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Sub-postmasters and Sub-postmistresses: Remuneration

Volume 733: debated on Tuesday 23 May 2023

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🕒 4.00pm

Mr Alistair Carmichael >

(Orkney and Shetland) (LD)

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I beg to move,

That this House has considered remuneration for Post Office **sub**-postmasters and **sub**-postmistresses.

It is a pleasure to serve with you in the Chair, Mr Twigg. The House has spent a fair amount of time in recent months considering the question of the Post Office and dealings with postmasters and postmistresses, but most of that has been in relation to the very long tail of the Horizon scandal. I make absolutely no complaint about that.

I have had debates in here and in the main Chamber where I have said that, in my view, the basic reason that whole scandal was allowed to happen was the culture that existed within the senior management of the Post Office. Basically, the people at the top just did not trust those at the sharp end of the businesses. As I have dealt with constituency cases relating to Horizon and seen some of the more recent adverts, such as the bonus payment paid to Nick Read, the chief executive of the Post Office—in an act of utter tone-deafness—my concern is that the culture remains unchanged. If it has changed, it has not changed to the extent or at the speed that we would like.

A recent poll on the question of confidence in the board of the Post Office on the Facebook group Voice of the **Postmaster** attracted no fewer than 367 votes, and it was a 100% vote for no confidence. I mention Voice of the **Postmaster** because that is, as it were, the provisional wing of the organisation representing **sub**-postmasters. I have always worked very well with the National Federation of SubPostmasters over the years, but I increasingly hear concerns from **sub**-postmasters that the way in which the federation is constituted makes it difficult for it to represent **sub**-postmasters in the way they would want to be represented. I do not know the truth of that. It is not my job, or even the Minister's, to reach a final decision on that at the moment, but I think we have to be aware and respectful of concerns when we hear them. There is clearly a job of work for Ministers and Post Office management to be done in that regard.

Figures provided by the Post Office recently in a conference call to postmasters and postmistresses show that it had a revenue and income last year of £915 million, while its total capital and spend on historic matters, which excludes compensation, was £85 million, and the compensation schemes cost £63 million. The Post Office employed 3,500 people, with a people cost—I assume that is a wages bill—of £180 million. A fairly crude arithmetic would suggest an average salary in the region of £48,000.

I would contrast that with what I and, I suspect, many of us around the country hear when we speak to the **sub**-postmasters and **sub**-postmistresses in our communities. My interest was really caught by one of the **sub**-postmasters in Shetland, Brian Smith, who runs the Freefield **sub**-post office in Lerwick, which is one of the bigger **sub**-post offices in Shetland. He came to me, showed me the figures and said quite simply, “How do I make a living from this?”

I went back to see my constituent last week and he showed me his remuneration note. He is open for 51 hours per week, with two people serving. He pays above minimum wage, but at minimum wage that would be £1,071 per week, which would be £4,641 per calendar month for wages only—before even turning on a light switch or heater. His income from the post office in that month was £4,153.56. I can find no better illustration of the mismatch between what **sub**-postmasters need by way of remuneration and what they actually receive.

Wendy Chamberlain >

(North East Fife) (LD)

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My right hon. Friend is laying bare the facts. In my constituency of North East Fife, we have lost a number of post offices since I was elected because a franchisee pulled out, as it simply does not make any money. It is easier to have a Costa Coffee machine than a Post Office counter for making money. People are not coming forward to reopen post offices, so remote communities are subject to being served by a Post Office van, when it is in operation. Does he agree that we need to do something?

Mr Carmichael >[Share](#)

I absolutely agree. I see this process happening and it has not happened suddenly; it has been happening for years. People retire, give up or for whatever reason decide they do not want to continue and nobody comes forward, so the post office remains nominally open, but in fact there is no service in the community—there might be some from another branch or wherever, but frankly the core of what the **sub**-post office is about is lost.

I think of the example of the post office in the village where I live. It is in the village shop. It was bought recently by somebody who had given up a career—of 51 years, he tells me—in IT, so he was not doing this to increase his income. He has transformed the shop. He has taken what was a good Orkney country shop and brought in a whole range of different fresh foods—Orkney fish, Orkney beef, everything. The quality of what we can get in that shop now is phenomenal, but he tells me it costs him to have a **sub**-post office counter in the business. It should not be costing somebody like that. That should be something that adds value, but we are seeing the determination and commitment of **sub**-postmasters and **sub**-postmistresses around the country being taken advantage of.

Christine Jardine >

(Edinburgh West) (LD)

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rose—

Jim Shannon >

(Strangford) (DUP)

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rose—

Jamie Stone >

(Caithness, Sutherland and Easter Ross) (LD)

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rose—

Mr Carmichael >

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Oh my goodness! I am spoilt for choice. I give way to all three Members, but very quickly.

