

## Debt APPG Breakfast Seminar on Post Offices and financial services

The Debt and Personal Finance APPG today heard of the great potential opportunity of improved financial services being rolled out across Britain's Post Office network.

Speaking at this morning's Debt & Personal Finance APPG were the following:

- John McFall MP, Labour MP and Chair of the Treasury Select Committee
- Peter Luff MP – Conservative MP and Chair of the Business Select Committee
- Mark Lazarowicz MP - Labour and Co-operative MP for Edinburgh North and Leith and Chair of the Debt & Personal Finance APPG
- Andrew Harrop – Age Concern/ Help the Aged
- Alan Cook – Managing Director, Post Office
- Colin Welby – Head of Partnerships at Co-operative Financial Services

Andrew Harrop opened the meeting by describing the Post Office as an institution that was especially valued for providing a vital function to people over the age of sixty. He referred to a previous survey carried out by his campaign group, which had found the Post Office to be of great importance to people's lifestyle. Respondents spoke of the great benefits provided by the ability to carry out general shopping from within Post Offices, while others told of the vital role Post Offices played in enabling access to financial services; with mention to pensions and cash for example.

Emphasising the importance of Post Offices for the older community, Mr Harrop told delegates the older and frailer an individual became, the more vital access to a local Post Office proved. He described Post Offices as being socially important, playing a key role in basic interaction, providing a community focal point and giving the visitor a level of exercise, for example. Mr Harrop called for a wide and diverse Post Office network, with universal access to financial services.

Mr Harrop expressed the importance of the Post Office to remain distinct from banks, and called for the network not to be undermined. He maintained Post Offices must play a key role in helping those who have no access to financial institutions, alleviating social exclusion with locally served branches. Mr Harrop also raised issues around theft and abuse of customers who were largely cash-based with their financial dealings.

Delegates heard of three main banks - HSBC, Santander & RBS - that had so far resisted providing access to financial services from Post Offices. Mr Harrop called for an amendment to legislation to provide highly localised access to cash facilities.

Alan Cook commenced by making a statement on the ability of the Post Office to 'win,' by developing consumer friendly banking facilities across Britain, and by maintaining the network. He told delegates that there were 11,500 Post Offices across Britain, which represented three times more than all bank branches combined.

Mr Cook explained that 93 percent of the population lived within a mile of a Post Office, while 90 percent reported no change of service as a result of closures. He explained that 2.3 million financial services transactions were conducted at Post Offices last year. He also spoke about the business generated through currency transactions, and highlighted that 60 percent of current account holders could benefit from Post Office services. Briefly, Mr Cook announced that one of the three banks mentioned by Mr Harrop would be collaborating with the Post Office network in the near future.

On facilities provided by the Post Office, Mr Cook made reference to 2,000 free-to-use ATMs within the network, with a further 500 being introduced this year; which represented the

fastest growing ATM network in Britain. Delegates heard that £24 billion worth of benefits were paid out over post-office counters each year, which was potentially far more beneficial than receiving funds from an ATM, since the exact benefit entitlement could be paid out rather than an amount which might be limited to £10 increments.

Mr Cook highlighted that 14 pence in every £1 in the country went through the Post Office and there was £18 billion of cash circulating in the network. He maintained the growing consensus was that better developing financial services within the network would be positive, and further expressed the need to boost accessibility, provide a consumer friendly experience and sustain the network.

A nationwide network the scale of the Post Office had a high running cost, Mr Cook stated, and told of having made savings of £150 million during his tenure. Briefly he stated that financial inclusion could make-up a big part of the future revenue stream.

Providing some background to the Co-operative Group, Colin Welby told delegates of the 5,300 retail outlets across Britain, with 120,000 people employed. He stated that the Co-op also aimed to deliver on social goals and were therefore uniquely positioned to support the Post Office. Mr Welby explained that 500 Post Offices were run by the Co-op group, which represented the biggest Post Office operation in Britain. Co-op also offered a facility to customers to transact at local Post Office counters, and conducted £8 million of transaction in the course of a year.

In terms of financial services and potential tensions, he spoke of the need to meet a balance between innovation, competition and sustaining a commercial network. He warned that if the emphasis was too heavily placed on competing with banks then it could easily dilute the industry's appetite for improving accessibility through collaboration.

Mr Welby told delegates of Co-Op's basic bank account which had doubled to the anticipated market share, which represented a great public appetite. He welcomed the current consultation, stating it provided a great opportunity to bring discussions together, while offering the chance to boost financial inclusion.

