

# **HM Treasury - Access to Cash: call for evidence**

Citizens Advice response



## Citizens Advice

Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities.

In April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory consumer representative for the postal sector in England and Wales. Our role is to ensure postal services and post offices meet the needs of consumers in a way that is fair and accessible for all. We have particular responsibilities regarding the interests of the more vulnerable members of society, and also consider the interests of small businesses.

We are responding to this consultation in our capacity as the postal advocate. Our response focuses on two of the questions raised in HM Treasury's call for evidence -

Question 1 How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?

Question 3 - How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?

Our response draws on insights from our comprehensive research into Post Office banking, published in July 2020. This includes interviews with 3,000 individuals and small businesses, surveys of 270 postmasters and 140 local Citizens Advice advisers. We also undertook mystery shopping - carrying out almost 1,000 banking transactions at 470 post offices.<sup>1</sup>

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<sup>1</sup> Citizens Advice, [Banking on It: how well are post offices delivering cash and banking services?](#), July 2020

## 1 A sustainable infrastructure for cash

1.1 Citizens Advice strongly supports the government's aims to maintain a sustainable infrastructure for cash. Our research, undertaken in January 2020 (pre-Covid), confirmed the particular importance of face to face banking services.

<sup>2</sup> We found 90% of the population uses a bank branch at least once a year. Many people are frequent users - 40% of the population use a bank branch at least monthly and 14% visit at least weekly. Small businesses are also major users of in-branch banking services. Citizens Advice research found 80% of small businesses access bank branches, 42% visit at least once a month, and 20% visit at least weekly.

1.2 Some people are more heavily dependent on face to face banking than others. We found people who are digitally excluded, aged over 65 or on low household incomes are most likely to visit bank branches weekly. Over 7 in 10 (71%) Citizens Advice advisers we surveyed say access to face to face banking services is important to their clients. They often use cash to help budget and frequently don't have access to alternatives such as online banking.

1.3 The government's aim is to ensure people and businesses can access cash withdrawal and depositing within reasonable travelling distance. The post office network is well placed to meet this need. Whilst bank branches have been closing, total post office numbers remain stable. With around 11,600 branches throughout the UK, there are now more post offices than bank branches. Over half of all post offices are based in rural areas and the government's access criteria ensure the post office network retains good geographical reach throughout the country.<sup>3</sup>

1.4 In many areas, post offices are now the only remaining outlet providing people with access to cash and banking services. More than half (55%) of the post office operators we surveyed said there are no bank branches in the area where their post office is based. This is even more pronounced in rural areas, where 3 in 4 (74%) postmasters reported there is no local bank branch and nearly 4 in 10 (37%) reported no local ATMs.

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<sup>2</sup> Citizens Advice, [Banking on It: how well are post offices delivering cash and banking services?](#), July 2020

<sup>3</sup> 99% of the UK population must be within 3 miles of a post office, 90% of the population within 1 mile. House of Commons, [Briefing Paper 02585 Post Office Numbers](#), March 2020

## **2 Q1 How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?**

2.1 As increasing numbers of bank branches have closed, use of Post Office banking services has risen. Consumer banking at post office counters doubled between 2017 and early 2020, and 1 in 4 people (25%) have now used Post Office banking. Our evidence indicates that local bank branch and ATM closures are key drivers for this.

2.2 Individuals use cash withdrawal services far more than the other Post Office banking services. Our research, undertaken in January 2020, finds 20% of all consumers have withdrawn cash at a post office counter.

2.3 Whilst it is difficult to predict demand post-Covid, Post Office Ltd data shows steady cash withdrawals throughout 2019 and the first 3 months of 2020, followed by a dramatic dip as the UK entered lockdown. Consumer demand rose again as lockdown eased throughout summer 2020.<sup>4</sup>

2.4 Our research confirms people living in rural areas and those in more vulnerable groups are most reliant on this service.<sup>5</sup> This reflects the lack of bank branches in rural areas, and our advisers stress that many people find it difficult to get to their nearest bank branch because of poor public transport. Our evidence also shows older people, those on low incomes and disabled people use the service more than average.

