



## **Citizens Advice and Citizens Advice Scotland's response to the DTI's consultation on The Post Office Network**

### **March 2007**

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Citizens Advice is an operating name of  
The National Association of Citizens Advice Bureaux  
Charity registration number 279057

Registered office:  
Myddelton House  
115-123 Pentonville Road, London, N1 9LZ  
Tel: 020 7833 2181  
Fax: 020 7833 4371

Citizens Advice Scotland is a trading name of  
The Scottish Association of Citizens Advice Bureaux  
Charity Registration number SCO 16637

Registered office:  
Spectrum House  
2 Powderhall Road, Edinburgh, EH6 8SD  
Tel: 0131 550 1000  
Fax: 0131 550 1001

# SUMMARY

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1. The Post Office network plays a number of incredibly important roles for CAB clients, many of whom are among the most vulnerable members of society. This is particularly the case for those who live in rural or urban deprived areas where alternatives, such as access to basic financial services, may be limited or non-existent.
2. Recent surveys conducted by the CAB service reveal how Post Offices are currently used, and give a full account of what CAB clients and the public value about the Post Office. A summary of the key points from the surveys is given in the text-box on page three.
3. Any reduction in the number of Post Offices will hit the most vulnerable groups hard – an overwhelming 98% of CAB advisers consider vulnerable people in their community would suffer if their local Post Office were to close. Closures would also have a profound impact on the wider community and the viability of local businesses.
4. Government policy in this area has been muddled. The ability of DTI to afford to support the network has been undermined by decisions taken by other government departments to change methods of distribution to reduce costs – decisions which have also reduced Post Office income. Going forward, it is essential that government – at both national and local levels – recognises the many and varied roles played by the Post Office and takes a joined-up approach in considering how to revitalise the Post Office network.
5. We welcome the commitment that government will replace the Post Office Card Account (POca) with a new account after 2010. The new product must not repeat the POca's shortcomings, but should meet the needs of account holders in relation to both its product features and the support provided.
6. If it is decided that some closures are unavoidable, the access criteria must not simply be based on distance and geography. A range of other factors such as availability of public transport, effect on the local economy, alternative access to basic services and socio-economic factors such as age, health and deprivation must be taken into account.
7. The consultation implies that the access criteria distance requirements might be averaged out, rather than having to be met in each individual postcode district. National averaging in this way would generate a postcode lottery, with access to Post Office services in many postcode districts falling far below the acceptable national average for that area type.
8. Thirty eight postcode areas will continue to be exempt from meeting the rural access criteria. This effectively means that they will be denied the protection given to other rural postcode districts. It is of particular concern that 37 of the 38 districts are in Scotland, meaning that significant numbers of remote communities in Scotland will not be afforded the same protections as the rest of the UK.

9. 'Outreach services' are preferable to branch closures but these must meet customers' needs in terms of opening hours, location and services offered. Their potential application in urban areas should also be considered.
10. DTI's proposals represent a radical overhaul of the Post Office network. It is therefore imperative that decisions are taken only after meaningful consultation with those who will be most affected by change. At present, the timescales proposed for decisions to be reached at both national and local level are wholly inadequate and are likely to lead to sub-optimal decisions about the network being made.
11. Each potential closure must be considered in detail so that its effects on the local community can be thoroughly assessed. Post Office Ltd should be required to consult local community groups, particularly those representing vulnerable people who are likely to be hardest hit by closures or changes to the provision of Post Office services, as part of any local consultation.
12. Closures of individual offices cannot be left to the commercial discretion of Post Office Ltd alone. Structural changes must be driven by consideration of community and social need, or it will be the most vulnerable groups that suffer. Setting generic access criteria and the parameters of any closure programme should not be the full extent of government's role.

### **Summary of Adviceguide Survey results:**

- Thirty nine per cent of respondents visit the Post Office several times a week or more. This rises to 47% amongst those receiving means-tested benefits and 50% amongst people aged over 65
- If the Post Office they use most often were to close, ninety one per cent said they would personally be significantly affected or quite affected and 95% cent said their community would be significantly affected or quite affected
- Eighty five per cent of respondents value the convenient location of Post Offices, with helpful counter staff (73%), the range of products/services (64%) and the trustworthy name (63%) also ranking highly
- Fifty nine per cent of people felt the Post Office acted as a centre of the community. This rose to 74% of people living in rural communities
- Postal services are used by 96% of respondents. Other key services include paying car tax (63%), collecting official forms (55%) and buying other items such as groceries (52%)
- The majority of people (74%) currently walk to the Post Office branch they use most often
- Closure of their local branch would mean that only 14% of people would be able to continue to walk to their nearest branch – a figure which falls to only 4% among rural respondents
- Eighty per cent of respondents stated that, if the branch they used most often were to close, they would get the services they currently use at another Post Office
- Forty nine per cent said that it would cost them significantly more to travel to another branch, rising to 62% among rural respondents

### **Summary of Adviser Survey results:**

- Ninety seven per cent of advisers felt that vulnerable people in the community would suffer if the local Post Office were to close
- Advisers most frequently cited the convenient location (95%) and the important community role (88%) as positive features of the Post Office for CAB clients
- Ninety eight per cent of advisers stated that CAB clients use the Post Office for postal services, with 95% stating that CAB clients collect their benefit income, and 93% considering that clients used the Post Office to pay bills
- If the local Post Office were to close, 75% of advisers felt this would reduce custom for nearby business with 56% stating that it might actually put the future of local businesses at risk
- Ninety nine per cent of advisers felt that closure of a local Post Office branch is a bad idea
- Of the possible alternative means of providing Post Office services, 75% felt that partnerships with community organisations such as pubs are a good idea, 57% felt that a mobile Post Office is a good idea and 47% felt that reduced opening hours are a good idea

# INTRODUCTION

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13. The UK CAB service is the largest network of independent advice centres in Europe, providing high quality, free, independent and impartial advice. It comprises Citizens Advice England & Wales, Citizens Advice Northern Ireland and Citizens Advice Scotland. The CAB service also runs an advice website, [www.adviceguide.org.uk](http://www.adviceguide.org.uk), which received 4.3 million visits in 2005/06.
14. The CAB service delivers advice from over 3,600 locations in England, Wales, Northern Ireland and Scotland. In addition to the comprehensive network of high street CAB offices located across the UK – from urban city centres to isolated rural communities – we also offer an extensive system of outreach services in locations ranging from doctors' surgeries and schools, to prisons, courts and community venues.
15. During 2005/06, the UK CAB service helped people deal with just under six million new problems - 4,990,000 in England, 258,000 in Wales, 252,000 in Northern Ireland and 442,550 in Scotland.
16. The CAB service has two equal 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 needs effectively;  
and equally
  - to exercise a responsible influence on the development of social policies and services, both locally and nationally.
17. CAB clients are often disadvantaged and many are on low incomes or benefits, or are disadvantaged in some way. For example, research by MORI for Citizens Advice England & Wales found that CAB users tend to be in social grades DE and unemployed, or living in social housing.<sup>1</sup>

## HOW WE COMPILED THIS RESPONSE

18. This response has been jointly written by Citizens Advice England & Wales, and Citizens Advice Scotland.
19. The CAB service has a network of bureaux which reaches into almost every corner of the UK. Our response is based on the actual experiences of CAB clients, anonymised and presented as client case evidence. This is made possible by the CAB service's social policy feedback mechanism by which bureaux across the UK highlight the problems in their area by sending in specific case examples that are indicative of wider issues.

