an organisation representing small businesses and a pensioners' organisation, and has produced two reports setting out the case for the creation of a Postbank.
- 218 MPs have signed EDM 1082 calling for the creation of a Postbank.
- The House of Commons Business and Enterprise Select Committee stated in its recent report 'Post Offices - Securing Their Future' that it "strongly supports greater provision of banking services through the network" and that "the government should review urgently the effectiveness of Post Office Ltd's strategy for expanding banking services."
- At the Labour Party Conference last month the Prime Minister said: "I want the Post Office to play a much bigger role, bringing banking services back to the heart of people's communities."
- This was followed by a statement from the Business Secretary Lord Mandelson: "...The time is right to build on these strong foundations and substantially increase the banking services [the Post Office] 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."
- The NFSP welcomed these comments, but has called for ministers to put in place "concrete plans" and provide more information on how the Postbank will be achieved.

Overseas Postbanks

- The establishment of a Postbank at the Post Office would bring the UK into line with most of its successful, profitable European counterparts which offer a wide range of personal and business banking services as well as mail, government and other services.
- The French postal service, La Poste launched 'La Banque Postale' in January 2006. By 2007 it accounted for 22.6% of La Poste Group's consolidated turnover. With more than 20 million bank accounts, La Banque Postale is now one of France's leading retail banking providers.
- The Italian postal service, Post Italiane launched 'BancoPosta' in 2000 and by 2002, Post Italiane showed a net profit for the first time in 50 years. This turn-around is largely attributable to the business generated by the Postbank. As a result, the Italian post office network has been consistently expanding over recent years and currently stands at over 14,000 post offices.
- The Irish postal service An Post launched a Postbank in 2007. Within 18 months, there were close to 1,000 Postbank outlets throughout Ireland. Ministers are on record as supporting the scheme to ensure banking services are available in areas where bank branches are not present, and to support the long-term development of Ireland's post office network.
- The NFSP believes that the government should learn from these extensive overseas experiences in developing best practice for a UK Postbank.

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