

POST OFFICE BANKING

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

DECEMBER 2009



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This consultation is relevant to all users of Post Offices; those who work for or on behalf of the Post Office; and stakeholders with an interest in the Post Office, banking and financial services or financial inclusion.

Post Office Banking

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

The Post Office already offers a wide range of financial services. The Government believes the time is right to expand the Post Office's offer. There are three primary reasons for this:

- The recent turmoil in the financial markets has led many to call for a more local provider of financial services – one which they trust and which has a branch close to where they live.
- The Post Office has a continued local presence at a time when some other providers are reducing their face-to-face contact with customers, so it is ideally placed to offer essential financial services to everyone including those who are – or who may be at risk of becoming – financially excluded.
- As the Post Office's traditional sources of revenue decline, there is an opportunity for financial services to be a real growth area for the Post Office which can help sustain the network.

It is for these reasons that the Prime Minister announced on 29 September 2009: "I want the Post Office to play a much bigger role, bringing banking services back to the heart of people's communities".

This consultation sets out the Government's vision for banking at the Post Office and seeks views on this vision and additional financial products and services the Post Office could offer.

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Foreword



The Post Office is a great British institution that has been part of our economic and social fabric for well over three hundred years.

It is local, friendly, and people trust it. It stands at the heart of communities up and down the country. That is why we believe that it has an important role to play in making sure that everyone has access to good quality and dependable banking.

At a time when some banks and financial services companies are seeking to reduce face to face contact with customers, the Post Office stands out. It offers a trusted brand, and has more branches than the high street banks combined. It is ideally placed to bring banking services back to the heart of people's communities.

This consultation sets out our vision for Post Office Banking. This builds on the Post Office's national coverage and local presence to offer financial products and services based around four values: Universal, Accessible, Trusted and Sustainable.

We believe the Post Office is for everyone, including those who may have difficulty accessing other banking products or institutions. This document sets out a series of proposals for new services that the Post Office could offer. We want this consultation to help us decide whether these proposals are the right ones, and whether there are others we should consider.

We want the Post Office to be strong, secure and sustainable into the future, building on the foundations which make it so cherished today.

A handwritten signature in black ink, reading 'John Mandelson'.

Rt Hon Lord Mandelson

Secretary of State for Business, Innovation and Skills

Executive summary

The Post Office is one of the most trusted institutions in the country. It has a network of over 11,500 branches, offering face-to-face access to essential services. The Government's primary policy aim for the Post Office is to maintain a secure, sustainable and affordable network.

However, in recent years its traditional revenue streams have declined as more and more people use the internet to access services. The exception to this is financial services, where the Post Office has become one of the fastest-growing providers. The Government believes that now is the right time to expand the Post Office's range of financial services products – to build on people's desire for a local bank they trust; to ensure that essential financial services are placed in the heart of communities; and to develop an important revenue stream for the Post Office.

The Prime Minister announced this intention on 29 September 2009 when he said that he wanted "the Post Office to play a much bigger role, bringing banking services back to the heart of people's communities". The Government has therefore launched this national public consultation to set out its vision for banking at the Post Office and the sorts of products and services we would like it to deliver.

Any new products will build on the Post Office's already extensive range of financial services. Many countries have a Post Bank. But it is often overlooked that the Post Office provides a wide range of lending (including mortgages), saving, insurance, foreign exchange and other financial services – just like Post Banks in other countries. The Post Office is notable for its reach and range of financial services – providing essential services that many other institutions do not.

The Government has set out the values that it believes should underpin any financial services that the Post Office provides. These values are that Post Office banking should be **Universal**; **Trusted**; **Accessible**; and **Sustainable**.

We want the Post Office to offer a range of new financial products that serve the whole community – not just sections of it – at the same time as helping to sustain the network by providing increased revenue for Post Offices.

A number of ideas have been put forward for financial services that the Post Office could offer. Some of the suggestions being considered include: a weekly budgeting account, a current account, a children's saving account, business accounts, more mortgages and closer links to credit unions.

These are initial proposals. The primary purpose of this consultation is to ask if people agree with the proposals being put forward. It focuses on the products and services that

people would like from their Post Office, rather than the mechanisms through which they will be delivered. By taking action to expand Post Office banking, we will end up with a network that continues to serve local communities, is more financially sustainable and which offers an even wider range of the products and services that people want.

How to respond

This consultation opened on 2 December 2009. Responses are sought by 24 February 2010.

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

A copy of the consultation response form is included as Annex C, or available electronically at www.bis.gov.uk/postofficebanking. If you decide to respond this way, the form can be submitted by post, fax or email to:

Post Office Banking Consultation
Shareholder Executive
Department of Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET
Tel: 020 7215 5000
Fax: 020 7215 5336
Email: postofficebanking@bis.gsi.gov.uk

You can also reply to this consultation online at www.bis.gov.uk/postofficebanking.

A list of the organisations to which we have sent this consultation is included at Annex D. We would welcome suggestions of others who may wish to be involved in this consultation process.

If you have any policy queries about this consultation, these should be addressed in the first instance to Sarah Barraclough (contact details above).

If you have concerns about the way in which this consultation is being managed or conducted, please refer to Annex E which includes the Code of Practice for Consultation and provides contact details for complaints.

Additional copies

This consultation is available electronically at www.bis.gov.uk/postofficebanking, along with the accompanying combined Impact Assessment and Equality Impact Assessment. A Welsh translation of the consultation document is also available. Additional hard copies can be ordered from:

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Where possible, we will make alternative formats available on request.