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<sup>1</sup> *Financial Overcommitment*, research study conducted for Citizens Advice by MORI, July 2003

20. To reflect the views of the wider CAB service in our response to the DTI's consultation on the Post Office network, we undertook two additional pieces of questionnaire-based research:
- **The Adviser Survey** - this was issued to CAB advisers and asked for their thoughts about the services and products that the Post Office network offers to CAB clients, the strengths of the network, its failings, and, perhaps most importantly of all, what the future of the Post Office network should be (see Appendix 1).
  - **The Adviceguide Survey** – this was a public survey on our Adviceguide website ([www.adviceguide.org.uk](http://www.adviceguide.org.uk)) during January 2007. It asked members of the public about the Post Office services they use, what they value about post offices, how they personally would be affected if their local branch were to close, and what impact it would have on the community in which they live (see Appendix 2).
21. The comments received from both surveys have been fed directly into this response, and enable us to make the case for a Post Office network that meets CAB clients' needs.
22. In total, we received 950 responses from 251 bureaux to the Adviser Survey. Such a massive response gives a clear indication of the essential role that many bureau advisers consider the local Post Office currently plays, demonstrates the strength of CAB advisers' feeling about proposals to reform or close Post Office branches and highlights the impact that they consider closures will have on CAB clients.
23. These responses are supplemented by the findings of the Adviceguide Survey, which was completed by 1,052 people. The vast majority of these completed the survey on-line, although a number of bureaux printed off the survey and asked clients to fill it in manually whilst they were waiting to be seen by an adviser.
24. Summaries of the results from both the Adviser Survey and the Adviceguide Survey are provided on page three. We also make use of the results from these surveys throughout our response, as well as referring to an additional survey completed by 187 rural subpostmasters which was conducted by Citizens Advice's *Rural Bureaux Network* (which brings together rural bureaux across England and Wales).

# THE STRUCTURE OF THE RESPONSE

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25. Our response begins by highlighting how people - and CAB clients in particular - use their local Post Office at present, including a full account of what they value about the Post Office. We then consider the potential impact that Post Office closures would have in terms of:
- lack of alternative service provision;
  - increased travel requirements and increased travel costs;
  - the social impact of closures on the wider community; and
  - the economic impact of closures on the wider community.
26. Next, we turn our attention to ways in which we consider the Post Office network might be revitalised, for example through expanded services. This leads on to practical recommendations for how we think government should handle the restructuring the network if it takes the decision to go ahead with proposals to close Post Office branches. As part of this, we make a number of key points which must be taken into account concerning the proposed access criteria, exempt postcodes, outreach services and need for local consultation. We conclude by making a series of recommendations about the replacement of Post Office card accounts.

## CURRENT USAGE OF POST OFFICES

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27. Thirty one per cent of people who completed our Adviceguide Survey visit a Post Office branch several times a week, with 8% stating that they visit a branch about once a day. Strikingly, these figures are significantly higher for certain groups such as (i) those aged over 65, 50% of whom visit a Post Office branch several times a week; and (ii) those in receipt of means-tested benefits, 47% of whom visit a Post Office branch several times a week. Given this frequent usage, it is clear that any branch closures are likely to have a significant impact and, furthermore, that this impact will be more profound on certain groups.
28. Unsurprisingly, almost all Adviceguide Survey respondents (96%) stated that they use the Post Office for postal services, such as sending letters, parcels and buying stamps. Other Post Office services that are well used include paying car tax (63%) and collecting official forms (55%). Some Post Office services are disproportionately used by certain groups, however. For instance, while only 45% of total respondents use the post office to pay bills, this facility is used by 60% of those over 75, and 63% of those who are in receipt of income support, jobseekers allowance or pension credit. And, while only 52% of respondents buy other items such as newspapers, groceries, cards and stationery in the Post Office, this figure rises to 67% among respondents living in rural areas. As one rural respondent noted:

I have a disability which makes it difficult for me to walk far on my own and use public transport. My local post office is within walking distance for me.....[it] gives me a place where I can buy cards, newspapers and magazines plus stationery and stamps etc without having to rely on others to take me or do it for me.

29. The Adviser Survey revealed similar results about the principal reason for Post Office usage, with 98% of advisers stating that CAB clients use the Post Office for postal services. However, 95% of advisers also stated that CAB clients use local Post Office branches to collect benefit income, and 93% asserted clients use it to pay bills. A number of respondents highlighted the fact that the Post Office was especially useful because it acted as a 'one-stop shop' where people could carry out all sorts of transactions, as well as making use of the shop which is often linked to the Post Office branch.

Paying bills and collecting pension all done at one time, easy to use - Oxfordshire CAB

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 – West of Scotland CAB

30. Given that bureaux dealt with more than 1.5 million debt enquiries last year, many advisers mentioned the important facility provided at the Post Office for making regular debt repayments, for example to gas or electricity companies.

[Clients] use Post office for paying various utility bills by payment card. [It is] essential for debt clients to keep on top of utility payments - Kent CAB

31. In terms of what people value about Post Offices, there was near unanimity amongst all respondents to the Adviceguide Survey that the convenient location of the Post Office is particularly important. Helpful counter staff and the range of products and services on offer at Post Offices also scored highly. Likewise, CAB advisers completing the Adviser Survey considered the principal positive features of the Post Office for CAB clients to be (i) the convenient location (95%); and (ii) the community role played by the Post Office (87%).
32. The convenient location of Post Office branches compared favourably to other organisations' branch networks in both rural and urban deprived areas according to many CAB advisers. In particular, Post Office branches were considered to be more prevalent and in more convenient locations than bank branches, therefore providing some of the most vulnerable people with essential access to their cash. This would seem to be in line with research studies that have found only 4% of villages now have a bank compared to 60% of villages that currently have a Post Office<sup>2</sup>, while the UK's least affluent inner cities have lost more local high street branches than any other area since 1995.<sup>3</sup> These views are echoed in responses to the Adviser Survey:

Only access to banking for many rural customers - Yorkshire CAB

Some community members have to use two buses to go to town to use a bank – Greater Manchester CAB

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<sup>2</sup> House of Commons Treasury Select Committee, Cash Machine Charges - Fifth Report of Session 2004–05, P.46

<sup>3</sup> *The Changing Geography of British Bank and Building Society Branch Networks, 1995-2003*, Andrew Leyshon, Paola Signoretta and Shaun French, University of Nottingham, February 2006

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 branch in towns – South of Scotland CAB

Rural bus services are poor and that is the only travel available for disadvantaged people to get to services which aren't local – East of Scotland CAB

33. The fact that the Post Office network is so extensive and accessible was also seen to grant an important measure of independence to vulnerable client groups, such as the elderly or those with mobility problems, who might not be able to travel longer distances to carry out simple everyday transactions. Likewise, the local Post Office branch was often described as a 'lifeline' for people living on low incomes who might not be able to afford to travel elsewhere to carry out basic transactions.

Their existence reduces the feeling of isolation for the elderly, and non-mobile members of communities outside towns - Hertfordshire CAB

For many of our elderly/disabled clients, a trip to the Post Office may be their only outing in days. However, as a result they are at least meeting people...and have some form of communication – West of Scotland CAB

In an area with extremely poor public transport and the lowest wages in the country, travel is an expensive luxury for some clients - Cornwall CAB

Local POs are vital points in the community for spread of information and often socialisation for the elderly – South of Scotland CAB

34. Seventy three per cent of advisers viewed helpful staff as being one of the main selling points of the Post Office, with many detailing services offered to CAB clients at their local Post Office branch which were above and beyond what might be expected in other retail establishments.

Many elderly village residents rely on our local post office to sort their payments every month. They take all the correspondence to[the] post office and she sorts who to pay and how much and what/who to contact with queries - Devon CAB

The vulnerable members of the community are given strong support and are helped in many ways when needed by the good staff - Cornwall CAB

Help from a friendly face with filling in forms – North of Scotland CAB

Community role extends into having a trusted postmaster/mistress in rural POs - especially important for elderly and vulnerable people - Somerset CAB

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 – East of Scotland CAB

35. Eighty two per cent of respondents to the Adviceguide Survey felt that the primary community role played by Post Offices related to their being a place to get official information. In addition to this role, respondents living in rural areas also identified other key community roles played by the Post Office network. For instance, 37% of rural respondents identified it as a place to meet friends (compared with 26% of total respondents) and 78% said it was a place to read community notices/receive informal advice from counter staff (compared with 62% of total respondents). Only 7% of Adviceguide Survey respondents considered that the Post Office does not play some sort of important community role.