2.5 Small businesses also use the service - 15% of all small businesses have withdrawn cash at a post office counter. This means almost 1.3 million UK businesses have used the service.

2.6 Consumer and business satisfaction with Post Office banking is high - 97% of individual customers and 93% of small businesses are satisfied. Overall service standards for cash withdrawals are largely good. Almost all (99%) of our mystery shoppers were able to withdraw cash at a post office counter from their personal account. But 56% of shoppers with personal accounts were given incorrect information about withdrawal limits. Post Office staff seemed less secure in their knowledge of business banking services - only 84% of shoppers

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<sup>4</sup> Post Office Ltd, [Post Office Cash Tracker](#), October 2020

<sup>5</sup> 35% of rural residents and 20% of urban residents have used (any) Post Office banking services.

enquiring about small business cash withdrawals were told they could withdraw cash.<sup>6</sup>

2.7 We also uncovered a problem at Outreach post offices, where 1 in 5 mystery shops could not take place.<sup>7</sup> This was usually because the outlet was not open or a mobile post office van was not there.

2.8 Privacy can be a problem particularly in small post offices. 1 in 5 (19%) of our mystery shoppers said there wasn't enough privacy when they were being served, this rose to around 1 in 3 of those who visited smaller post offices. Some shoppers and consumers also expressed concerns about long queues. We recorded very variable waiting times, only half the shoppers had to queue to use Post Office banking services. But queues were occasionally lengthy in larger branches - the longest a shopper had to wait was 14 minutes.

2.9 Our research indicates the Post Office is providing a good network of cash withdrawal facilities - pre-Covid it was becoming increasingly well used, satisfaction rates were high and service standards largely good. However, our findings show Post Office Ltd needs to make some improvements around staff training, privacy, queuing and ensuring services are available at advertised times.

### **3 Q2 How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?**

3.1 Citizens Advice agrees with HM Treasury on the importance for small businesses and individuals to have reasonable access to depositing cash into payment and savings accounts. With their unique geographic reach and established cash infrastructure, post offices are well placed to provide a cash deposit service. The network can also offer higher security for cash deposits than ATMs based in open spaces.

3.2 Cash deposit services are available for customers of the majority of banks participating in the Banking Framework agreement. However, personal

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<sup>6</sup> Mystery shoppers made enquiries about cash withdrawals from business accounts included in the Banking Framework - withdrawals should have been available from 100% of these accounts.

<sup>7</sup> Outreach post offices are typically provided for a few hours a week in a village hall or from a mobile van. An increasing proportion of post offices are outreach offices, 14% of UK post offices in 2019.

customers with Nationwide and TSB accounts and small business account holders with TSB and CAF cannot use the service.<sup>8</sup>

3.3 Individuals use the Post Office's cash deposit service less than they make cash withdrawals. Whilst most Post Office personal banking customers have made cash withdrawals, just under half have made cash deposits and only 6% did so weekly.<sup>9</sup>

3.4 However, the Post Office cash deposit service is far more extensively used by small business customers. It has been used by the vast majority (87%) of small businesses that use Post Office banking. And businesses make frequent use of the service - over 1 in 3 used it at least weekly.<sup>10</sup>

3.5 The picture changed during the pandemic, like cash withdrawals Post Office Ltd's Cash Tracker shows a substantial drop in cash deposits as we entered lockdown. But as the economy opened up again, business cash deposits at post offices steadily increased in both volume and value approaching 2019 levels by September.<sup>11</sup> This indicates high levels of demand for the service are likely to remain at least in the medium term.

3.6 Our research shows service standards are largely high for this transaction. 97% of shoppers with personal accounts were able to deposit cash. And 86% of shoppers testing small business accounts were informed they could deposit cash. However, this does mean in 15% of visits, shoppers enquiring about depositing cash were either incorrectly told this was not possible or staff did not know if it could be done.

3.7 Our mystery shopping also revealed further gaps in staff knowledge - including not knowing there was a cash deposit limit. Some shoppers were also informed that there was a limit on how often they could pay in cash, however customers can actually deposit cash as often as they like.