Confidentiality and data protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004. If you want information, including personal data that you provide, to be treated as confidential, please be aware that under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidentiality.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Part 1: Introduction

- 1.1 The Post Office is amongst the most trusted institutions in the country. It has been a feature of British life for well over three centuries, and stands at the heart of local communities providing essential services and dependable products through face-to-face contact.
- 1.2 Over the last five years, the Post Office has also turned itself into one of the fastest-growing and most successful providers of everyday financial services. It now offers an extensive range of banking products: from growth bonds to foreign currency and from business banking to a Christmas Club. The Post Office prides itself on making sure that its products are straightforward, offer good value, and have no catches.
- 1.3 The Government believes the time is right to expand the Post Office's offer. There are three main reasons for this. First, the recent turmoil in the financial markets has led many to call for a more local provider of financial services – one which they trust and which has a branch close to where they live. Second, the Post Office has a continued local presence at a time when some other providers are reducing their face-to-face contact with customers, so it is ideally placed to offer essential financial services to everyone, including those who are – or who may be at risk of becoming – financially excluded. And third, as more and more of us use the internet, leading to a decline in the Post Office's traditional sources of revenue, there is an opportunity for financial services to be a real growth area for it.
- 1.4 It is for these reasons that the Prime Minister announced on 29 September that he wanted “the Post Office to play a much bigger role, bringing banking services back to the heart of people's communities”.
- 1.5 The Government is taking forward this commitment by launching this national public consultation on the future of Post Office banking. This consultation looks at what the Post Office already does in the area of financial services, and where it could go further. It sets out the Post Office's existing extensive range of services and explains how they can be accessed and where. It draws comparisons with Post Banks around the world and asks what the UK can learn from them.
- 1.6 Looking forward, this consultation sets out the Government's vision for Post Office banking and the values that should underpin it. Finally, this consultation looks at some of the ideas that have been proposed for the types of financial products and services that the Post Office could offer, and asks respondents for their opinions on these, as well as suggestions for new products that they would like to see offered by their local Post Office.

- 1.7 This consultation focuses on the products and services that people would like from their Post Office, rather than the mechanisms through which they will be delivered. The aim of this consultation is therefore to ask people what more they want their Post Office to do in terms of financial services. The end goal for this process is clear: a Post Office that continues to serve local communities; offering an even wider range of products and services that its customers want; and which is more affordable and financially sustainable in the future.

Part 2: The Government's commitment to the Post Office

- 2.1** Before focusing on financial services, it is helpful to understand the Government's commitment to the Post Office, and what we believe the Post Office is there to do.
- 2.2** Post Office Ltd (the Post Office) is part of the group of companies owned by Royal Mail Holdings plc, ultimately owned by Government. The Post Office is responsible for managing the network of branches whereas its parent Royal Mail Group Ltd operates the letters and parcels business. The Government plays an active shareholder role through the Shareholder Executive, working closely with Post Office management to develop overall strategy (including government policy for the network). The Government is not, however, involved in the day to day running of the company.
- 2.3** The Government recognises that the Post Office plays a vital social and economic role in local communities right across the country. It does this by offering access to essential products and services across its network of branches. That network is substantial – comprising over 11,500 branches. To put that figure in context, it is worth considering that the four largest supermarket chains combined have only around 4,000 branches. 23 million of us visit a Post Office each week. Recent research by the Postal Services Commission (Postcomm) estimated the value of the Post Office network in social terms at upwards of £2.3 billion annually. But a network of this size is also expensive to maintain.
- 2.4** Because we recognise that the Post Office's great strength is its national spread and local reach, the Government has put in place three commitments. First, we are investing up to £1.7 billion until 2011 – which includes an annual subsidy of £150 million a year – to help support the Post Office network.
- 2.5** Second, we have put in place guarantees to ensure that the Post Office stays local – the access criteria (see Box 1) – which specify the maximum distance which people should have to travel to their local Post Office, and include specific protections for the vulnerable. As a result nationally 93.3% of the population live within one mile, and 99.7% of the population still live within three miles, of their nearest Post Office outlet.
- 2.6** And third, we have made it clear that we will continue to support the Post Office network beyond 2011 and will not support any further programme of closures. Together with the Post Office's efficiency improvements and its development of new products, the network is now on a more sustainable footing and we want

to build on that foundation. This is particularly important in the context of the Government's plan to halve the Government deficit over four years.

- 2.7 But we should be in no doubt that real challenges remain. The internet enables more and more of the services that people once accessed face-to-face at their local Post Office to be accessed online.
- 2.8 The Post Office is working hard to build new areas of business. Top of the list is financial services. By building its financial services business, and with continued Government support, the Post Office will help ensure that its most important asset – the network – remains financially sustainable.

Box 1: The access criteria

Five access criteria apply at the national level:

- 99% of the UK population to be within three miles of their nearest Post Office outlet;
- 90% of the population to be within one mile of their nearest Post Office outlet;
- 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest Post Office outlet;
- 95% of the total urban population across the UK to be within one mile of their nearest Post Office outlet; and
- 95% of the total rural population across the UK to be within three miles of their nearest Post Office outlet.

In addition, the following access criterion applies at a local level to ensure a minimum level of access for customers living in remote rural areas:

- 95% of the population of every postcode district to be within six miles of their nearest Post Office outlet.

Part 3: The Post Office's existing financial services

- 3.1** Many people do not realise the extent of the Post Office's existing range of financial services. Although the aim of this consultation is to ask what more the Post Office could do in this area, we should first look at what it already does.
- 3.2** The Post Office is one of the fastest growing providers of financial services in the UK. Although we usually associate the Post Office with letters, stamps, and parcels, the Post Office gets around one third of its income from financial services.

Box 2: Facts about Post Office banking

- Over 2 million people to date have used Post Office financial services to invest their money, buy insurance, or use a Post Office credit card.
- The Post Office offers over 1,900 free-to-use ATMs. It is forecast that 58 million withdrawals totalling £3.5 billion will be transacted through the Post Office ATM network in the current financial year.
- Around 200 million household bills are paid at Post Office branches every year.
- The Post Office is the UK's largest provider of foreign currency – it offers 72 currencies and transacts over £2.5 billion of foreign exchange every year.
- The Post Office is the biggest cash-handler in the country with over £80 billion passing through the network each year. For every £1 in circulation, over 14p goes through a Post Office branch.