I have until recently lived for five years in a very small village with no post office or shop and there was no sense of community spirit so I didn't get to know most of my fellow villagers.....where I live now the post office is the mainstay for lots of people including elderly, young parents, people with disabilities, young people and children

# THE IMPACT OF POST OFFICE CLOSURES

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36. It is clear that CAB clients currently utilise their local Post Offices for a variety of services and functions and that, consequently, any reduction in the Post Office network would have a detrimental impact on them. In fact, 91% of those people who completed the Adviceguide Survey said they would personally be significantly affected or quite affected if the Post Office they use most often were to close.

37. The impact of Post Office closures will be experienced differently by different groups of people and in different parts of the UK. However, we have a number of overarching concerns about the effect that a significant reduction in the Post Office network is likely to have on both individuals and communities. These are discussed below in relation to:

- lack of alternative service provision;
- increased travel requirements and increased travel costs;
- the social impact of closures on the wider community; and
- the economic impact of closures on the wider community.

38. First, however, it is important to note that the impact of closures will be felt disproportionately harshly by those people or communities who are already vulnerable and experiencing social and/or financial exclusion. This includes people living in rural communities or in urban deprived areas, those on low incomes, the elderly, people with disabilities, people who are ill and people without ready access to transport, all of whom would be left significantly more isolated following Post Office closures. Indeed, Postwatch Scotland has estimated that 86% of elderly rural residents would lose their independence if their local branch were to close.<sup>4</sup> The following case demonstrates this:

A rural CAB in East Sussex reported that the closure of a local post office branch meant that their client - an 86 year old widower who looked after her semi-housebound sister, aged 91 - would have to travel over one mile to her nearest post office or banking facilities. The difficulties in accessing basic services were causing the client great inconvenience, worry and stress.

39. Indeed, of those CAB advisers responding to the Adviser Survey, 97 % felt that vulnerable people in their communities would suffer if the Post Office they

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<sup>4</sup> *The Importance of Rural Post Offices: An Assessment of the Economic and Social Role of Post Offices in Remote Rural Scotland*, Postwatch Scotland, September 2006, p.10

use most often were to close. This is a sentiment echoed in the comments made by respondents to the Adviceguide Survey:

Good meeting place for older people, convenient location usually within walking distance

A local destination for those with limited mobility

A centre of the village community, especially for elderly people who do not have easy access to banks and city centres. They are invaluable

The ability for many less mobile people to access vital services

40. Rural subpostmasters questioned as part of the Rural Bureaux Network's survey also sought to highlight the dramatic impact that closure of their Post Office might have on the more vulnerable members of their community.

Elderly would undoubtedly suffer.

No pensions and no banking in village.

Catastrophic.

They would have to take the bus but the service is not very good - you can get there but not back so that means taking a taxi

### **Lack of alternative service provision**

41. The impact of Post Office closures will be exacerbated by the paucity of alternatives that exist in some areas for people to access products and services currently delivered by the Post Office network.
42. In many communities the Post Office and associated shop might be the only facility offering certain services. This is particularly true in rural or disadvantaged areas where they provide services that would prove difficult to access in their absence. The Rural Bureaux Network's survey found that out of 187 rural subpostmasters, 57% operated the only retail outlet in their settlement. It is worth remembering, too, that these rural areas are exactly the same communities that have in recent years lost bank branches, schools, petrol stations and shops. For instance, we note again the previous research which has found that only 4% of villages now have a bank compared to 60% of

villages that currently have a post office.<sup>5</sup> Lack of alternative service provision was also highlighted by CAB advisers, 94% of whom considered that CAB clients would have difficulties in withdrawing their cash if a local Post Office branch were to close.

43. Additionally, no other provider offers such an extensive range of products and services in a convenient 'one-stop shop', with one study concluding that it offers somewhere in the region of 140 services.<sup>6</sup> This is of particular value in rural areas, as it reduces the requirement to travel long distances to different service providers. Indeed, the results of the Adviceguide Survey demonstrate that rural respondents use their local Post Office branch for a greater variety of products and services compared with respondents as a whole. For instance, rural respondents were more likely to use their local Post Office branch to withdraw money from their bank account (33% compared with 26% of all respondents), purchase other items such as groceries and newspapers (66% compared with 52%) and pay car tax (73% compared with 52%). This group would therefore be particularly badly affected by closure of their nearest Post Office branch, as they would be required to make multiple trips to different providers – sometimes over very long distances - to enjoy the same number of services that they previously accessed under one roof.
44. Even where alternatives are available, many people make a choice to opt for services and products offered by the Post Office, shunning alternatives offered by other commercial companies. The clearest example of this has undoubtedly been in the popularity of the Post Office card account (POca), with 4.7 million POcas opened for the receipt of benefits, pensions and tax credits (accounting for approximately 40% of benefit claimants invited to convert to direct payment) despite its very limited functionality.
45. Respondents to the Adviceguide survey showed a clear preference for accessing products and services at a Post Office rather than via an alternative provider or other means. In fact, 80% of UK respondents stated that, if the branch they used most often were to close, they would get the services they currently use at another Post Office. Those completing the on-line Adviceguide survey are likely to be more amenable to alternative ways to access products and services (e.g. via the internet or telephone), yet it is telling that the vast majority showed a clear preference for continuing to conduct face to face transactions at a Post Office. Consequently, one of the key factors resulting from Post Office closures that is likely to have a negative impact on CAB clients is the increased distance and journey time to their nearest branch. This is likely to be time consuming, expensive and potentially very difficult, as we outline in the next section.
46. Some people, however, may have no other option than to use the Post Office. Often the most vulnerable members of society may fall into this category, such as people who are unable to open bank accounts, for example because of their credit rating or because they have been turned down by banks after declaring bankruptcy.

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<sup>5</sup> House of Commons Treasury Select Committee, Cash Machine Charges - Fifth Report of Session 2004–05, P.46

<sup>6</sup> *The Future of Services in Rural England - A Scenario for 2015*, Final report to Defra, Countryside and Community Research Unit, June 2005, p.53

If the local Post Office were to close, a significant number of clients would require to find other methods of having their pensions/benefits paid - South of Scotland CAB .

Most of our clients are elderly or on low wages. Many of them have been denied basic bank accounts. If the local PO was to shut, this could and would cause financial distress to our clients. – West Midlands CAB

Many people are unable to open even a basic bank account because of their credit rating...and rely on the Post Office to get their benefits - East of Scotland CAB

47. Some people who cannot open bank accounts receive girocheques from the Department for Work and Pensions, which they can cash at the Post Office (for amounts up to £449.99). The only alternative open to such people should their local Post Office close would be to take their cheque to a company which charges fees to cash the cheques. A recent report noted: “the British Cheque Cashing Association (BCCA) claims that the average fee charged by one of their members for cashing a cheque is around 10 per cent of the cheque’s value.”<sup>7</sup> For people in receipt of benefits, this charge can represent a very sizeable proportion of the money on which they have to live.

Clients who are going bankrupt would find their benefits inaccessible without the post giro cashing services and post office account services. Clients with poor credit ratings will find it more difficult to access banking services - the post office offers accounts to those with poor credit rating where as many local branches of major banks do not even though their central policy is to offer such services. – Devon CAB

## **Increased travel requirements and increased travel costs**

48. The closure of the local Post Office would have a significant impact on the time it takes people to get to their Post Office branch, the way they travel there and the costs involved in doing so.
49. At present, 85% of people can get to their local Post Office within 10 minutes, yet if this branch were to close, nearly two thirds (61%) of UK respondents stated that it would take them between 11 and 30 minutes to travel to another branch, whilst a quarter (25%) said it would take 31 minutes or longer. These

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<sup>7</sup> *Would you credit it?*, Paul A Jones & Tina Barnes, Liverpool John Moores University, January 2005, p.43

results are even more extreme for Scottish respondents, with 63% saying it would take them between 11 and 30 minutes to travel to another branch and over a third (36%) saying it would take 31 minutes or longer.

