

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Pwyllgor yr Economi, Seilwaith a Sgiliau / Economy, Infrastructure and Skills
Committee Mynediad at Fancio / Access to Banking
EIS(5)AB20
Ymateb gan / Evidence from the National Federation of SubPostmasters

The National Federation of SubPostmasters (NFSP) is a professional trade association representing independent business people who act as agents for Post Office Ltd (PO). Our 8,000 members own and operate around 9,300 sub post offices, which are 98% of the national post office network.

The NFSP exists to support subpostmasters to maximise profit from their post office and retail business. We are a member-focused organisation.

There are 922 sub post offices in Wales (as of April 2019) – 748 are members of the NFSP.

In January/February, the NFSP carried out a comprehensive and representative Member Survey of 1,000 subpostmasters. This included 90 Welsh sub post offices. The results from this survey are referenced throughout our response to this Inquiry.

Summary of the NFSP response

- The current rate of bank closures is having the biggest effect on vulnerable consumer groups for whom face-to-face banking and access to cash is still essential.
- The post office network is perfectly placed to cater for this demand with the banking services it already provides. Post office branches have the potential to be the 'go-to' location for banking where banks have abandoned their customers.
- Post Office Ltd and UK Government must work together to improve and future-proof the network's capabilities in terms of providing banking services. The key ways for doing so are outlined in this Inquiry response.
- We encourage the Assembly to join the NFSP in pushing for investment in the post office network to effectively cater for demand for banking services in Wales and promote financial inclusion.

For further information, please contact Peter Hall, NFSP Head of Policy and Research at peter.hall@nfsp.org.uk or on 01273 452 324

1) Access to banking services in Wales, to include issues relating to financial inclusion and digital inclusion

The NFSP's response highlights the rapid rate of bank closures, and the groups of people who are most likely to be affected by them. Some of the most vulnerable people in society still rely greatly on branches and cash, and without access to face-to-face services they face financial exclusion.

We show that there is a ready-made solution in the form of the post office network, which has the facilities to provide banking services, and the geographical spread to ensure that those who have been abandoned by their banks do have an alternative.

Finally, we bring attention to the ways in which the current banking offer available at post offices could be enhanced to the benefit of people across Wales – in terms of public awareness, the range of services available, and subpostmaster remuneration. These issues urgently need addressing by UK Government.

Since 2015, at least 235 bank branches have closed in Wales¹. This alarming rate of closure is the result of banks' efforts to cut costs and maximise profit.

These closures are especially prevalent in, but not limited to, rural areas, and parts of the country with a high proportion of elderly and/or economically disadvantaged people².

While footfall may be declining overall, a significant number of people still rely on physical branches in order to access the financial system. According to the 2016 report 'Balancing Bricks and Clicks', more than 3 in 5 people (62%) still use branches in some way, and 11% of the UK population either only use branches or use them for all but the simplest of tasks.

Citizens Advice has shown that older people, disabled people, people on low incomes, and rural residents are likely to be disproportionately affected by bank closures³. This is because they tend to rely more on face-to-face, rather than digital, transactions.

In many areas, cash is still the dominant payment method, particularly in rural areas, where a lack of broadband or reliable mobile data can make digital payments impossible. 15% of rural premises in Wales do not have access to a 'decent download speed', which Ofcom defines as 10 Mbps⁴. As a result, many retail outlets do not offer an alternative way of paying.

There is also a tendency for people on low incomes to rely more on cash as a result of digital exclusion. According to the 2019 Access to Cash Review, for 47% percent of the population, living in a cashless society would present real challenges.

When we consider where banks are closing, and who is most affected by these closures, it is clear that banks are abandoning the very areas where people depend on them most.

We now show that the post office network is perfectly placed to be the 'go-to' location for banking services where bank branches are not available.

¹ <https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5>

² https://gallery.mailchimp.com/c9b157c9d89ca0bdb156c5128/files/Abandoned_Communities_V2.1.pdf

³ <https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Post/Consumer%20Use%20of%20Post%20Offices%20Summary%20Report.pdf>

⁴ <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

The Post Office is a highly-valued and trusted brand with, according to a 2016 BEIS report, an estimated social value of up to £9.7bn⁵. It is uniquely positioned to provide vital access to banking services for those who now find themselves at risk of financial exclusion.

With 11,500 branches - including more than 900 in Wales - the Post Office is the UK's largest retail network and the largest financial services chain in the UK. It has more branches than all the UK's major banks put together. Since 2010, the number of bank branches in the UK has reduced by a third⁶, whereas the number of post offices has remained largely consistent.