- 3.3** The Post Office already offers a wider range of financial services than many banks, covering many different needs and many different kinds of customers. For example, if you want to invest savings, the Post Office offers both its own savings accounts and National Savings and Investment products. If you're going abroad, the Post Office has been voted the best provider of foreign currency. If you want to insure your car, your van, or your motorbike, then the Post Office has a range of policies for you. If you just want to get cash, in addition to counter services at branches, the Post Office has over 1,900 free to use ATMs around the country. If you're looking to buy a house, you may not know that the Post Office also offers mortgages. For small businesses, the Post Office offers business banking, insurance, and cash

handling services. In fact, even if you don't bank with the Post Office, in many cases you can still access your account at your local Post Office.

- 3.4** The Post Office's current range of financial services goes well beyond this. A summary of its products is set out in Box 3. A detailed list of the Post Office's financial products, and how you can access them, is included at Annex A.

Box 3: Existing Post Office banking and financial services products

Loans

The Post Office offers a range of credit products provided by the Bank of Ireland:

- Post Office Credit Card**
- Post Office Personal Loans*
- Post Office Mortgages**

Insurance

The Post Office offers a competitive range of insurance products (in conjunction with a range of insurers):

- Car insurance**
- Home insurance**
- Van insurance**
- Motorcycle insurance**
- Pet insurance*
- Over 50s life cover**
- Life insurance**

Business services

To make banking easy for businesses the Post Office offers:

- Post Office payout
- Branch business banking services (in conjunction with Alliance and Leicester) for businesses with accounts with Alliance and Leicester, Bank of Ireland and Clydesdale
- Cheque authority card
- Cash collection service
- Business insurance

Bills, access, and transfers

- Bill payment and prepayment for gas cards, electricity keys, E-pay transactions, water, phone, council rent and insurance (depending on agreements with relevant Local Authorities and utility companies).
- Current account access for 60% of other banks' current accounts
- Basic bank account access for all banks
- Moneygram for international transfers
- Overseas property money transfers*
- Postal Orders
- Encashment of benefit payments, including the POCA

Savings

The Post Office offers a wide range of short and long term savings options.

Post Office products provided by the Bank of Ireland:

- Post Office Instant Saver
- Post Office Cash ISA (variable)
- Post Office Child Trust Fund
- Post Office Fixed Rate Cash ISA
- Post Office Growth Bond
- Post Office Guaranteed Capital Bond**
- Post Office Guaranteed Capital Bond (Cash ISA)**
- Post Office Investment ISA

The Post Office also offers:

- Saving stamps which can be used against payment of bills, Post Office transactions or as gifts
- Christmas Club which allows you to save for Post Office gift vouchers, which can also be used in selected retail stores

National Savings and Investments (NS&I) also offers some products through the Post Office:

- NS&I Easy Access Savings Account
- NS&I Investment Account
- NS&I Income Bonds
- NS&I Premium Bonds
- NS&I Children's Bonus Bond
- NS&I Fixed Interest Savings Certificates
- NS&I Index Linked Savings Certificates

Travel

When you're going abroad the Post Offices offers:

- Commission free currency and travellers cheques**
- Travel money card
- Travel insurance**

All products are available in branches, except where marked.

* denotes online and/or telephone only ** selected branches only.

- 3.5** We know that some people find accessing a bank account difficult. Although the Government has worked hard to reduce the number of people without a bank account, there are still approximately 900,000 adults who do not have one.
- 3.6** We want everyone to have access to financial services to meet their needs. Easy access means, in many cases, providing banking services through local, trusted institutions which can help overcome barriers such as distance, cost and lack of trust. The Post Office has a range of products specifically targeted at those on lower incomes or those who prefer to save through alternatives to bank accounts such as a Christmas Club and saving stamps. Many people visit their local Post Office each week to access benefits through their Post Office Card Account (POCA), and the Government action has ensured that people can continue to access their POCAs at the Post Office – see Box 4.

Box 4: The Post Office Card Account (POCA)

What people like about the POCA is its simplicity: it is a very simple account to open and operate, and is essentially just a means of paying benefits and pensions to those who are unable to, or choose not to, access mainstream banking for this purpose.

It also helps to fulfil the Government's commitment that people can access their pensions and benefits in person in cash at a Post Office branch, if they so wish. Recognising the importance of the POCA as a source of income for the Post Office and that Post Offices are often the only providers of financial services in remote areas, the Secretary of State for Work and Pensions announced in November 2008 that the Government would award the Post Office a new contract for the POCA until March 2015, with the possibility of an extension beyond that.

Some modest enhancements to how the POCA works are already planned. For example, from spring 2010 customers will also be able to withdraw their pensions and benefits from their POCA at Post Office ATMs, as well as over Post Office counters.

- 3.7** This section has set out the financial services the Post Office already offers. The next question to consider is where it could go further. In this regard, there are useful comparisons to be made with other post offices around the world.

