

# Citizens Advice Scotland

Scottish Association of Citizens Advice Bureaux



1939-2009: 70 years  
of Scottish CAB advice

## Post Office Banking: Developing the banking and financial services available at the Post Office

### Consultation Response

Citizens Advice Scotland and its 83 CAB offices form Scotland's largest independent advice network. CAB advice services are delivered through 222 service points throughout Scotland, from the islands to city centres.

The CAB service aims:

to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally

to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB service is independent and provides free, confidential and impartial advice to everybody regardless of race, sex, disability or sexuality.

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# Introduction

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1. Citizens Advice Scotland (CAS) is the umbrella organisation for Scotland's network of 83 Citizens Advice Bureau (CAB) offices. These bureaux deliver frontline advice services through more than 200 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities.
2. Citizens Advice Scotland welcomes the opportunity to respond to the UK Government's consultation on developing the banking and financial services available at the Post Office. Bureaux across Scotland report of clients who find it difficult to open a bank account and who would benefit from increased banking services offered by the Post Office network.
3. In 2008/09, Scottish bureaux dealt with 15,118 credit and finance related issues including problems with banking services (excluding debt), resulting in 58 consumer finance issues being dealt with by bureaux every working day of the year.
4. As a Post Office Bank (also referred to in this response as a *Post Bank*) does not currently exist, Citizens Advice Scotland's response to this consultation is based on the following:
  - Evidence gathered by bureaux across Scotland regarding issues faced by vulnerable clients on current banking services
  - Citizens Advice England and Wales' evidence report on the 'Recommended features for the Post Office Card Account replacement product'
  - Citizens Advice Scotland and Citizens Advice England and Wales' response to the DTI consultation on the Post Office Network
  - The Scottish Household Survey for 2007/2008
  - The case for a Post Bank presented by the Post Bank Coalition
  - Consumer Focus Scotland's report on 'The Network Change Programme in Argyll and Bute: A Case Study'
  - Meetings and stakeholder events held by interested parties (including the Post Bank Coalition).
5. Vulnerable clients are more likely to have difficulty accessing mainstream financial services. Not having a bank account is detrimental to a person's financial well being, as there is little opportunity to build a good credit rating and to manage finances.
6. In the Scottish Household Survey of 2007/08<sup>1</sup>, 82% of households with an annual income of £10,000 had a bank account, 14% had a Post Office Card Account, and 4% had neither. Overall, 83% of adults find post office services very or fairly convenient compared to 73% for banking services. This

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<sup>1</sup> Scottish Government and National Statistics, *Scottish Household Survey 2007/2008*. Published in 2009, p66,130. Accessible at <http://www.scotland.gov.uk/Resource/Doc/282618/0085510.pdf>

demonstrates the favourable position the post office holds in the community in comparison to banks and the increased demand amongst the vulnerable for the financial services provided by the Post Office network.

7. The current Post Office card account (POCa) allows benefits, pensions and tax credits to be paid into an account but does not offer everyday basic banking services such as cash withdrawals at ATMs and direct debit facilities. Wages, housing benefit, and occupational pensions cannot be paid into this account and clients requiring a bank account for this purpose need to find and use alternative methods that are often inefficient and expensive.
8. The best features of the Post Office card account were stated in Citizens Advice England and Wales' 2007 *CAB evidence report: Recommended features for the Post Office Card Account (POCa) replacement product*<sup>2</sup>. In this report, POca was found popular amongst users because of its simplicity; the accessibility of post offices; the continuity in receiving benefit payments through the post office; an alternative for those who can't open a bank account; and because it demonstrates endorsement of the post office network by consumers who distrust mainstream financial service providers.
9. The development of banking services at the Post Office would increase financial inclusion. It would also make the unfamiliar familiar to those who have so far avoided opening a bank account because of a lack of trust in mainstream banks.
10. The decreased accessibility of the Post Office after recent closures<sup>3</sup> does not mean that there is a diminished demand for financial services offered by the post office. Vulnerable clients are more likely to benefit from increased financial services offered by post offices particularly in rural communities where there are fewer banks and which may be even more inaccessible than local post office branches.
11. This consultation response will draw on the experiences of Scottish CAB clients with bank accounts and the prevalent need for such banking services to be provided by local, trusted, accessible post offices.
12. The consultation will focus on:
  - Post Office and existing financial services
  - Learning from Post Banks around the world
  - Values of a UK Post Bank
  - Recommendations on banking services offered by a UK Post Bank