Christine Jardine >

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I agree completely with my right hon. Friend: remote areas have been hit hard by the declining number of post offices, but we are also seeing that in cities. One of the problems it brings is that post offices were meant to replace the counter services of many bank branches that have closed, so we have many elderly pensioners who are not online and now have even fewer options for getting their pension or going to the bank.

Mr Carmichael >

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I give way to the hon. Member.

Jim Shannon >

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I commend the right hon. Gentleman for bringing the debate forward. He is absolutely right, and the same thing applies in my Strangford constituency. The wages and remuneration have to reflect—they do not at this point—the hours committed, the staff employed, the contribution to the local community and the social engagement for people of a senior generation. Those things are critical, and they must be reflected accordingly in the money for wages.

Mr Carmichael >

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I give way to my hon. Friend.

Jamie Stone >

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In the north-west of my constituency, Mr and Mrs Mackay run a general store in the village of Durness in Sutherland. It is a fact that supermarket deliveries and mail order are threatening the store's viability. That is something we should guard against.

Mr Carmichael >

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Absolutely. With your indulgence, Mr Twigg, I took those interventions together because we had three different communities all telling us the same story. It is a story of commitment from **sub**-postmasters and **sub**-postmistresses that is not being met through their remuneration. The point made by my hon. Friend the Member for Edinburgh West (Christine Jardine) should be emphasised, because isolation is not something that affects only those in rural communities. There are people who live in isolation in cities and towns. For them, a post office and access to a post office is an important service, and they stand to lose out as a consequence of the constant salami slicing that we see.

Another postmistress in my constituency from Orkney spoke about the different changes that she has to work with. She told me:

“A lot of mail and packages are left with us for collection. Every item has to be accounted for, processed in and processed out. We are quite often having to produce a proof of postage for mail that is paid for online. This takes some time checking that the correct postage has been paid. The changes to customs requirements have added on much more time to the process than what they claim”

—that is the Post Office—

“This is particularly true for Drop and Go accounts where we have to input the senders details for every package. This information could be pre populated...The Post Office do not provide all the items that may be required to meet their standards—for example, a shredder.”

The list of things that are done for communities by people running **sub**-post offices was shared by my constituent Juliet Bellis, who runs the **sub**-post office in Fetlar, an island community in Shetland with 68 residents. She makes the point that elderly and infirm residents there rely on the post office to charge up their electricity keys. She says:

“I am contracted to open for 8 hours per week but I have trained up everyone who works in the shop so that, if the shop is open, the post office is available. That means in the summer you can get access to the post office 7 days a week, from 11am to 4pm; in the winter, we only open for five days a week—from 11am to 2pm.

The post office is therefore getting 35 hours from me in the summer and 15 hours a week in the winter. For this I get paid £ **GRO** per month...slightly above the **GRO** if I opened for 8 hours per week.”

Duncan Baker >

(North Norfolk) (Con)

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I thank the right hon. Member for bringing such an important matter to the House. I was a **postmaster**, and I have often said in the House that I am the only serving MP to have been in that role. Indeed, it is wonderful to see Calum Greenhow, the chief executive of the National Federation of SubPostmasters, in the Public Gallery.

Despite the Post Office’s commercial revenues increasing by about £100 million over the last few years, the actual revenue that **sub**-postmasters have earned in that time has fallen substantially, by 12% in just the last three years. As the right hon. Member said, of the 11,700 post offices that operate around the country, only 9,500 are full-time services, simply because of the lack of viability. Does this not show that we must give this great British institution the power to pay people properly for running post offices?

Mr Carmichael >

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The hon. Gentleman is absolutely right, and I do not think we are going to have much contention in this debate. The same point was made to me by Valerie Johnson, who is the **sub**-postmistress at Baltasound, Unst. She pointed out that holiday pay is contracted to cover roughly £5 per hour, but there has been no update since 2016. That is probably the sort of thing that produces the outcome to which the hon. Gentleman just referred.

The final point I want to deal with relates to bank charges. As we know, we are pushing more and more banks into using the Post Office, and the figures that have been put to me show massive disparities between the amounts that can be paid in on a daily or annual basis. For Barclays, the limit is £3,000 per transaction but only £10,000 per year. For Danske Bank, it is £1,000 per day and £5,000 every 180 days. Ironically, the Post Office instant saver account has a limit of £1,000 per day or £10,000 per year, as does the Post Office reward saver. Brian Smith told me just last week that when people hand over their takings and pay money into bank accounts through the post office, it does not know whether that person is anywhere near the account cap. If the post office staff spend time counting out the money, only to find that they cannot take it because the customer has exceeded the cap, that is a source of enormous and legitimate frustration for them.