50. Whilst many people would experience these increased distances as impractical and disruptive, for certain client groups - such as the elderly and people with disabilities – they might simply render the journey impossible. This is particularly harsh given that these are arguably the client groups who place most value on both the services offered and social role played by their local Post Office branch.

The able bodied and those with their own transport can find alternative services, but the old and incapacitated rely on local PO branches where they get help in familiar surroundings – An East of Scotland CAB

Disabled people find it difficult to post an overseas birthday card. One disabled man was forced to pay for a taxi only to get a Christmas parcel weighed. This results in overloading the services of the nearest post office and queues. Elderly people find the journey from Appledore to Northam or to Bideford distressing and time consuming. In Appledore we are experiencing the loss of the local post office and the vulnerable in the village are seriously affected - Devon CAB

There are very few post offices in villages and people have to travel to their nearest town to use Post Office services. This is a particular problem for the elderly who do not drive and there is no daily bus service. A lot of villages only have bus services two or three days a week – North West Wales CAB

51. In terms of the way people travel to their closest Post Office, closure of the local branch would also lead to a startling rise in car use. Presently, 76% of people use the Post Office nearest their home, with 74% of people being able to walk there. The closure of their local Post Office would mean that only 14% of people would be able to continue to walk to their nearest branch – a figure which falls to only 7% among Scottish respondents and 4% among rural respondents, where the distances to alternative Post Office branches would make walking very difficult. Instead of walking, 61% of people say they would be forced to travel to the Post Office in their cars, with this figure rising to 76% amongst rural respondents. Such stark figures reveal that, although cost savings may be made in closing Post Offices, a high price will be paid in terms of increased journeys and carbon emissions.
52. For people on low incomes who may not have access to their own transport, closure would often mean longer and more expensive journeys on public transport. Specifically, 41% of people in receipt of means-tested benefits

would have to travel to their nearest Post Office by public transport if their nearest branch were to close, whereas at the moment only 3% have to do so. And, for 53% of these people, this journey would cost them significantly more than it currently does. Although the sums of money involved might not seem vast, for clients on low incomes they can represent a significant chunk of income. For instance, for someone in receipt of income support of £56.20 per week, one round trip by bus costing £5 would represent nearly 10% of their weekly income. Many respondents to the Adviceguide Survey commented on this issue:

I would have to pay £3.30 ....to get to the nearest Post Office. I am currently on benefits and that is a substantial sum of money to me

A local amenity for those who do not have transport to travel elsewhere.

Saves 25 mile round trip to town

It also saves us time and fuel enabling us to source important services without having to drive a much longer distance

53. Previous experience of Post Office closures reveals how some of the poorest members of society can end up having to pay a significant proportion of their income in transport costs to travel to their nearest branch:

A Nottinghamshire CAB reported a case in which their client's financial hardship was made worse by the closure of her local Post Office branch. The client was in debt and her sole income consisted of income support, which was paid into her Post Office card account. The client's nearest Post Office branch had closed meaning that she now had to make a return bus journey costing £3 to her nearest Post Office branch in order to collect her benefits.

54. It is likely that the impact of increased travel costs will be felt particularly harshly in rural areas, where longer distances would make walking an impossibility and drive additional travel costs up. This is reflected in the Adviceguide Survey, with 59% of respondents from Scotland, which has a large rural population, and 62% of all rural respondents indicating that it would cost them more to travel to another branch if their local Post Office were to close, compared with 49% of total respondents.
55. Such results confirm the findings of other research conducted in this area. For example, one report on rural Post Offices sought to quantify the costs

imposed on customers and suggested that, if a local branch closed, the time taken for a customer to travel to the nearest Post Office would more than double and monthly travel costs would increase significantly.<sup>8</sup>

## The social impact of closures on the wider community

56. In addition to the service that the Post Office network provides to individuals, it also plays a broader role in the community with many people using their local branch as a place to meet, chat and exchange information. This social role can be hard to quantify and define, but might include elements such as convenience, a neighbourly role and the sense of providing communities with an identity and focal point. A recent Scottish Executive study into the role that Post Offices play in rural Scottish communities highlighted three main social roles identified by participants: promoting financial inclusion, acting as a hub of the community and providing advice/support via Post Office staff that goes beyond counter duties to fulfil a wider community role.<sup>9</sup>
57. Respondents to the Adviceguide Survey clearly acknowledged this social role, with 59% indicating that one of the things they value about Post Offices is the fact that they act as a centre of the community. This figure was significantly higher in Scotland (71%), which has a large rural population, and for rural respondents as a whole (74%), indicating that even more value is likely to be placed on the social role played by local Post Office branches in areas where few alternative meeting places might be available. CAB advisers responding to the Adviser Survey also recognised the social role played by post offices, with 87% stating that the Post Office plays an important community role.
58. The Adviceguide survey found that respondents identified this social element as multi-faceted, selecting a number of key elements that contribute to the community role played by Post Offices. They were most frequently cited as a place to get official information (82%), a place to receive informal advice (65%) and a place to read community notices/local information (62%), with a quarter of respondents (26%) also regarding Post Offices as a place to meet friends. Only 7% of Adviceguide respondents considered that the Post Office does not play some sort of important community role. The following comments made by respondents to the Adviceguide Survey provide a fuller flavour of the social role played by Post Offices, in both rural and urban areas:

A place to meet local villagers

A feeling of supporting/taking part in local life.

Source of local newsletters, village magazine for our village, it is a focal point for the community.

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<sup>8</sup> *The Economic Significance of Post Offices in Rural Areas*, Countryside Agency, July 2000

<sup>9</sup> *Three Case Studies of the Role of the Post Office within Rural Communities in Scotland*, Scottish Executive, July 2006

A place to network and understand what the issues are in the village. Also a place to give and receive help.

It's the hub of the village.

Only social contact in rural areas

In our area it is the financial heart of the community as there are no banks!

Key local facility often reached on foot

A feeling of supporting/taking part in local life

59. Similar comments were made by CAB advisers in the Adviser Survey:

Post Offices ..... are intrinsic to the local community. Closure..... starts to breakdown the community and people lose a sense of belonging, i.e. loneliness is created  
- Gloucestershire CAB

Many rural post offices have already closed. There is no informal meeting place for the members of the village - the noticeboard for the village has gone – South West Wales CAB

Going to post office can be a social event giving purpose to life. Remove this and isolation develops potentially leading to unhappiness/depression - leading to more use of health and social services and/or dependence on carers  
- Hampshire CAB

60. This social dimension cannot be underestimated – particularly in rural communities or for vulnerable client groups – and we therefore welcome the DTI's acknowledgement of it in the consultation document. We are concerned, however, that the DTI only acknowledges the importance of the social role played by the Post Office network, but does not attempt to define or delineate it in any way or indicate how it will be taken into account when considering a Post Office's future. This makes meaningful and coherent discussion difficult and we seek clarification from the DTI as to the social role that it expects Post Offices to play, and for this criterion to be utilised in all discussions about potential branch closures.

## The economic impact of closures on the wider community

61. The closure of a Post Office branch is also likely to have a profoundly negative impact on local businesses such as pubs and shops. A recent report found that for every £10 a post office earns, it generates £16.20 for the local economy, including £6.20 in direct spending on local goods and services.<sup>10</sup> Bureaux have also reported evidence of the damaging repercussions of a Post Office branch closure on the local economy:

A CAB in Mid-Wales' client found that following the closure of the village post office there was a severe downturn in passing trade at her discount store, so she had to close the business. As a result of this, the client had to go bankrupt and is now unemployed and in receipt of incapacity benefit.

62. The majority of advisers responding to the Adviser Survey felt that the closure of a local branch would result in a reduction in customers for nearby business (75%) or even lead to their closure (56%), with only 7% feeling that there would be no impact.