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<sup>2</sup> Citizens Advice England and Wales, 'Recommended features for the Post Office Card Account (POCA) replacement product', February 2007

<sup>3</sup> White, Douglas at Consumer Focus Scotland, 'The Network Change Programme in Argyll and Bute: A Case Study'. December 2009, p2

# Bank Accounts and the Post Office

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13. Basic bank accounts came into effect in the year 2000 with the intention of increasing access to mainstream banking. Ten years on, evidence suggests that universal banking is still to be realized. This section will briefly look at the following issues faced by CAB clients:
- Problems with opening or retaining a bank account
  - Recessionary effects on the accessibility of bank accounts
  - Creditor behaviour
  - Post Office card accounts
  - Credit Unions and Current Accounts

## **Problems with Opening or Retaining a Bank Account:**

14. Even though the number of people with bank accounts has increased in the past few years, CAB across Scotland report that many clients experiencing financial difficulties are having problems in opening or retaining a bank account. Often, bureaux refer such clients to credit unions and/or their local post office - depending on whether a credit union operates in the area, the client's circumstances and their source of income.
15. Some communities only house a small number of banks, limiting client choice and their success in opening a bank account.

A West of Scotland CAB reports of a client who lives in a town that has only two banks. The client is in receipt of benefit payments and has a number of unsecured debts. She had to change banks as a result of the debt and initially had no problem opening a basic bank account with the 'other' bank. Her new account though was later closed because of a loan she had taken out with this bank a number of years ago. The client no longer has access to any of the banking facilities available in the town and was encouraged by her CAB to open a Post Office card account to receive her benefit payments.

An East of Scotland CAB reports of a client with learning disabilities who is in receipt of benefit payments and also in debt with his bank. The bank has cancelled his account though charges continue to accumulate on his debt. The client will be applying for a basic bank account with other banks but if unsuccessful he may have to pursue a Post Office card account.

16. Clients who become bankrupt in Scotland, including individuals on little income who can become bankrupt through the Low Income Low Asset (LILA) Route to bankruptcy are at risk of losing their bank account and or having certain banking services withdrawn by the bank. The establishment of a bank that serves the interests of the vulnerable should ensure that clients who are undischarged bankrupts have access to basic banking services.

A West of Scotland CAB reports of a couple who have become bankrupt under the LILA route to bankruptcy. The couple's current account was frozen by their bank and they have approached 8 banks since about opening a bank account with no success.

An East of Scotland CAB reports of a client who was invited by her bank to open a new account after she became bankrupt which led to her old account being frozen. The client's application for the new account was subsequently rejected and she is unable to open an account with any other bank in the community. The client will try opening a current account with a Credit Union.

### **Recessionary effects:**

17. The recession brought with it instability for most people. Our client case evidence shows that a considerable number of people have lost their jobs or have had to work reduced hours which meant a decrease in pay and an increase in financial problems. As a result clients with what is becoming unsustainable debt are struggling to maintain their finances as well as their bank accounts

A South of Scotland CAB reports of a client who has three children and has seen his hours of work reduced. The client is finding it difficult to make payments with the decreased income particularly as his income is continuously absorbed by bank charges. The client's grandfather is currently supporting the family. The client will look into opening a new bank account.

### **Creditor Behaviour:**

18. Many financial service providers have been unsympathetic to the plight of their customers and some have ended up aggressively pursuing debts, with some banks forcing clients to maintain unsustainable bank accounts.

A North of Scotland CAB reports of a lone parent whose bank took £400 from her account to repay debts without her permission. The client has debts with the bank and the bureau had made contact to negotiate repayments. The bank took the money out of her account after the wages had been paid in to it, leaving the client with no money to live on. The bank denied having contact with the bureau and stated that if the client moved her account to another bank she would be taken to court.

### **Post Office card accounts:**

19. Clients unable to open bank accounts with mainstream financial institutions are, where appropriate, referred to the Post Office card account because of its accessibility and convenience.