Question 1

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

Part 4: Post Banks around the world

- 4.1** The idea of delivering banking services through post offices is not new. The world's very first "Post Bank" was actually founded in the UK – as the Post Office Savings Bank in 1861. In many countries financial services are now available through Post Offices. This model is often known as a 'Post Bank', although not all post offices are banks in their own right. Just as in the UK, Post Offices abroad often have a large branch network and many existing customers who welcome the convenience of being able to access financial products and services at their local post office branch. Most Post Banks are also seen to be different from more traditional banks in the countries where they have proved popular. They emphasise that their branch network makes them easily accessible (supplemented by other channels such as the internet or phone where necessary); and they highlight the good value they offer, their trusted status, and their high levels of customer service.
- 4.2** Not all Post Banks offer the same range of products and services. There is no single model: this depends on what the customers in that particular country want. The way in which they are organised also differs quite widely. Some are fully-fledged banks in their own right (for example La Banque Postale in France or Postbank in Germany); some are joint ventures with a bank (for example Banque de la Poste/Bank van De Post in Belgium); and some act as distributors for a separate bank's products (for example Postbank in the Netherlands sells ING products).
- 4.3** As an illustration of the kinds of services Post Banks offer, Boxes 5 and 6 provide details about the products and services two successful international Post Banks offer, as these may illustrate where the Post Office could take its banking services. With the exception of a current account however, the overall product range of these international Post Banks is very similar to the product range of financial services that is offered currently by the Post Office.

Box 5: Kiwibank (New Zealand)

Kiwibank is a recent example of a postal services operator entering the financial services market. It focuses on popular products and is positioned as a consumer champion, as well as a 'home-grown' bank. Kiwibank has a broad range of financial products:

Personal banking: home loans, personal loans, credit cards, current accounts, savings accounts, investments and insurance.

Business banking: lending, cheque accounts, savings accounts, credit cards, investments, merchant services and insurance.

International services: online and manual international money transfers, foreign exchange and foreign currency accounts and travellers' cheques.

Banking services include internet, telephone and mobile banking, text message and email alerts, online and email statements, and a nationwide network of ATMs.

Box 6: Bancoposta (Italy)

The Italian Post Bank sources its various products from different suppliers and markets them via its network as 'simple, affordable and fair'. It offers the following products:

Personal banking: loans, mortgages, current accounts, credit cards, rechargeable card, investment funds, bonds, insurance, postal savings books and certificates.

Business banking: business accounts and online accounts.

International services: money orders, Moneygram and Eurogiro.

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?

Part 5: The Government's vision for banking at the Post Office

- 5.1 We have seen in Part 3 that the Post Office already offers a wide range of financial services, and that it is unlike many other providers in that it caters to all parts of society – including those who do not normally come into contact with financial services institutions.
- 5.2 The Government is keen for the Post Office to expand its financial services provision – both to ensure that people have access to essential financial services and to help sustain the network. This will only be achieved if new services are profitable for the Post Office and affordable for the taxpayer.

New vision

- 5.3 To bring back banking services to the heart of communities, the Government is proposing a new vision for banking and financial services at the Post Office. Our vision for Post Office Banking is based around four values:

- **Universal**
- **Accessible**
- **Trusted**
- **Sustainable**

Universal: As the Prime Minister said, the Government wants the Post Office to widen the range of banking services available in the heart of people's communities. The Post Office is widely used by all sections of society and the banking services it offers should reflect its diverse customer base. This means ensuring that the Post Office offers a range of products that is attractive to everyone in the community. The Post Office should offer services suited to those on low incomes, the more vulnerable members of the community, and those who may not be catered for by other businesses. Yet it should also offer simple good-value products attractive across the community – in particular to those who are already users of banking services, but who place a high value on face-to-face services from an institution they trust and visit on a regular basis.

Accessible: The Post Office's greatest asset is its unrivalled network of branches. This allows its customers to have face-to-face contact with their local subpostmaster in over 11,500 branches in communities right across the country

(by contrast all banks combined have around 10,000 branches). The Post Office should not just be a virtual bank – its strength is that it is a real institution with real branches and recognisable faces behind its counters. We therefore want to make sure that all of the products that the Post Office offers are as widely accessible as is feasible across the network (including Outreach¹) as well as being accessible online and over the telephone to increase customer choice.

Trusted: The “Post Office” brand is strong. People view the Post Office as a trusted and safe institution. We want the Post Office to continue to offer products that live up to that strong brand and its responsible approach to financial services. This means that the Post Office should not offer complicated or risky products. It should focus on simple, transparent, good-value products, without catches.

Sustainable: The Government’s first priority for the Post Office is a sustainable network that is also affordable. We want a strong, secure and sustainable future for the Post Office network, supported by financial services which are commercially viable for the Post Office and offer good value to consumers and taxpayers.

Question 3

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

¹ Post Office Outreach services are a way of providing Post Office services in communities where a traditional Post Office is not viable or practical. These enable the Post Office to maintain a service in smaller communities.

Part 6: Expanding financial services at the Post Office

- 6.1** Although the Post Office's financial services and banking offering is extensive, it is not complete. We must identify those areas where the Post Office can make a real difference, and determine what role the Post Office should play, whether developing existing products and services or creating new ones.
- 6.2** We believe that the Post Office should build on its key strengths – its trusted brand and the unrivalled face-to-face contact it offers across its extensive network – and provide new products to make money in order to sustain the network. But we also think the Post Office is for everyone, whatever their income, and recognise the Post Office already plays an important role in reaching out to those who are not well served by existing financial services and institutions.
- 6.3** A range of suggestions has been put forward for securing the Post Office's future. These have come from many quarters – the Business, Innovation and Skills Committee, the Post Bank coalition as well as individual groups, organisations, and private individuals. We want this consultation to help determine whether the proposals outlined below are the right ones to pursue, and whether there are other ideas that should be considered.
- 6.4** The ideas that the Government is considering can be grouped into three areas:
- **Access**
 - **Support**
 - **Inclusion**

Access: What makes the Post Office unique is its network of branches. The Government provides substantial financial support to the Post Office to enable it to maintain a nationwide network. Where it would be desirable to increase access to particular banking services, the Post Office would be ideally placed to achieve this. Currently, at least one basic bank account from each major bank is accessible across the Post Office network. We have identified three proposals through which the Post Office might improve access to banking services:

- **Post Office Current Account:** The Post Office does not presently offer its own current account. The introduction of a Post Office Current Account could enable the Post Office to attract new customers and increase the number of customers who use the Post Office day to day, potentially leading to greater revenue for the

branches and a more sustainable network. It could also help encourage greater use of savings and other products by Post Office customers. The Post Office has announced that it is actively developing a current account.