The UK Government's access criteria ensure that communities are within a convenient distance from their nearest post office branch:

- In urban areas of Wales, 97.8% of people are within 1 mile of a post office.
- In rural areas of Wales, 98.2% of people are within 3 miles.
- In Wales overall, 90.7% of people live within 1 mile, and 99.4% live within 3 miles⁷.

As part of its Network Transformation Programme, post office opening hours have increased by 200,000 hours per week, with extended hours including early mornings and late evenings. The Post Office is the largest Sunday retailer in the UK, with over 4,000 branches open for business.

Under the Banking Framework Agreement between Post Office Ltd and the banks:

- 99% of UK personal bank and building society customers can use post office counters to withdraw cash, pay in cash and cheques and obtain balances.
- 95% of small business banking customers can access their high street bank account for everyday cash banking services.
- Every branch can accept £2,000 in cash per transaction, while customers can pay in £20,000 at larger offices, with no limit if arrangements are made beforehand.

The Post Office also offers face-to-face access to government services, telephony, foreign currency, travel insurance and mail services.

In 'Consumer Use of Post Offices', Citizens Advice show that banking services at post offices are used more commonly in rural areas than urban. They are used more often by people aged over 65, disabled people, carers, and people in socio-economic groups D & E, i.e. those who are in semi-skilled and unskilled manual occupations, unemployed and in the lowest grade occupations.

As already established, we find that these groups are the most dependent on having access to cash and physical branches.

Clearly then, with the unique geographic spread and existing provision of banking services, the post office network is **already in place** as a solution, enabling vital access to banking services and promoting financial inclusion in Wales.

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/566224/beis-16-37-post-office-network-social-value.pdf

⁶ <https://wearecitizensadvice.org.uk/the-government-needs-to-find-out-why-people-arent-banking-at-post-offices-80d3aa158970>

⁷<https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Post/Access%20all%20areas%20modelling%20the%20results%20of%20NTP.pdf>

However, to improve and future-proof the network's capability, the following issues need to be addressed:

- **Public awareness.** Citizens Advice show in 'Consumer Use of Post Offices' that more than two in five people still don't know about the availability of banking services at post offices. In the NFSP 2019 Member Survey, 55% of subpostmasters in Wales felt that a minority of people in their local area were aware of the personal banking services they offer, and 61% felt that a minority of businesses were aware of their business banking services. In light of this, the NFSP believes Post Office Ltd must work with the UK Government on a national strategy to increase awareness and equip subpostmasters with the tools and resources to promote services in their local area.
- **Increasing the range of banking services available at post offices.** So that members of the public can fully transition to using their local post office for their banking needs, the range of 'everyday' services available should be increased. For example: printing statements and setting up direct debits and standing orders. Post Office Ltd must work with the banks to make this happen.
- **The Post Office card account (POCa).** The Post Office currently offers this service for individuals who might otherwise struggle to open a high street bank account – for example, if they have a poor credit history, lack formal identification, or are without a permanent address – through which they can receive their pension, benefits or tax credits. Government policy is to work towards the cessation of POca, and all users of the service are being pressured by DWP to use bank account instead of POca. As this service is withdrawn, disadvantaged and vulnerable people may be unable to receive benefit payments and their circumstances will be made even more challenging. Post Office Ltd must work with government to develop an appropriate replacement for POca to ensure the financial inclusion of those who benefit from it.
- **Operational capabilities at individual post offices.** Without further support, there is a risk that individual branches within the post office network may struggle to cope with some of the consequences of an increase in banking transactions (as banks continue to desert the high street). The NFSP's Member Survey, mentioned above, showed that a significant minority of subpostmasters in Wales are concerned about potentially long queues, lack of privacy for customers, and the volume of cash they would have to hold. Security improvements must also be implemented by Post Office Ltd to ensure the safety of staff and customers. Furthermore, ongoing support, innovation, and training for subpostmasters and their employees are crucial to help improve the efficiency of banking transactions.
- **Subpostmaster remuneration.** The NFSP found that 79% of subpostmasters in Wales are concerned with the level of profit they make from banking transactions. Observational research carried out by the NFSP in 2018 found that subpostmasters are currently paid around £2 per hour for business banking deposits, which doesn't come close to covering costs. From October 2019, rates will (roughly) be trebled – but even this is unlikely to cover costs. Banks have closed outlets because they weren't sufficiently profitable; we must avoid a situation where post offices are damaged because of unprofitable transactions.

In conclusion, the post office network has enormous potential to be the 'go-to' place for consumers when their bank branches close. Instead of being left behind, communities still have access to these vital services.

The practical issues mentioned above, however, do need to be addressed by Post Office Ltd and UK Government.

The NFSP recommends that the Assembly recognises the current role played by post offices and the opportunities for future development to ensure financial inclusion across Wales. We believe the Assembly should join the NFSP in impressing upon Post Office Ltd and the UK Government the importance of improving and future-proofing the post office network for the benefit of people across Wales.