Mr Twigg, you may think that I have just about vented my spleen and exhausted everything that I have to say, but today it has been brought to my attention that negotiations between the Post Office and the Driver and Vehicle Licensing Agency are reaching a crisis point. At present, 6 million DVLA transactions, worth something in the region of £3.2 million, are made through post offices every year. I am told by the Post Office that the likeliest outcome is that it will get a 12-month extension to the agreement, which would take it to 31 March 2024, but that the DVLA is not committing beyond that point.

Marion Fellows >
(Motherwell and Wishaw) (SNP)

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Does the right hon. Member agree that the Government's pledge—made many years ago and never kept—that local post offices would be the “front office of Government” is really beginning to sound more and more hollow, and that they are likely to be in breach of the Equality Act 2010 and indeed their own policy on access to cash and social inclusion, if this change goes ahead?

Mr Carmichael >


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The hon. Lady is absolutely right, and I pay tribute to her work as chair of the all-party parliamentary group on post offices.

The point that really stands to be made about the Post Office and the DVLA is that these are two public bodies. Negotiating a deal between two public bodies is about access to a public service. I confess that I was always sceptical about post offices being the “front office of Government”, because it is difficult for a Government to say that they use the Post Office as their “front office”, when at the same time they are telling everybody else that everything is digital by default. There is a somewhat mixed message between those two options, and we will have to decide which it will be, because if we try to do both, we will never succeed in either regard.

The concern that we might now be reaching the point of losing the contract has to be taken seriously. It is clear that the Post Office is taking it seriously, and it is incumbent upon those carrying out the negotiation to understand that they are the people negotiating on behalf of post offices and those who issue licences. They are behaving as if they are in some hardball negotiation between Gordon Gekko and The Wolf of Wall Street. They are losing sight of the fact that they are there for a specific purpose, and they should focus on that.

We have an army of public servants, the length and breadth of this country, who provide a tremendous service for our communities. We have heard a small part of it service represented here today, and if I take nothing else from this debate, it is that we need to find another opportunity to go over this ground in more detail. That army, like all armies, needs leadership, and that is where we are losing the opportunity at the moment. They need leadership; they need respect for the work they do; and above all else they need fair pay for the work that they do for our communities.

 4.17pm

The Parliamentary Under-Secretary of State for Business and Trade >
(Kevin Hollinrake)

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It is a pleasure to speak with you in the Chair, Mr Twigg.

I congratulate the right hon. Member for Orkney and Shetland (Mr Carmichael) on securing this very important debate. I agree with many of the sentiments that he expressed in his speech.

When I was growing up as a young boy in my local town of Easingwold, we had Mr Taylor, the bank manager—he managed the Barclays bank—and Mr Clark, the baker; Mr Thornton, our butcher; Mr Hollinrake, who was our milkman; and Mr Hodgson, our **postmaster**. The only equivalent personality who I would be able to identify now in our community of Easingwold would be Pritpal, who is our **postmaster**. Sadly, all those other pillars of the community have gone, so we absolutely know that our postmasters are the pillars and beating hearts of our communities. It is therefore paramount that we secure the right future for our post office network, which is one of the largest retail networks in the country, with 11,500 branches. We know from the recent report by London Economics that post offices bring a huge amount to our whole economy—£4.7 billion in 2021-22.

I spoke in glowing terms about the network being the pillars of our communities at the annual conference of the National Federation of SubPostmasters only last week. It is good to see Calum Greenhow, who represents that organisation, here in the Public Gallery today; indeed, he is on his annual holiday, but has still turned up to this debate. Quite simply, there is no Post Office without postmasters.

The subject of this debate is crucial, because if we are to run a sustainable network of post offices, we clearly need to ensure that those businesses are sustainable too. Post Office is a commercial business; it operates at arm's length from the Government.

Postmaster remuneration will ultimately be an operational matter for the Post Office, but I totally agree that we need to get the situation on a sustainable footing.

There were some improvements to remuneration in April, as I think has been acknowledged, including increasing payments for outreach services by 9.5% and payments for banking deposit transactions by 20%, although I know that their cash impact is very limited; that point was raised at the conference last week.

I understand the issue that the right hon. Member for Orkney and Shetland raised about deposits. The money is counted and, because of unknown deposit limits, that money sometimes has to be counted back, which is unfair. I am working closely with the Financial Conduct Authority and various banks on those deposit limits, which seem to be arbitrary and have damaging effects on the business community as a whole in our towns and villages, not just on the post offices themselves. I am determined to find a solution to that problem, alongside my colleague, the Economic Secretary to the Treasury.