We have direct experience of this - staff at the neighbouring shop (the co-op) have reported a significant drop in trade [following the closure of the local PO]. Other Appledore businesses are finding a downturn in their trade. People with cars will drive direct to Bideford or Northam to do shopping and access the post office - Devon CAB

Clients need to be able to get their money before they can spend it - Essex CAB

63. Such findings closely mirror the results from a recent Federation of Small Businesses' survey which found that "82% of small businesses think that the closure of their local post office would have a significant impact on their business, including increased travel time, increased queuing time, and even the potential closure of a business."<sup>11</sup>
64. Once again, the economic effect of Post Office closures is of more significance in rural communities, largely because 75% of rural Post Offices

<sup>10</sup> *The Last Post - The social and economic impact of changes to postal services in Manchester*, New Economics Foundation (nef), 2006

<sup>11</sup> *Small Businesses and the UK Postal Market*. The Federation of Small Businesses, December 2006

are attached to other businesses such as shops.<sup>12</sup> Indeed, a recent report indicated that, across the UK as a whole, 75% of businesses felt that they had been affected by the closure of the local Post Office.<sup>13</sup> The study went on to conclude that 77% of such businesses would simply be unsustainable without the income generated by the Post Office. Clearly, there is an additional concern for people living in rural communities that the loss of their Post Office might also create a 'domino effect', whereby reduced footfall brought about by the closure of the Post Office would ultimately also lead to the loss of the shop in which it was located. Rural subpostmasters who took part in the Rural Bureaux Network's survey revealed this to be a major concern.

Neither the shop nor the PO would be viable on their own.

Shop cannot survive without PO income.

If the PO goes the retail shop will not survive.

65. The following Adviceguide Survey and Adviser Survey comments further demonstrate this point:

Cash withdrawn is then spent in local shops

In this area, if we lose the post office we will lose the grocery shop along with it

Some small villages would become ghost towns. This has a big impact on the disabled and elderly - Cumbria CAB

66. Postwatch Scotland's recent report into the economic and social role played by Post Offices in five rural communities found that, in one of the areas studied, more than a quarter of the residents – including many of the youngest and most active – said they would seriously contemplate moving away if the Post Office were to close.<sup>14</sup> Clearly, the potential impact of closures cannot be underestimated and, as Postwatch Scotland concluded, there is a lot more at stake in restructuring the network than merely closing some local Post Office branches.

67. The impact of Post Office closures is likely to be felt in many and varied ways, and, in many cases, a reduction in the Post Office network will conflict with wider UK Government and Scottish Executive goals such as the promotion of

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<sup>12</sup> *The Importance of Rural Post Offices: An Assessment of the Economic and Social Role of Post Offices in Remote Rural Scotland*, Postwatch Scotland, September 2006, p.10

<sup>13</sup> *Economic Significance of Post Offices in Rural Areas*, ERM/NERA study for Postwatch and CRC, 2000

<sup>14</sup> *The Importance of Rural Post Offices: An Assessment of the Economic and Social Role of Post Offices in Remote Rural Scotland*, Postwatch Scotland, September 2006, p.4

financial and social inclusion and efforts to foster sustainable communities. We note, for instance, recent research conducted by the Scottish Executive which concluded that a key role played by Post Offices in rural Scottish communities is that they help promote financial inclusion.<sup>15</sup> The need for government to take a more rounded view of the impact of closures is a subject we explore in greater depth in the section below.

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<sup>15</sup> *Three Case Studies of the Role of the Post Office within Rural Communities in Scotland*, Scottish Executive, July 2006

# REVITALISING THE POST OFFICE NETWORK

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68. As outlined above, CAB clients and advisers place significant value on their local Post Offices and, consequently, any closure of local branches will have a detrimental effect on both individuals and communities.
69. Declining business over recent years is one of the key factors that has called the viability of the Post Office network into question. Consequently, if the fortune of the network is to be turned around, emphasis needs to be placed not solely on ways of rationalising or reducing the number of Post Offices across the UK, but also on imaginative and innovative ways of extending and revitalising the network and placing it on a more sustainable footing whether or not closures take place. In other words, attention needs to focus on trade, as well as aid, if the Post Office network is to develop in a sustainable way.
70. However, we are concerned that the DTI consultation document makes remarkably little reference to the types of additional services or products that the network should consider delivering in order to ensure its sustainability over the longer term (even after 2,500 closures have occurred). The only potential new services mentioned in the consultation are a roll out of up to 4,000 free-to-use ATMs plus the expansion of a service which allows customers to pick up parcels they have ordered through the internet or mail order companies from Post Office counters.
71. We consider that the government departments should be thinking more deeply and widely in terms of the innovative uses that can be made of the extensive Post Office network, and how it can help them achieve their goals. In particular, it seems clear to us that there is great potential benefit to be derived from both central and local government delivering services and disseminating information via Post Offices. Efforts to pilot such a role for Post Offices as “Government General Practitioners” have been undertaken previously.<sup>16</sup> However, we consider that technological changes and a transformation in the way many people look to access information suggest that there is scope to revisit this potential role. It may be that voluntary organisations might have a role to play here, for example a CAB kiosk in a Post Office might not only be used to disseminate information but could also have a beneficial impact in terms of boosting footfall to Post Offices.
72. Our Adviceguide survey revealed that significant numbers of respondents across the UK currently use their Post Office for a variety of governmental services such as paying car tax (63%), collecting official forms (55%) and finding information (32%). This indicates that there is great scope for both national and local government to recreate Post Offices as convenient and accessible ‘one-stop shops’ for the information, products and services they provide. Comments made in the Adviser Survey also demonstrate support for this idea:

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<sup>16</sup> *Evaluation of the Pilot of the ‘Your Guide’ Service of Post Offices as Government General Practitioners*, July 2002, Department of Trade and Industry

Low income clients should be able to pay rent, council tax, utilities etc at the Post Office. The Post Office should provide more services, not less – North of Scotland CAB

If Post Offices are to survive, they have to be allowed to deliver as many services as possible – East of Scotland CAB

Currently provides a 'one stop' place for less mobile customers. Get to know local staff / customers – Hampshire CAB

Areas outside town need the facilities for such things as access to money, payment of bills – perhaps an ordering service provided by sub offices to access main offices that provide a wide variety of goods and services – South East Wales CAB

73. At present, however, the trend appears to be moving in the opposite direction, with various government agencies withdrawing services from post offices or choosing to deliver them through other means. For example, the BBC has awarded the TV licensing contract to Paypoint and the UK Passport Service has signed a contract with a private company to acquire, fit out and deliver serviced accommodation for 69 interview offices throughout the UK, rather than award this contract to Post Office Limited. Revenue from government transactions fell by £168 million in 2005/06.<sup>17</sup> Furthermore, with the DWP's intention to pay all benefits electronically by 2008 and the Post Office's potential loss of the POca contract after 2010, this trend looks set to continue. Post Office Ltd has estimated that government transactions will have fallen to 10% of total transactions by 2010, from approximately 40% in 2002.<sup>18</sup>
74. We consider that central government departments should actively seek to make their services, products and information available through the Post Office network. Decisions about the future funding of the Post Office network based solely on the DTI's imperative to cut the network subsidy will fail to take into account other important government priorities on which the Post Office network could help to deliver – for example, financial and social inclusion goals and the creation of more sustainable communities.
75. Additionally, as part of its public service reform agenda, central government should be encouraging local authorities to ensure that many more of the services they provide are available via local Post Offices. We endorse the suggestion made by the National Federation of Subpostmasters that all local authorities should allow residents to make payments - for example, for council tax, rent or other services - at Post Office branches. This would be particularly useful for people who wish to make very frequent low value payments while it

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<sup>17</sup> House of Commons Trade and Industry Committee, Royal Mail Group, Ninth Report of Session 2005-06, Stationery Office Ltd, October 2006

<sup>18</sup> Ibid

would also generate much-needed income and footfall for Post Office branches.<sup>19</sup>

76. We also consider that there is significant scope for positioning Post Offices as a key instrument in combating financial exclusion. While some banks enable their customers to access their accounts via Post Offices, at present just under 60% of current account holders cannot use the Post Office network to access cash.<sup>20</sup> We repeat the recommendation made in the Citizens Advice England & Wales report, *Banking Benefits*, that called for *all* bank accounts to be accessible over Post Office counters.<sup>21</sup> Not only would this help to foster greater financial inclusion, but it would also have a positive impact on the number of people visiting Post Office branches by increasing footfall. We also consider that there is much scope for mutually beneficial partnerships to be developed with credit unions.
77. Finally, although DTI states that “there will be a need for an ongoing subsidy of the social network beyond 2011”, there is no detail as to what level of funding might be deemed necessary. Since any subsidy beyond 2011 will play a critical role in decisions about the future of the rural network, this needs to be factored in to efforts to revitalise the wider Post Office network.