2) The variety of ways in which branch closures and access to free ATMs can affect local communities (for instance the impacts from a business, tourism, social, demographic and regeneration perspective)

Following on from our response to 1) above, we will outline here the ways in which individuals within communities are affected by a lack of access to banking services and cash. Without face-to-face services, this can exacerbate problems regarding isolation/loneliness, money management for the vulnerable, and financial inclusion in general.

The post office network is an established, trusted brand, often at the heart of the communities that it serves. Its presence must be maintained to address the problems that arise from these worrying trends.

For some communities, branch closures and a lack of access to cash are not just a minor inconvenience, they can have pronounced effects.

Alongside the current high level of bank closures, ATMs are disappearing from the high street. From November 2017 – April 2018, the number of ATMs in Wales decreased by 2.3%⁸. Those ATMs that do remain are increasingly charging fees, which can act as a barrier to the people on lower incomes who tend to rely more on cash.

According to the 2019 Access to Cash Review, cash is still an economic necessity for approximately 25 million people in the UK. The report addresses some of the public concerns of a potentially cashless society:

- 65% of people with mental health issues might find it harder to manage their money.
- 67% of poor people might struggle to balance their household budget.
- 56% of rural communities would become less viable.
- 75% say older people would find it difficult to do everyday things like pay bills.

When cash is not available, those who are not familiar with the technology required to make digital payments or access online banking services are at risk of losing their independence due to the support they require.

For some people, notably in remote areas, a lack of physical interaction in their transactions can worsen feelings of loneliness and isolation. A branch visit, with face-to-face customer service, can bring support and a sense of community to customers.

As mentioned previously, the post office network is widely used and valued highly, particularly by older people, poorer people and disabled people. In rural communities, for example, post offices have a strong presence, often being the 'last shop in the village'. They act as a community hub, providing more than just the services they offer.

Post offices offer banking services, and currently have over 2,600 ATMs installed UK-wide. The network is ideally suited to be the destination for services that many people consider essential.

To maximise efficacy, improvements must be made in order to ensure that post office branches can sufficiently cater for the demand for banking services that is created by bank closures. The post office network requires investment so as to increase the range of services it offers. It is important that the public are aware of the services currently available to them at their local post office, and efforts must be made to ensure that this information reaches those who are digitally excluded.

⁸ <https://www.which.co.uk/news/2018/06/revealed-300-cash-machines-disappearing-every-month-from-the-uk/>

3) To understand the potential process, benefits and challenges involved with establishing a community bank with multiple branches in Wales.

Responding to ideas about establishing a community bank in Wales, the NFSP considers it much more cost-effective, and of lower risk, to develop the services that the post office network already has in place.

As shown in our responses to 1) and 2), the network is a ready-made solution to the problems we have discussed. It is perfectly placed to reach communities across the UK who depend on physical branches to do their banking and is the ideal foundation on which to develop a reliable alternative to the bank branches which continue to disappear.

The Post Office ranks the 2nd most trusted brand in the UK, after the AA. The vast majority of people have used post offices, 97% of consumers and 93% of small businesses use a post office at least once a year⁹. The Banking Framework Agreement between Post Office Ltd and all major banks allows customers to carry out their banking with their existing provider, through their local post office branch.

A community bank, in contrast, would require customers to switch their accounts, which, as studies have shown, they are often reluctant to do. The Competition and Markets Authority's (CMA) investigation into the banking industry in 2015 found that just 3% of current account customers had moved their account in the past year¹⁰.

The more effective option is to capitalise on the huge potential that the post office network offers. Below we highlight the following issues that stakeholders need to consider:

- **Public awareness.** An extensive national campaign is necessary to inform people, including those who are digitally excluded, that they can access banking services in their post office.
- **Increasing the range of banking services available at post offices.** The post office currently provides basic banking to customers, but it has the scope to offer a greater range.
- **Operational capabilities.** At present, individual branches need support to guarantee that they are well equipped to handle the increase in demand for these services. Measures must be taken to ensure customers have confidentiality and efficiency with waiting times. With increased levels of cash, security concerns must be addressed.
- **Subpostmaster pay.** The post office network depends on subpostmasters, who deserve to be fairly paid for providing these services.

The NFSP welcomes discussions with the Assembly on the implementation of these improvements and asks that they join us in impressing the importance of these issues upon UK Government.

⁹<https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Post/Consumer%20Use%20of%20Post%20Offices%20Summary%20Report.pdf>

¹⁰https://assets.publishing.service.gov.uk/media/55d459a540f0b609ff000003/Quantitative_analysis_of_searching_and_switching_in_personal_current_accounts.pdf