- **Access to current accounts:** There has been substantial progress on access to other banks' current accounts at Post Offices. However to do this, banks have to agree a contract with the Post Office, meaning that it is ultimately a commercial decision for the bank in question. Currently 60% of current accounts (around 25 million accounts) can be accessed at Post Office branches. This covers most – but not all – of the high street banks. Progress can be made here. The Post Office is working with those banks who do not offer access to their accounts to encourage them to do so.
- **Access to credit union accounts:** Credit unions provide an important service – offering savings and small loans in local communities. Their popularity is growing, with over 750,000 people using their services, and around £500 million in savings invested in them. However, the strength of credit unions – the fact that they are local – can also be a weakness, as it can be difficult to access accounts when people are not in their local area. The Post Office has sought to address this problem – and many credit union current accounts can be accessed right across the Post Office network through the Co-operative Bank. However, it is more difficult to ensure the same level of accessibility for credit union savings accounts because local credit unions use different IT systems. Again, the local nature of the Post Office should make it the natural home for a service allowing credit union savers to access their accounts across the country. This is an area which merits further exploration.

Support: People trust the Post Office. They trust it to handle their letters and parcels, to distribute their pensions and benefits, to look after their savings and when they interact with Government (for example getting driving licences). As a focal point of many communities, it would also be a natural place for people to turn to when they need convenient access to financial services. Small businesses in particular rely heavily on Post Offices, for example by taking advantage of the Post Office's business banking facilities at their local branch. The issue is whether the Post Office can go further and act as a source for information and support on financial issues.

- **Business services:** Currently, the Post Office offers the following banking services to businesses:
 - Branch Business Banking – which allows customers to pay in cash and cheques and withdraw cash
 - Cash Collection services

- Cheque authority cards to assist cashless payment for business postal purchases
- Post Office payout – a simple way of handling cash backs and refunds to customers without writing cheques
- Cash transfers via Moneygram

The Post Office has recently launched a range of business insurance products which can be tailored to specific needs. It is also exploring other opportunities for expanding the financial services it offers to small businesses, including its own business accounts. The Post Office already offers access to business bank accounts from Alliance and Leicester, Clydesdale Bank, and Bank of Ireland. As with personal current accounts, there are potential opportunities for other banks to make available access to their small business accounts at the Post Office.

Inclusion: The geographic coverage of the Post Office network, and the sheer number and range of people who use it, make it ideally placed to put banking services within easy reach of those who do not normally use or have difficulty accessing them. The Post Office already offers a range of such products – including the Christmas Club scheme, its saving stamps products, and access to basic bank accounts. There are two new areas where the Government considers the Post Office could play a useful role:

- **Savings:** Because Post Offices are local and convenient, they are ideally placed to encourage people to save. The Government announced in November 2008 Saving Gateway accounts would be available through the Post Office, amongst other providers. This scheme is a simple savings account that offers 50p from the Government for each £1 saved, to encourage people who have low incomes to get into the habit of saving. In addition to this, there is scope for the Post Office to offer a Children's Savings Account, to encourage children to develop a savings habit through their local Post Office.
- **Weekly budgeting:** Many low-income households do not take advantage of the savings that can be made by paying for services by direct debit. Work by the Government's Financial Inclusion Task Force indicates that this may be because there is a mismatch between weekly or fortnightly income cycles on the one hand, and monthly or quarterly direct debit billing cycles on the other. One way to tackle this problem and to help households to manage their money with greater confidence could be to offer a simple account that includes an automatic budgeting function. Such an account could ring-fence a proportion of income each week, and then pay bills by direct debit on a monthly or quarterly basis. This account would support low-income households with budgeting, leading to reduced arrears, and help save money through access to lower tariffs. It could also benefit utility and other providers in enabling greater certainty of payments. A weekly budgeting account could potentially also help people who have low

incomes gain access to basic home contents insurance, credit and low-value loans through providing greater certainty of repayment for providers, resulting in increased willingness to lend or to provide cover. Due to its location at the heart of communities, the Post Office could be a natural home for such an account.

Question 4

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

Question 5

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

Question 6

The Government already offers and supports substantial credit services for people on low incomes, such as Social Fund² 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?

² The discretionary Social Fund provides interest-free loans from a cash-limited budget to help support those on income-related benefits with intermittent expenses, as well as those where an award is the only means of averting risk to their health or safety, or that of their family.

Part 7: What happens next?

- 7.1 This consultation will close on 24 February 2010.
- 7.2 We will then analyse all the responses and expect to publish the Government Response, accompanied by a revised Impact Assessment and Equality Impact Assessment, in line with government guidelines.