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<sup>19</sup> *Submission to London Assembly’s Health and Public Services Committee on The Future of Post Offices in London*, National Federation of SubPostmasters, January 2007

<sup>20</sup> *“Banking the Unbanked”: Banking Services, the Post Office Card Account, and Financial Inclusion*, Treasury Select Committee, November 2006

<sup>21</sup> [http://www.citizensadvice.org.uk/banking\\_benefits\\_full\\_report\\_final\\_pdf.pdf](http://www.citizensadvice.org.uk/banking_benefits_full_report_final_pdf.pdf)

# RESTRUCTURING THE POST OFFICE NETWORK

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78. Given the value that people place on the Post Office network, and the negative impact of local branch closures, we strongly believe that government must take the lead in making far greater efforts to revitalise and sustain the network, as outlined above.
79. Government has recognised the important social role of Post Offices, so it is important that decisions about the network are not based solely on commercial considerations. If, however, the DTI deems that a number of closures are necessary - even taking into account the social role played by Post Offices - a strategic programme of closures is preferable to the unplanned and piecemeal closures which have led to a slow and steady decline in the size of the network, with an additional 233 Post Office branches closing in 2005/6.<sup>22</sup>
80. The overarching aim of any such restructuring exercise must be to place the Post Office network on a firm footing, with attention focused on long-term sustainability rather than short-term financial savings, to ensure that a similar exercise is not necessary a few years hence.
81. For this to be achieved, it will be essential for government to carry out a comprehensive analysis of the responses submitted by a wide variety of stakeholders, and then produce a compelling basis for reform of the Post Office network. In this context, it seems extremely ambitious of the DTI to suggest that it will analyse all the responses received to its consultation paper and announce its decisions on the future of the Post Office network within a timeframe of just under three weeks<sup>23</sup>, particularly since the subject is likely to prompt an extremely large number of responses.<sup>24</sup> Such a short period for analysis and evaluation may prompt concerns that decisions are being rushed into, and give the misleading impression that proper consideration has not been given to consultation responses.

## The access criteria

82. The consultation document indicates that the current duty on Post Office Ltd to prevent all avoidable rural closures will be replaced by a new duty to maintain coverage levels that are based on specific access criteria. The document outlines the new access criteria, which stipulate what percentage of the population must live within a certain distance of a Post Office service in

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<sup>22</sup> *Post Offices at the Crossroads*, Postcomm's Network Annual Report 2005-6, p.91

<sup>23</sup> "The Government's consultation on the Post Office network runs to 8 March 2007. Government will then consider responses with a view to making an announcement by the end of March 2007.", Jim Fitzpatrick MP, Parliamentary Under Secretary of State for Employment Relations and Postal Services, Hansard, Column 317W, 31 January 2007

<sup>24</sup> DTI confirmed that it had already received 367 responses to its consultation on the future of the Post Office network by 22 February 2007, Hansard, Column 895W, 22 Feb 2007

each of four different types of area (deprived urban, urban, rural and remote), as well as a national figure for the UK as a whole.

83. The access criteria are confusingly drafted, and the lack of clear and concise definitions for what constitutes an urban, rural or remote area is a very concerning omission that makes useful discussion on this topic difficult. Individuals and groups will have struggled to respond effectively to the consultation if they are unsure which access criteria might apply in their locality. We note that the Parliamentary Under Secretary of State for Employment Relations and Postal Services provided some subsequent clarity on these definitions when questioned in Parliament<sup>25</sup>, and we call on the DTI to disseminate this information before the programme of local consultations commences if communities are to be engaged in a meaningful way.
84. We are also concerned that the consultation does not make it clear if Post Office Ltd must meet the distance requirements for each area type on a national basis, or within each individual postcode district. It appears that the only requirement on Post Office Ltd regarding each individual postcode district is that it meets the minimum access criterion of 95% of the population being within six miles. Consequently, in any one 'urban deprived' postcode district, 99% of the population does not have to be within one mile of Post Office services, as long as the national average of all urban deprived areas meets this criterion. National averaging in this way would generate a postcode lottery, with access to post office services in many postcode districts falling far below the acceptable national average for that area type.
85. We have specific concerns about the diluted protection that will be available for the Post Office network in urban deprived areas (99% of the population to be within one mile). Post Offices in these areas offer an essential service to excluded and disadvantaged communities, many of whom are likely to be CAB clients, and we would contend that the access criterion should be reduced to half a mile, as was the case during the recent round of closures that took place under the Urban Reinvention programme. The following comments made by people responding to the Adviceguide Survey who live in cities or towns show the value they place on their local Post Office branch:

<p>I find the service invaluable especially since changes in pension</p> <p>I know the names of the staff, they are patient</p> <p>A local amenity for those who do not have transport to travel elsewhere</p>
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<sup>25</sup> "In relation to the Post Office Network consultation document, an urban area is defined as a settlement of more than 10,000 inhabitants. A rural area is defined as a settlement of less than 10,000 inhabitants. There is no departmental definition of a remote area as no access criteria proposals relate solely to 'remote' areas." Jim Fitzpatrick MP, Parliamentary Under Secretary of State for Employment Relations and Postal Services, Hansard, Column 474W, 1 February 2007

86. Similarly, advisers located in urban bureaux highlighted the essential services provided by their local Post Offices in their responses to the Adviser Survey:

This area is relatively deprived and as a result many are living on benefits and use the local Post Office for banking and collection of benefits payments. It is a lifeline for many people – East of Scotland CAB

There is a high rate of unemployment in [this] area, so many local people use the Post Office for collection of benefits and paying utility bills etc – East of Scotland CAB

Collecting NASS support [for asylum seekers] – Greater Manchester CAB

87. We also note that, in its application of the access criteria, Post Office Ltd will have a duty to take into account local topographical features such as rivers, mountains, motorways and sea crossings. Whilst we welcome the acknowledgement that measuring the access criteria distances as the crow flies fails to provide a full and accurate assessment of accessibility, we suggest that there are a range of additional local factors that must be taken into account. These include the extent and cost of public transport, the availability of alternative ways of accessing basic services, particularly for customers with disabilities and the potential impact on the local economy. Additionally, socio-economic and demographic factors - such as population age and levels of deprivation – must be considered in order to minimise the negative implications of closures on vulnerable groups.
88. Finally, since not all Post Offices offer the full range of Post Office products and services, clarity needs to be provided in relation to where distance requirements will be calculated from – in our opinion they should be calculated as the distance from the nearest Post Office branch which offers certain core functions.

### **Exempt postcodes**

89. The consultation paper notes that, of the 2,795 nationwide postcode districts, there are 38 remote areas that do not currently meet the new access criterion for remote areas (namely 95% of the population within five miles of Post Office services). These 38 postcodes will continue to be exempt from meeting the remote access criteria, effectively meaning that they will be denied the protection given to other remote postcode districts. We would expect that any strategic remodelling of the Post Office network should be concerned not only with closures and reductions in service, but that it should also have an explicit duty to look at restoring service to areas where there are gaps in provision.
90. Additionally, it is worth noting that, although Post Offices in these exempt areas will not be part of the compensated closures programme, there is

nothing to stop 'unplanned' closures where individual sub-postmasters are unable to continue providing a service. In other words, not only will these exempt districts not be given the protection of the relevant access criteria, but they will also not be entitled to any compensation in the event of necessary closures.