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<sup>8</sup> <https://www.postoffice.co.uk/everydaybanking>

<sup>9</sup> 80% of individuals who have used Post Office banking have withdrawn cash, 48% have deposited cash. 6% deposit cash at least weekly.

<sup>10</sup> 37% of small businesses that have used Post Office banking services deposit cash at least once a week (surveyed January - February 2020).

<sup>11</sup> Post Office Ltd, [Cash Tracker](#), October 2020

3.8 Currently people are unable to access their savings accounts at post offices. But Citizens Advice research indicates significant appetite amongst the public for an extension of the present service. 2 in 3 people (66%) said they would find it helpful if they could use a post office to deposit and withdraw money from a savings account. People on low incomes (under £21,000/year) and older people (aged 65+) were most likely to say post office access to a savings account would be very helpful.

3.9 Whilst our research shows post offices are providing valuable cash deposit services, especially for small businesses, it also indicates that there is room for improvement. Post Office Ltd needs to improve staff training on the service. There is also space for expansion of the service - providers such as TSB and Nationwide could offer cash deposit services, and all the major banks and building societies could provide access to savings accounts at post offices.

## **4 Conclusions and recommendations**

4.1 Post-covid, there is a potentially greater role for post offices in delivering access to cash and banking services. Although industry anticipates the pandemic will result in a permanent reduction in cash usage, cash will remain important, especially for more vulnerable groups.

4.2 In the context of further bank branch and ATM closures, our evidence indicates the post office network presents a potentially cost-effective part of the solution to the access to cash problem. Post offices are already providing these services and overall services standards are largely good and customers are satisfied. The network has excellent geographic coverage and is extensively used by many of those most likely to need to access cash, including vulnerable groups and small businesses.

4.3 But for post offices to provide an efficient and sustainable service, it's essential the network is adequately funded to offer good provision. The Post Office received increased remuneration under the Banking Framework in January 2020. This is welcome and should help Post Office Ltd to invest in service improvements. However, questions remain over whether current investment in the service is adequate. The total remuneration paid by the banks to Post Office Ltd for providing access to banking services is not in the public domain, but stakeholders in the sector have told us remuneration levels are insufficient.

4.4 Postmasters have also expressed concerns about their banking remuneration and its potential impact on branch viability. For example, 70% of postmasters responding to our survey earlier this year told us their new (enhanced) pay rates will not cover the cost of providing the service.<sup>12</sup>

4.5 The role of post offices in providing cash withdrawal and deposit facilities needs also to be viewed within the broader context of post office network sustainability. Citizens Advice is concerned about the number of temporary post office closures and the capacity of post office outreach services to meet consumers' needs. We are currently calling on the government to invest in the network at the upcoming spending review, and at the very minimum commit to maintaining the current level of subsidy it provides to post offices.<sup>13</sup>

4.6 Our research highlights a number of issues with the Post Office banking service that need to be addressed.

i) Post Office Ltd and the banking industry need to better promote the service. Although awareness has increased substantially over the last few years, around 1 in 3 people are not aware these services are available at post offices. And our research shows that many people who are currently unaware of the service would use it if they knew about it.

ii) Post Office Ltd should make improvements to the service including staff training, privacy and queues. There are also operational issues for the Post Office around cash supply and security, and our research indicates these may be having a negative impact on cash withdrawal and deposit services.

iii) The government should legislate to require the major banks to offer cash and other banking services. One way to do that would be to require banks to offer their services at post offices. That would be based on the current Banking Framework agreement, which runs for 3 years from January 2020. However, this arrangement is not mandatory for the banks. In autumn 2019 Barclays announced that it would stop allowing its customers to withdraw cash from post office counters. Although this announcement was quickly reversed following widespread parliamentary and media concerns, Barclays' near withdrawal underlines the fragility of this current voluntary arrangement.

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<sup>12</sup> Survey of 276 independent postmasters, March 2020

<sup>13</sup> Citizens Advice, [The Post Office Network is at Crunch Point](#), September 2020

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