Annex A: List of Post Office financial products and services

Key: S – at selected branches. P – print and post

Service	Description of service	Availability			
		Branch	Call centre	Web	ATM enabled
Receiving Payments					
Benefits/ Pensions/ Allowances Payment	Encashment of benefit payments, pensions and allowances by providing access to bank and building society accounts, the Post Office Card Account, and encashment of DWP cheques. Available at all branches. http://www.postoffice.co.uk/portal/po/content1?catId=94800755&medi ald=19100189	✓	✗	✗	✗
Post Office Payout	This enables businesses to manage cashbacks and refunds without writing cheques by using a barcode. A reference code is then sent by text, email or post to the customers. The customers can take the reference code to any Post Office branch to receive the instant cash payment. http://www.postoffice.co.uk/portal/po/jump2?catId=63000704&mediald=54700711	✓	✗	✗	✗
Making Payments					
Bill payments	Acceptance of payment and pre-payment towards a variety of bills including gas cards, electricity keys E-pay transactions, water, phone, council rent, mail order and insurance (some schemes available on an area basis as agreed with Local Authorities). Available at all branches. http://www.postoffice.co.uk/portal/po/jump2?catId=86500737&mediald=20900329	✓	✗	✗	✗
Banking Services					
Personal Banking	Free cash withdrawals, cashing of personal cheques, cash deposits or cheque deposits (the latter in most cases) for partner banks: Alliance & Leicester, Bank of Ireland, Bank of Scotland, Barclays, Cahoot, Clydesdale Bank, Halifax, Lloyds TSB, Nationwide, Northern Bank, The Co-Operative Bank and Smile. (See pages 39-40) for further details, including which basic accounts can also be accessed.) These services are available at all branches. Cash can also be withdrawn from Post Office ATMs. http://www.postoffice.co.uk/portal/po/jump2?catId=94800755&mediald=19400181	✓	✗	✗	✓
Business Banking	Business banking services for customers of: Alliance & Leicester, Bank of Ireland, Clydesdale and HSBC (cheque deposit only in Scotland & Northern Ireland). These services are available at all branches. Cash can also be withdrawn from Post Office ATMs. http://www.postoffice.co.uk/portal/po/jump2?catId=63000704&mediald=96300774	✓	✗	✗	✓

Service	Description of service	Availability			
		Branch	Call centre	Web	ATM enabled
Cash Machines	Over 1,900 free to use ATMs at branches. 673 ATMs are inside and 1,252 outside the branch. http://www.postoffice.co.uk/portal/po/content2?catId=86500737&mediald=95200763	✓	✗	✗	✓
Money Transmission					
Moneygram	International money transfer of up to £5,000 to over 190 countries. http://www.postoffice.co.uk/portal/po/jump2?catId=86500737&mediald=96300777	✓	✗	✗	✗
Postal Orders	Purchase or encashment. These can be obtained at any branch. http://www.postoffice.co.uk/portal/po/jump2?catId=94800755&mediald=96200777	✓	✗	✗	✗
Overseas Property money transfers	To buy or sell property abroad, or to make or receive regular international payments. This service is available by phone or online. http://www.postoffice.co.uk/portal/po/jump2?catId=86500737&mediald=92800751	✗	✓	✓	✗
Savings					
Post Office Instant Saver	Instant access savings account. Instant access to funds at all branches, by phone, online, by post or at 60,000 Link ATMs. Six free Cash withdrawals per year. The account can be opened at all branches. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=23200510	✓	✓	P	✓
Post Office Cash ISA (Variable)	Competitive interest rates, no withdrawal charges, tax-free, and easy access. Apply by post, or at any branch. Payments can be made at any branch or by post. Withdrawals can be made by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=95700767	✓	✗	P	✗
National Savings & Investments – Easy Access Savings Account	Flexible savings, instant access, cash card for easy deposits and withdrawals, and tiered interest rates. Apply at any branch, by phone, or by post. Withdrawals can be made at any branch or Link cash machine. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=95800881	✓	✓	✓	✓
National Savings & Investments – Investment Account	Easy access (no notice of penalty) passbook savings account with tiered interest rates. Apply at any branch, by phone, online or by post. Withdrawals can be made by applying to NS&I. http://www.postoffice.co.uk/portal/po/content1?catId=95800881&mediald=72400733	✓	✓	✓	✗
National Savings & Investments – Income Bonds	Easy access (no notice or penalty), regular monthly income, competitive interest rates, and a higher rate of interest on investments of over £25,000. Apply at any branch, by phone, online, or by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=95800888	✓	✓	✓	✗
National Savings & Investments – Premium Bonds	All prizes tax free, two £1 million jackpots, and anyone 16 years old and above can invest. Apply at any branch, by phone, online, or by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=105000805	✓	✓	✓	✗

Service	Description of service	Availability			
		Branch	Call centre	Web	ATM enabled
National Savings & Investments – Children's Bonus Bonds	Tax free, anyone 16 years old and above can invest. Apply at any branch or by post. http://www.postoffice.co.uk/portal/po/content1?catId=95800971&mediald=19900196	✓	✗	P	✗
Post Office Child Trust Fund	The Post Office Child Trust fund is designed to make the most of the £250 Child Trust Fund voucher by investing in shares. Apply at any branch or by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=19400175	✓	✗	✗	✗
Post Office Fixed Rate Cash ISA	Fixed term, fixed rate deposit account. Offers one, two and three year term lengths. Apply at any branch or by post. Payments can be made at any branch or by post. http://www.postoffice.co.uk/portal/po/content1?catId=19300232&mediald=105600780	✓	✗	P	✗
Post Office Growth Bond	Fixed Interest rates, no withdrawal charges, tax-free, and easy access. Apply at any branch or by post. Payments can be made at any branch or by post. Withdrawals can be made by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=19300235	✓	✓	✓	✗
Post Office Guaranteed Capital Bond	Structured product offering three and five year term lengths with fixed interest rates. Capital is guaranteed and returns are paid on maturity. Return is dependant on the performance of the FTSE 100 index. Available at selected branches. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=96800761	S	✗	P	✗
Post Office Guaranteed Capital Bond – Cash ISA	All prizes tax free, two £1 million jackpots, and anyone 16 years old and above can invest. Apply at any branch, by phone, online, or by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=105000805	S	✗	P	✗
Post Office Investment ISA	Tax free, anyone 16 years old and above can invest. Apply at any branch or by post. http://www.postoffice.co.uk/portal/po/jump2?catId=19300232&mediald=82300737	✓	✗	P	✗
National Savings & Investments – Fixed Interest Savings Certificates	Tax free fixed interest product with guaranteed returns. Anyone seven years old and above can invest. Apply at any branch, by post, by phone or online. Payments can be made at any branch or by post. http://www.postoffice.co.uk/portal/po/content1?catId=95800883&mediald=72300721	✓	✓	✓	✗
National Savings & Investments – Index Linked Savings Certificates	Tax free fixed interest product. Anyone seven years old and above can invest. Apply at any branch, by post, by phone or online. Payments can be made at any branch or by post. http://www.postoffice.co.uk/portal/po/content1?catId=95800883&mediald=72200721	✓	✓	✓	✗
Savings stamps	For use against payment of bills, Post Office transactions or as gifts. Buy and redeem at all branches. http://www.postoffice.co.uk/portal/po/jump2?catId=94800755&mediald=19400174	✓	✗	✗	✗