Peter Luff MP struck a contrary note to the previous witnesses by exclaiming that no organisation had a right to exist in the modern world. He criticised the Government for believing 'everything can be conducted online.' Mr Luff also accused the Government of 'saying all the right words,' but simply not acting upon such statements with conviction. He maintained that some Departments warranted a shake-up, with a better sense of commitment being provided from the Government.

Mr Luff appeared highly sceptical of the need for a consultation document at all; insisting that all parties were intrinsically aware of the need for change and areas that needed targeting, and called for action not talk. He bemoaned the patchy nature of access to banks' current accounts via the post office network, and highlighted that his own personal account could not be accessed. Concluding, he questioned why time was being wasted on the consultation and called for any additional revenue to reach Sub-Post Masters.

John McFall MP spoke briefly in agreement with the tone of Mr Luff's message; stating the Government were great at producing documents but 'rubbish' at monitoring the situation to ensure appropriate work and action was carried out. He told of a deficit issue within the Post Office and maintained the key was creating sustainability within the network, with 2014 as the target to reach such a climate.

Mr McFall described the issue of competition as 'massive,' pointing out there were simply five or six main banks in Britain. He quoted a financial commentator who bemoaned that Britain 'lacked a spare tyre' in the banking industry. Mr McFall maintained there was a great opportunity for the Post Office and mutuals sector, although more pressure was needed from Government to better capitalise.

Mr McFall told delegates of the massive public appetite for financial inclusion, transparency and awareness. He referred to the Treasury Committee inquiry into the banking crisis, in which 6,000 questions had been received from the public to raise at the meetings.

Alun Michael MP questioned the Post Office's fitness for purpose, claiming the bureaucratic tendency was still dominant.

Mr Cook pointed out that only 8,000 people were directly on the payroll, and described the business model as complex and acknowledged the scope for bureaucracy to creep in. Commenting on his legacy as the outgoing Managing Director of the Post Office Ltd, Mr Cook stated the organisation was far more co-operative and collaborative than it ever had been before. He stated the organisation was used to being dominant, profitable and even arrogant as a result of its past, however.

On affordable lending, Mr Cook maintained there must be opportunity with credit unions and told of discussions about how best to implement it. He questioned how to make it available in a cost-effective way, highlighting costs of technology for example. He warned however against appearing to be profiting on those who could not afford credit, stating the situation was 'not straight forward.'

Alan Cook explained the Post Office Ltd is experiencing squeezes that have impacted both on subpostmasters and the Network. He told delegates of reductions in the amount received for mobile-phone top-up transactions, where the Post Office Ltd lost out on a third of existing revenue. It was explained the Post Office Ltd tried to negotiate but had to accept the deal when set an ultimatum.

Mr Harrop explained the majority of old people were terrified by debt, with over 65s being failed by the crisis of budgeting and not being able to manage their finances effectively. He insisted there should be more focus on involving such vulnerable people, with relation to access to cash.

Junior Pensions Minister, Helen Goodman, defended the Government, and called for all parties to become involved in the consultation. She briefly spoke in favour of proposals to create bank accounts with greater accessibility. Ms Goodman stated that the pitch to banks should be to demonstrate great opportunities to develop and promote the market, as opposed to simply forcing involvement.

Responding to Ms Goodman, Mr Cook explained that POCA is a DWP product, which therefore means the Post Office Limited cannot add any functionality without the Department's permission. He stated if the DWP asked the Post Office Ltd to add functionality to the existing set-up, it would not have to go out to tender, however.

A group approach to financial inclusion was of great importance, Mr McFall stated, highlighting the need for social workers, local authorities and institutions to collaborate better, to create a model aimed at helping vulnerable people.

Peter Luff insisted that the Pensions Service must be stopped from seducing people away from the Post Office, by continually for people to receive their benefits payment into bank accounts. He maintained it was essential to create banking facilities within the Post Office.

On the future role of Sub-Post Masters, Mr Luff questioned how capable they were of delivering new and complex financial services from their branches.

Mr Welby maintained there was no argument about the potential of the Post Office moving forward, although there must be a clear vision of how the future Post Office should look with work being carried out backwards from that model.

Alan Cook told delegates of the benefits of integrating Post Offices within existing shops, due to opening hours and accessibility. He explained there were 370 Crown Offices, delivering 40 percent of the overall financial services. Mr Cook acknowledged the difficulties in achieving FSA standards across the board and told of the potential ability for Sub-Post Masters to follow a script or direct a customer through a call-centre process, should financial services be rolled out in new branches for the first time. He highlighted the 1.1 million travel insurance Post Office transactions, commenting that 'it can be done.'

Concluding, John McFall called for the 'fragmented financial architecture' to drastically change at a national and international level. He stated the key to change was through competition and by tackling barriers to entry, and reducing the volatility of institutions.