91. It is of particular concern that 37 of the 38 exempt postcode districts are in Scotland, meaning that significant numbers of remote communities in Scotland will not be afforded the same protections as the rest of the UK. This is a highly inequitable situation, and we support Postwatch Scotland's assertion that either these districts need to be placed on an equal footing with other remote areas, or the Government needs to consider setting specific access criteria for remote Scottish areas. As part of its social justice strategy, Closing the Opportunity Gap, the Scottish Executive has explicitly stated its aim to "improve access to high quality services for the most disadvantaged groups and individuals in rural communities - in order to improve their quality of life and enhance their access to opportunity". We therefore call on the Scottish Executive to take this matter forward with the DTI, to ensure that remote Scottish communities are placed on an equal footing with other remote communities across the UK.

## OUTREACH SERVICES

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92. The proposals for 500 outreach services are to be welcomed since they will help to ensure that the most vulnerable will continue to have some access to Post Office products and services where otherwise access might have been lost altogether. In their responses to the Adviser Survey, CAB advisers grudgingly acknowledged that if commercial imperatives dictate that there must be a reduction in the current post office network, continued provision of Post Office services via alternative delivery mechanisms is preferable to closures.

If services have to be reduced, two days opening is better than none. Also mobile P.O is better than no opening of local P.O. facilities elsewhere locally better than no P.O at all. Closure of local P.O is worst option – North of Scotland CAB

Reducing opening times could be a 'least bad' option. Mobile post office services along the lines of travelling library could be a good option providing they were well advertised. It is absolutely vital if possible that a service is available in the local community and that residents should not be forced to travel - Gloucestershire CAB

93. Asked about their preferred way of delivering Post Office services if their local branch were to close, 46% of advisers rated reduced opening hours a 'good idea', 58% considered a mobile Post Office a good idea and 74% said that the Post Office engaging in a partnership with a community organisation to deliver Post Office services was a good idea.
94. If outreach services are to meet customers' needs, account must be taken of the community's preferences for the type of outreach, opening hours, locations and services offered. Opening times need to be regular and reliable, and full consideration must be given to factors such as public transport timetables and other visiting service such as mobile libraries and banks. The Postwatch Counters Advisory Group has suggested that a formal agreement should be reached about the minimum level of service provision that customers can expect from an outreach service, including all postage products, access to Post Office card accounts/its replacement, banking facilities (both basic bank accounts and standard current accounts) and bill payment.<sup>26</sup> We support this proposal, which will ensure that all outreach providers will be required to offer certain essential post office products and services.

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<sup>26</sup> *State of the Network - Recommendations for the Future of the Social Post Office Network*, Postwatch Counters Advisory Group, July 2006, p.45

95. CAB advisers highlighted a number of drawbacks to certain types of outreach, and it will be imperative that such concerns are properly addressed when decisions are taken about the extent and format of any outreach services.

Benefits are paid on different days. Some clients run out of money, and so await the payment day. If post offices were only [open] 2 days a week some clients would not be able to access their benefits quickly enough - Surrey CAB

Both alternative delivery options not ideal. Depends if the days are suitable for collecting benefits etc. Also means waiting a whole week for something that may be required quickly/urgently - West of Scotland CAB

If the locals knew that PO was open at certain times this would help. However, if you get your pension on Monday but P.O not open until Wednesday, this would be a problem – East of Scotland CAB

Reduced opening hours could be "Thin end of the Wedge" - could lose custom because hours become inconvenient. Mobile post office once a week might be good but only if other options fail - one day is very restrictive - Yorkshire CAB

Closing rural branch Post offices would only place an intolerable burden on town/city centre post offices which are already undermined – North of Scotland CAB

It is important to retain the links between PO staff and members of the local community, particularly the elderly and disabled. Closure is not an option. The mobile PO would be an insufficient service - Somerset CAB

An innovative and flexible approach to safeguarding local face to face services would be welcome - Cornwall CAB

Partnership with community organisations is the preferred option. Reduced opening hours and mobile PO are a last resort because it will inevitably restrict access - Berkshire CAB

A mobile Post Office in bad weather may not be possible, as people may not want to wait about for it – North of Scotland CAB

96. There also needs to be thorough investment in outreach services in terms of training, technology, community liaison and local partnership building.

97. Finally, we would argue very strongly that outreach solutions must be in place *before* the Post Offices they are replacing have closed since it can take time for new services to be established and for any teething troubles to be ironed out. We would also like to see Post Office Ltd considering the provision of outreach services in urban as well as rural contexts, in situations where branches are threatened with closure and outreach might be deemed to be an appropriate alternative.

## LOCAL CONSULTATION

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98. The DTI's consultation proposes that changes to the Post Office network will take place over 18 months. If the maximum number of Post Offices were to close – 2,500 – this would be the equivalent of 32 branches closing *every week* during the 18 month period. This is clearly a very ambitious timetable, particularly given the complexities of the change programme, the necessity for extensive and detailed local consultation and the limited resources which Post Office Ltd presumably has at its disposal. We urge that meaningful consultation with communities and a strategic and considered approach to closures are not sacrificed for the sake of speed and expediency. We would also like more detail about the programme of local consultation – will these be carried out on a rolling basis? How will the timetable of consultations and closures be determined? How will the impact of closures in adjoining areas be factored in to any consultation process?
99. Closures of individual offices cannot be left to the commercial discretion of Post Office Ltd alone. Structural changes must be driven by consideration of community and social need, or it will be the most vulnerable groups that suffer. Setting generic access criteria and the parameters of any closure programme should not be the full extent of government's role.
100. Each potential closure must be considered in detail so that its effects on the local community can be thoroughly assessed. Post Office Ltd should be required to consult local community groups, particularly those representing vulnerable people who are likely to be hardest hit by closures or changes to the provision of Post Office services, as part of any local consultation. Additionally, all relevant materials should be translated where there are significant numbers of non-English speakers. The consultation process and its outcome should be open and transparent, with all representations and information regarding how decisions have been reached made public and easily accessible. This view was reflected by comments made in the Adviser Survey:

There should be some thought put into the best way to provide the service for the community in question – this will not be the same in every area – North of Scotland CAB

A Post Office should be a service to the community and should not be judged only on its ability to be profitable or not – East of Scotland CAB

101. We also believe that closures cannot be considered in isolation, but must be considered in a broader context. It might be, for instance, that an area might be better served by moving a Post Office to a different location rather than closing it. Also, given the strong preference for the continuation of some form

of Post Office service over outright closure outlined above, we consider that where a local community's post office is threatened with closure, Post Office Ltd should have an obligation to consider alternative arrangements for hosting some form of 'outreach services'.

102. The process of local consultation in all types of areas should draw on lessons learned from research and previous closure programmes. For example, research conducted by OPM for the Commission for Rural Communities in March 2006 showed that participants felt strongly that their voices should be heard in future consultations about rural Post Office services.<sup>27</sup> In addition, research studies have highlighted criticisms levelled at the Urban Network Reinvention Programme (UNRP), with a recent report from the new economics foundation stating that:

"despite representations from Manchester City Council, businesses and residents, all 20 post offices in Manchester that were put forward for review have been closed. Royal Mail chose to close post offices serving disadvantaged areas despite offers in some cases from other businesses willing to take them over. The consultation process has been criticised as flawed and lacking transparency."<sup>28</sup>

103. The process of consultation around the closure or relocation of Crown Post Offices has also been deemed inadequate by many commentators. For example, Daniel Kawczynski, MP for Shrewsbury and Atcham, was moved to comment:

"Post Office Ltd announced in June they were transferring from the St Mary's Street site to a franchise in the basement of WHSmiths. Their 'public consultation' turned out to be a worthless paper exercise, and in spite of a petition of over 10,000 signatures, discussions with senior managers at Post Office Ltd and representations to Post Watch, the transfer still went ahead in September."<sup>29</sup>

104. Given the necessity for bespoke solutions that vary from locality to locality, there is a real need for Post Office Ltd to engage in meaningful, bottom-up community consultation, rather than a tick-box exercise. Features which should be part of any full and proper consultation should include two-way information flow, delegation of authority and suitable timing/length of engagement – in other words, involvement and collaboration with the local community rather than informing them of decisions already taken. It should

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<sup>27</sup> For further information, see *State of the Network - Recommendations for the Future of the Social Post Office Network*, Postwatch Counters Advisory Group, July 2006, p.42

<sup>28</sup> *The Last Post - The Social and Economic Impact of Changes to Postal Services in Manchester*, nef (the new economics foundation), p.4

<sup>29</sup> <http://www.shropshirestar.co.uk/2007/02/fighting-talk-on-post-offices/>

also feature a concerted effort to harness the opinions of traditionally hard to reach groups and those that represent them, such as lone parents, people with disabilities and ethnic minorities.