20. In an Adviser Survey conducted by Citizens Advice England and Wales and Citizens Advice Scotland in 2007<sup>4</sup>, 95% of CAB advisers stated that their clients use local Post Office branches to collect benefit monies while 93% had clients use the service to make bill payments. Vulnerable clients especially place a lot of trust in and benefit from the convenience of their local post office. Unfortunately since 2007, the Network Change Program resulted in the closure of 270 post offices in Scotland in a period of 18 months. According to a study conducted by Consumer Focus Scotland this has resulted in a change in the accessibility of Post Offices for certain client groups<sup>5</sup>. However, the same study also confirmed that people still trust the Post Office network<sup>6</sup>.

*In a 2007 consultation response on the Post Office Network, an adviser from a West of Scotland CAB stated the following<sup>7</sup>:*

“Many elderly clients use the Post Office as a one stop shop to collect benefits, pay utility bills, obtain stamps etc. Clients feel safer collecting money and paying bills in one venue, than carrying their money from place to place to pay accounts. This is particularly the case with the elderly and/or disabled.”

*In a 2007 consultation response on the Post Office Network, an adviser from a South of Scotland CAB stated the following<sup>8</sup>:*

“In rural areas there is limited access to banks. Most have branches only in towns. Clients on limited incomes i.e. benefits need free local access to their money. They are least able to absorb the extra travel costs to their bank branches in towns.”

21. In 2010, the Post Office card account, though crucial to the financial needs of many, doesn't solve the issues related to money management, credit rating problems, and in certain circumstances (e.g. such as bankruptcy, lack of credit rating), the inaccessibility of bank accounts.
22. Many CAB clients report that their employers will only pay wages into a bank account. Clients struggling to open an account for this purpose cannot use the Post Office card account as it can only receive benefit payments. A Post Bank basic bank account would be a real alternative for these clients.

An East of Scotland CAB reports of a client with a record of poor credit who is finding it impossible to open a basic bank account. The client's employer refuses to pay his wages to him by any other means or into a family member's or friend's account.

<sup>4</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007

<sup>5</sup> White, Douglas, *The Network Change Programme in Argyll and Bute: A Case Study*, October 2008, p2

<sup>6</sup> Ibid., p15

<sup>7</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007, p8

<sup>8</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007, p9

A North of Scotland CAB reports of a client with multiple debts who has tried opening a bank account with two banks in his town and has even tried to apply for an account online. The client's application has continuously been declined and now he is having his wages paid into his son's bank account

### **Credit Unions:**

23. Five credit unions in Scotland now offer a Current Account, which is built on the principles of a Basic Bank Account. Credit unions, like Post Offices have a local and community presence. However, these financial services are available to people who meet membership criteria, usually involving a geographical or employment bond. Currently only half of all people in Scotland can access a Credit Union current account<sup>9</sup>.
24. The Post Office network could form partnerships with credit unions so that clients are able to access their credit union accounts through the local Post Office and Post Bank as well. Such a provision would be similar to the current partnerships some banks have with the Post Office network.
25. The credit services offered by a Post Bank should complement those offered by Credit Unions and Community Development Financial Institutions (CDFIs), ideally in partnership with these and built on the principle of making affordable credit available to the most vulnerable people in Scotland.

### **Post Bank:**

26. A Post Office bank would mean that at least 93.3% of the Scottish population would have easy access to their bank. Furthermore, a large proportion of the unbanked, many of whom are vulnerable, could apply for an account with an accessible, trusted, and community oriented services provider.

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<sup>9</sup> ABCUL, 'Submission from the Association of British Credit Unions Ltd to the Local Government and Communities inquiry into Child Poverty in Scotland', 2008 –information on number of credit unions offering current accouts updated through correspondence with ABCUL

## Learning from Post Banks around the world

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27. A number of countries house a Post Office network that offers banking services. The UK Post Office already offers some financial services including free cash withdrawals, deposits and business banking services for some mainstream banks, cash machines, money transfers, national savings accounts and more. What is missing from this network is a Post bank which provides all the existing financial services offered by the Post Office, an affordable credit service and a basic bank account to all Scots regardless of their financial circumstances (including to bankrupts people with poor credit).
28. We realize that many Scots have accounts with mainstream banks, and that partnerships between banks and the Post Office regarding the provision of certain financial services such as cash withdrawals and deposits is beneficial for everyone. Consequently, we recommend that the Post Office network continue to offer these existing financial services and continue with these partnerships through the Post Bank.
29. We are not in a position to comment on what products offered by Post banks around the world would provide a sustainable income for the Post Office Network. We do however recommend that the Post Bank be formed on the principle of financial inclusion through the provision of affordable universal banking to all.