Service	Description of service	Availability			
		Branch	Call centre	Web	ATM enabled
Christmas Club	To save towards Post Office Gift Vouchers or use at selected retail stores. Customers are required to complete a simple application form which is taken to branch with an initial load (minimum £5). Customers can pay into this account at any branch. http://www.postoffice.co.uk/portal/po/jump2?catId=94800755&mediald=68000708	✓	✗	Print and bring to branch	✗
Insurance					
Car Insurance	Information is available at branches, but applications are only accepted at selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=19300223&mediald=19300227	S	✓	✓	✗
Home Insurance	Information is available at branches, but applications are only accepted at selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=19300223&mediald=19300229	S	✓	✓	✗
Van Insurance	Information is available at branches, but applications are only accepted at selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=19300223&mediald=43100688	S	✓	✓	✗
Motorcycle Insurance	Information is available at branches, but applications are only accepted at selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=19300223&mediald=72900709	S	✓	✓	✗
Pet Insurance	Information is available at branches, but applications are only accepted by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=19300223&mediald=67800708	Leaflet only	✓	✓	✗
Over 50's life cover	Applications accepted at all branches. http://www.postoffice.co.uk/portal/po/jump2?catId=95400765&mediald=58700696	✓	✓	✓	✗
Life Insurance	Information is available at branches, but applications are only accepted in selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=95400765&mediald=61000695	S	✓	✓	✗
Business Insurance	Information is available at branches, but applications are only accepted at selected branches, online by phone and online. http://www.postoffice.co.uk/portal/po/jump1?catId=98200761&mediald=107500769	Limited policies	✓	Limited policies	✗
Financial Travel Products					
Bureau de Change	A wide range of commission free currencies and American Express travellers cheques. 1,655 branches offer a range of currencies on demand. An additional 2,624 branches offer Euros and Dollars on demand. An additional 4,480 offer Euros on demand. Currencies can be pre-ordered for collection at any branch. For those branches where this service is not available, the customers can order this over the phone or online and it will be delivered to their local Post Office branch or home address. http://www.postoffice.co.uk/portal/po/content1?catId=19300207&mediald=19300210&intcampaignid=PI0364	S	✓	✓	✗

Service	Description of service	Availability			
		Branch	Call centre	Web	ATM enabled
Travel Money card	A way of taking money abroad instead of travellers cheques. The card can be loaded from £50 to £2,500 at any branch. http://www.postoffice.co.uk/portal/po/jump2?catId=19300207&mediald=26800661	✓	✓	✓	✓
Mortgages, Credit & Loans					
Credit Card	A range of Post Office credit cards are available. Information is available at all branches, but applications are only accepted at selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump2?catId=19400177&mediald=34100665	S	✓	✓	✓
Mortgages	Information is available at all branches, but applications are only accepted at selected branches, by phone and online. http://www.postoffice.co.uk/portal/po/jump1?catId=19300206&mediald=86600737	S	✓	✓	✗
Personal Loans	Available online only. http://www.postoffice.co.uk/portal/po/jump2?catId=19400177&mediald=19400178	✗	✗	✓	✗

Personal current accounts				
Bank	Cash Withdrawal (with card and PIN)	Balance enquiry (with card and PIN)	Cash deposit (with card or with personalised paying-in slip from your bank)	Cheque deposit (with personalised paying-in slip and deposit envelope from your bank)
Alliance & Leicester	Yes	Yes	Yes††	Yes
Bank of Ireland	Yes	Yes	Yes	Yes
Bank of Scotland	Yes	Yes	No	No
Barclays – in England and Wales	Yes†	No	Yes†††	Yes
cahoot	Yes (with chequebook and card)	No	Yes†††	Yes
Clydesdale Bank	Yes	Yes	Yes	Yes
Halifax	Yes	Yes	No	No
Lloyds TSB – in England, Wales and Scotland	Yes†	Yes	Yes†††	Yes
Nationwide Building Society	Yes	Yes	No	No
Northern Bank	Yes	Yes	No	No
smile	Yes	Yes	Yes††	Yes
The Co-operative Bank	Yes	Yes	Yes††	Yes
Basic bank accounts				
Abbey – Basic Account	Yes	Yes	No	No
Alliance & Leicester – Basic Cash Account	Yes	Yes	Yes††	Yes
Bank of Ireland – Basic Cash Account	Yes	Yes	Yes	Yes
Bank of Scotland – Easycash	Yes	Yes	No	No
Barclays – Cash Card Account	Yes	No	No	No
Clydesdale Bank – Readycash Account	Yes	Yes	Yes	Yes
First Trust Bank – Basic Bank Account	Yes	Yes	No	No
Halifax – Easycash	Yes	Yes	No	No
HSBC – Basic Bank Account	Yes	No	No	No
Lloyds TSB – Cash Account	Yes	Yes	Yes†††	Yes
Nationwide Building Society – FlexAccount (cash card only)	Yes	Yes	No	No
NatWest – Step Account	Yes	Yes	No	No
Northern Bank	Yes	Yes	No	No
The Co-operative Bank – Cashminder	Yes	Yes	Yes††	Yes
The Royal Bank of Scotland – Key Account	Yes	Yes	No	No
Ulster Bank – Basic Bank Account	Yes	Yes	No	No
Yorkshire Bank	Yes	Yes	No	No

† You can also withdraw cash from your personal current account using your chequebook and card. Card and PIN is quicker, easier and more secure.