The improvements made in April 2023 were made following previous improvements in August 2022, and postmasters benefiting from Royal Mail tariff increases was announced in March 2023. However, I appreciate that the measures have not gone as far as postmasters would have liked. We have the issue under review and we discuss it often at our meetings with the Post Office.

My hon. Friend the Member for North Norfolk (Duncan Baker) raised an important point about the amount of revenue that is passed on to **sub**-postmasters. Something that results from that, which I have discussed with the Post Office at our meetings, is the need to control and reduce central costs to ensure that there is more money to go around the network, rather than held in the centre. Postmasters are the most important part of the post office network, and I agree that they need to be able to make a decent living for that network to be sustainable for the future.

Clearly, we need the Post Office to look for opportunities to drive footfall into branches. A point was raised about the DVLA. I am aware of those negotiations. Again, those matters are between the Post Office and postmasters, but we are keen to see a resolution and we hope that one will be obtained. The hon. Member for Motherwell and Wishaw (Marion Fellows) does fine work as chair of the all-party parliamentary group on post offices. As she said, we see the Post Office very much as the front office of Government. Having said that, we cannot dictate to people how they decide to access services. We all benefit from access to the internet and the digital world, and applying for different things on our phones and computers.

Marion Fellows >

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Digital applications should not exclude cash for people who are digitally excluded, and there are many of those people in our communities. As the Minister said, post offices are at the heart of our communities. Everyone needs to be able to use them and access Government services.

Kevin Hollinrake >

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I agree. I hope the hon. Lady will forgive me if I gave her the wrong impression. I am not saying that it should be either/or, but we should leave it to customers to decide how they want to access services.

Mr Carmichael >

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The Minister is absolutely right. We cannot dictate to people how they do things. But surely with the example of the cash limits on bank deposits, that is exactly what we are doing. If we say, "You've had your limit; you can't pay in any more money here," then we have taken away the option for them to use the post office. Let us not forget that they are probably using that option as a sop to the Government here, because they were making all sorts of promises about it being the last bank in town.

Kevin Hollinrake >

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I understand that cash deposit limits are a crucial issue, and we are determined to find a resolution. It is not about something imposed by the Government or even the Post Office; it is about money laundering concerns. The FCA was concerned about the post network being used for money laundering purposes. The right hon. Gentleman and I have both spoken about the need to tackle economic crime, so that is the reason behind it. My concern is whether those measures are proportionate and appropriate. I think there should be ways round that. Some banks are interpreting the advice differently.

I will turn to some other issues that the post office network is facing. One is the disruption to business caused by the dispute between Royal Mail and the Communication Workers Union. Hopefully, that has nearly come to its end. Letter volumes are on a long-term decline, with a 50% reduction in the last 10 years. Foreign currency exchange is another important revenue stream, which was obviously challenged between 2020 and 2022. Again, that should be returning to normal.

There is no silver bullet to solve those problems, but, nevertheless, there are some opportunities for the future. We see that the Post Office needs to adapt to today's economic environment. There are initiatives under way, such as post offices becoming parcel hubs—not only for Royal Mail; there are now new partnerships with Amazon, DPD UK, Evri and DHL, and that is a benefit to consumers and potentially postmasters.

Positive steps to diversify the business are critical. The right hon. Member for Orkney and Shetland highlighted what a tremendous job his post office is doing in terms of fresh produce and fish. Diversification is very important for any business; when a part of a business is struggling to make ends meet, it should add further businesses to that outlet. There has been significant investment in the replacement for the Horizon system. The new system should make transactions easier and more efficient, which should help sub-postmasters with the amount of time it takes to do their work.

The Government have stepped in for the short term, with things such as business rates support worth £13.6 billion, and the £23 billion over an 18-month period to help with energy costs. We are keen to help all businesses through a difficult time, not least the post office network, which has received £2.5 billion of central Government funding over the last 10 years, and will receive £335 million over the next three, including the £50 million a year subsidy to safeguard services in uncommercial parts of the network.

I take the right hon. Member for Orkney and Shetland's point on the Post Office's senior management bonus situation—a matter that we took very seriously. The Post Office itself is doing its own inquiry into the circumstances around that and we have committed to undertaking an independent review of the issue. It is important that we wait for the outcome of the review before we make a judgment on that situation, but it is something that we are taking seriously.

I thank Members for their contributions to the debate. It is encouraging that we are all on the same page on this issue; we all want to ensure we have a sustainable network, and we need to have a grown-up conversation about how we do that.

🕒 4.27pm

Sitting suspended for a Division in the House.

🕒 4.35pm

On resuming—

Kevin Hollinrake >

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To conclude, we will continue to work with the Post Office to deal with the challenges that the network faces and lay the foundations for a sustainable network in the future.

Question put and agreed to.