## Values of a UK Post Bank

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30. We welcome the UK Government's vision for Post Office Banking being universal, accessible, trusted, and sustainable. We believe that affordability should be included as one of the main values of the service. The Post Bank would provide a service essential to the well being of vulnerable people and without affordability as one of its core principles there is a danger that financial exclusion of certain people will remain unchanged.
31. The Post Bank must be universal and cater to the unbanked, many of whom have large debts, are undischarged bankrupts, have poor credit histories, and possess limited identity documents.
32. The Post Office, even with the closures, remains accessible to a significant proportion of the UK population. The face to face contact provided by the Post Office staff is extremely valuable and crucial to the trust invested in the network.

*In a 2007 consultation response on the Post Office Network, an adviser from an East of Scotland CAB stated the following<sup>10</sup>:*

“Clients not used to having contact with banks can find them intimidating, whilst everyone has contact with a Post Office at some time and the service is seen as more accessible.”

33. The Post Bank should provide sound, impartial and free advice to members of the local community. It is already in a favourable position to provide financial education and financial advice to vulnerable Scots. In the 2007 Post Office survey<sup>11</sup>, 62% respondents valued the informal information and or advice provided by counter staff – the value was higher for rural communities where 78% of respondents benefited from the information and advice provided by local Post Office staff.
34. We recommend that only *affordable* charges or interest rates be levied on an account. The Post Bank retaining its face to face service and community involvement would be in an excellent position to know clients and understand their financial circumstances and deal with any debts accordingly. A service that caters to the needs of the individual versus the draw of high profits and targets would be required from a Post Bank.
35. We welcome a strong and sustainable future for the Post Office Network. Even with the decrease in services offered it provides an essential social and economic service to many. We want it to continue to gain services even after the establishment of a Post Bank – the one stop shop service provider.

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<sup>10</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007, p10

<sup>11</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007, p10

# Recommendations on banking services offered by a Post Bank

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36. We welcome the Government's vision of increased financial inclusion through the Post Office network. The Post Office is a trusted and respected brand. Its provision of face to face community oriented service across Scotland and the UK is unrivalled. In a survey conducted by the CAB service in 2007, 73% of respondents stated that they value the helpful counter staff at their local Post Office, 64% valued the range of products and services available and 63% value the Post Office network's trustworthy name<sup>12</sup>.
37. In our response to the 2007 DTI consultation on the Post Office network<sup>13</sup>, we recommended that all bank accounts held with mainstream banks be made accessible through the local Post Office. We also considered that it is beneficial for the Post Office network and the Credit Unions to form a similar partnership. We recommend that the Post Office network continue to work on building partnerships with various financial institutions, ensuring universal access to banking services, regardless of whether or not a person takes up a Post bank account in the future.
38. We consider the introduction of a basic bank account offered by the Post Office to be important for financial inclusion of both vulnerable and unbanked people. A current account on the lines of a Credit Union current account would be beneficial to all.
39. We recommend that the Post Bank provide 'savings' accounts in partnership with credit unions.
40. If an account with an automatic weekly budgeting system is introduced to help low income and vulnerable clients budget, save, and acquire a good credit history, it is important to ensure that if exceptional financial circumstances arise, a client's access to their money is not obstructed and that extensive charges are not incurred if set payments are unable to be met.
41. We recommend that when established, the Post Bank maintain its founding aim of providing affordable, accessible, efficient, friendly and sustainable banking services to all.

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<sup>12</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007, p3

<sup>13</sup> Citizens Advice and Citizens Advice Scotland, 'Response to the DTI consultation on the Post Office Network', March 2007, p24