†† With card only.

††† With personalised paying-in slip from your bank.

Annex B:

List of consultation questions

- Question 1 – What do you value about the Post Office’s existing financial, banking and payment services and what determines whether you use them?
- 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?
- Question 3 – Do you agree that these are the right values for banking at the Post Office, i.e. universal, accessible, trusted and sustainable?
- Question 4 – Do you think these are the right areas and products to focus on?
- Question 5 – What new financial services would you like to see available at your local Post Office?
- 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?

Annex C:

Consultation response form

You can also respond online to this consultation or download an electronic version of this form from www.bis.gov.uk/postofficebanking and email it to postofficebanking@bis.gsi.gov.uk.

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 24/02/2010.

Your name:

Your organisation

(if applicable):

Your Address:

Please tick the box that best describes your organisation (if applicable):

☐

Business representative organisation/trade body

☐

Central government

☐

Charity or social enterprise

☐

Individual

☐

Large business (over 250 staff)

☐

Legal representative

☐

Local Government

☐

Medium business (50 to 250 staff)

☐

Micro business (up to 9 staff)

☐

Small business (10 to 49 staff)

☐ Trade union or staff association

☐ Other (please describe):

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

☐ Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, please tick the box if you are willing for us to contact you in future either for research or with consultation documents.

☐ Yes ☐ No

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

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?

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

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

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

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?

Please continue on further sheets if necessary and return completed forms to:

Post Office Banking Consultation
Shareholder Executive
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET
Tel: 020 7215 5000
Fax: 020 7215 5336
Email: postofficebanking@bis.gsi.gov.uk

Annex D: List of organisations receiving this consultation

Action with Communities in Rural England
Age Concern/Help the Aged England
Age Concern and Help the Aged in Scotland
Age Concern Cymru/Help the Aged in Wales
Age Concern Help the Aged Northern Ireland
All Party Parliamentary Group on Post Offices
All Party Parliamentary Group on Poverty
All Party Parliamentary Group on Rural Services
Association of British Insurers
Association of Convenience Stores
Association of British Credit Unions Limited
Association of Local Authorities of Northern Ireland
Association for the Protection of Rural Scotland
British Bankers Association
British Chambers of Commerce
British Pensioners and Trade Unions Action Association
British Retail Consortium
Building Societies Association
Business in the Community
Business Innovation and Skills Committee
Campaign for Community Banking Services
Campaign for the Protection of the Countryside Northern Ireland
Campaign for the Protection of Rural Wales
Campaign to Protect Rural England
CBI
CBI Cymru/Wales
CBI Northern Ireland
CBI Scotland
Centre for Environment and Rural Affairs
Chamber of Wales
Child Poverty Action Group
Citizens Advice
Citizens Advice Northern Ireland
Citizens Advice Scotland
Citizens Advice Wales

Commission for Rural Communities
Committee of Scottish Clearing Banks
Communication Workers' Union
Community Development Finance Association
Competition Commission
Consumer Focus
Consumer Focus Post (North Ireland)
Consumer Focus Scotland
Consumer Focus Wales
Convention of Scottish Local Authorities
Council of Mortgage Lenders
Council for the Protection of Rural England
Countryside Alliance
Disability Wales
Enterprise UK (Village Retail Services Association)
Equality Commission for Northern Ireland
Equality and Human Rights Commission
Family Action
Fawcett Society
Federation of Small Businesses
Forum of Private Business
Fuel Poverty Advisory Group
Joseph Rowntree Association
Local Government Association
Mencap
Mind
Money Advice Trust
Money Liaison Scotland
Mothers Union
National Assembly of Wales
National Association of Local Councils
NCH (National Care Homes)
National Council for Voluntary Organisations
National Federation of SubPostmasters
National Federation of Women's Institutes
National Pensioners' Convention
National Society for the Prevention of Cruelty to Children
new economics foundation
Northern Ireland Assembly
Northern Ireland Chamber of Commerce and Industry
Northern Ireland Executive
Office for Equalities

Office of Fair Trading
Office of the First Minister and Deputy First Minister, Northern Ireland
One Parent Families
Parish Councils and Residents Association
Payment Council
Plunkett Foundation
Policis
Post Bank Coalition
Postcomm
RADAR (Royal Association for Disability and Rehabilitation)
Regional Development Agencies
Rethink
RNIB
RNID
Royal Association for Disability Rights
Royal British Legion
Runnymede Trust
Rural Shops Alliance
Social Enterprise Coalition
Scope
Scottish Chambers of Commerce
Scottish Disability Forum
Scottish Government
Shelter
Townswomen's Guild
Toynbee Hall/Transact
Trades Union Congress
Unite
University of Bristol Personal Finance Research Centre
Welsh Assembly Government
Welsh Language Board
Welsh Local Government Association
Which?
Women's National Commission

Annex E:

Code of Practice on Consultations

1. Formal consultation should take place at a stage when there is scope to influence policy outcome.
2. Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
4. Consultation exercise should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
6. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.
7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Tunde Idowu
BIS Consultation Co-ordinator
1 Victoria Street
London
SW1H 0ET

Telephone Tunde on 020 7215 0412
or e-mail to: Babatunde.Idowu@bis.gsi.gov.uk



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Department for Business, Innovation & Skills. www.bis.gov.uk

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