105. The current proposals stipulate a six-week consultation period at local levels. This is far too short a period for the full range of local stakeholders to become adequately engaged in the process. We therefore call on the DTI to extend the local consultation period to a minimum of 12 weeks in order to demonstrate its commitment to genuine community-centred consultation.

## REPLACEMENT OF THE POST OFFICE CARD ACCOUNT (POca)

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106. The announcement made by DWP that the contract with Post Office Limited to run the Post Office Card Account (POca) will not be renewed when it expires in 2010 caused a great deal of consternation and worry among many CAB clients and advisers. We therefore welcome the commitments given in the DTI's consultation document that government will introduce a new account after 2010 and that this account will include similar features to the POca. In particular, we are pleased to note that the new account will be available nationally and customers will be eligible for the account on the same basis as they are eligible for the current POca.
107. We recognise the need to comply with EU procurement legislation in putting the running of the new account out to competitive tender. We consider that cost should not be the only criterion on which potential suppliers are judged in any tendering process. In particular, we suggest that bids must be judged against a set of user-centred criteria designed around the needs of customers of the new account service. These might include: a sizeable network which has strong representation in both rural and urban deprived areas; experience in dealing with similar accounts and customers; a strong brand that customers know and trust; and demonstrable ability to deal with vulnerable customers.
108. The decision to award the renewal of TV licences to Paypoint rather than Post Office Limited may be instructive in this regard, since it has caused some CAB clients significant difficulties. It demonstrates the issues that can arise when decisions about service provision are based primarily on commercial considerations, without also recognising community and social need. Although Paypoint does have an extensive network of outlets across the UK, the majority of Paypoint outlets are located in convenience stores and service stations in highly populated areas making access a particular issue for rural communities. Paypoint asserts that 95% of people are within five miles of an outlet in rural areas. However, this could still require a round-trip of up to 10 miles. Furthermore, for those 5% of rural dwellers falling outside Paypoint's access criteria, access to Paypoint services can be very difficult indeed. For example, seven islands off the west coast of Scotland - Lismore, Iona, Coll, Colonsay, Luing, Jura and Gigha – have no Paypoint outlets, although each of them has a Post Office where people were previously able to pay for their TV licences. The cases overleaf highlight these issues:

A Shropshire CAB reported that their client, a 66 year old woman, had not paid her TV licence (due for renewal on 1 December 2006) as she did not know how to pay this as TV Licence stamps were no longer available from the Post Office. The CAB adviser arranged for the client to receive an Easy Payment card. However, payments must be made at Paypoint outlets and this will cause the client great inconvenience as the nearest Paypoint outlet involves at least two bus journeys or a two mile walk.

A CAB in the Midlands reported that their client, who is in receipt of pension credit and has a partner in low paid work, pays his bills by cash and therefore needs to use PayPoint facilities for some of them (e.g. TV licence). However, the lack of Paypoint facilities near to the client means that he has to make a round trip of 12 miles to the nearest PayPoint Outlet. All his other needs like banking, Post Office, doctor, dentist, hardware, supermarket etc can be met in his local area.

A West of Scotland CAB reports of a pensioner client who used to pay his TV licence at his local Post Office. He had been sent a letter stating that this payment method was being withdrawn, and had been issued with a swipe card he could use instead at a Paypoint outlet. However, due to his remote location, this would require a 56 mile round trip.

A Surrey CAB helped a client who is going bankrupt and who will therefore have to operate on a cash only basis from some time since her bank account is likely to be closed. The client is worried about how she will pay for her TV licence as there are no local Paypoint outlets and the client does not drive nor have use of car. She has no friends who could take her to Paypoint outlet.

A Warwickshire CAB reported a case in which their client, an elderly female who is disabled and on a low income, was experiencing difficulties in paying for her TV licence following changes to where payments can be made. She can no longer pay for her TV licence at the Post Office and the only Paypoint outlet in her local area is too far for her to walk to. This is causing the client a great deal of distress as she is struggling to keep up her payments while surviving on a low income.

A West of Scotland CAB reports that many of its clients used to collect their benefits from the Post Office and pay their TV licence at the same time. They now have the inconvenience of going to an additional outlet with Paypoint facilities, causing problems for the elderly and people with disabilities. The bureau comments that this seems to be another 'nail in the coffin' of the local Post Office network.

109. From our perspective, it would seem to make sense for Post Offices to offer a Paypoint facility since this would vastly increase the number of outlets where people could pay for essential bills, as well as opening up additional sources of revenue for Post Offices. If this is not realistic or feasible, we would welcome some information as to why this is so.
110. We attach a document at Appendix three which focuses on the product features and support which we think are essential in the POca replacement product. We highlight the key points of learning derived from CAB experience in helping clients open and operate POcas and basic bank accounts, and trust that the critical factors identified will assist DWP in designing the POca replacement, and ensuring that the new product does not repeat past shortcomings and failings, but rather meets the needs of account holders and helps in efforts to promote financial inclusion.
111. In summary, our key proposals in relation to the minimum product features of the POca replacement are:
- the account should be able to receive cash payments and payments by cheque from a variety of payees;
  - careful consideration needs to be given to how the new product fits with the DWP's Local Housing Allowance policy, including whether the account should offer the ability to make and receive regular electronic payments;
  - a cash card should be provided to allow the customer to make withdrawals from ATMs;
  - the process for opening the account should be as simple as possible, and there should be flexibility over the type of ID required to open an account;
  - alternatives to PINs should be made available; and
  - simple procedures should enable third-parties to act on behalf of account holders.
112. While it is critical to get the product features right, DWP must also recognise that in developing proposals for a POca replacement it is imperative that equal consideration be given to the process for opening accounts and the support

mechanisms available to customers when difficulties are encountered, for example where a PIN number is forgotten or a discrepancy arises between amounts paid into the account. For those customers who are unable to cope with an account of any kind, the DWP must continue to provide cheques in order to pay their benefits.

## POST OFFICE QUESTIONNAIRE FOR CAB ADVISERS

<b>Bureau name:</b>	
<b>Region:</b>	
<b>Telephone:</b>	
<b>E-mail address:</b>	
<b>Bureau contact:</b>	

1. How would you describe the location of your bureau and the surrounding area?

City  Town  Rural

2. In your opinion, what do CABx clients use local Post Office branches for?  
Tick all that apply.

Postal services

Collecting benefit income

Paying bills

Applying for official documents

Banking

Other (please specify below)

Please give specific details or additional comments in the box below:

3. What are the positive features of the Post Office for CAB clients? Tick all that apply.

- Range of products offered
- Helpful staff
- Convenient location
- Trusted brand
- Plays an important community role
- Other (please specify below)

Please give specific details or additional comments in the box below:

4. What problems do CAB clients experience with the Post Office? Tick all that apply.

- Unhelpful staff
- Being pressured to buy other PO products / services
- Difficulties withdrawing cash (e.g. problems with PIN numbers)
- Long queues
- Charging cash machines
- None
- Other (please specify below)

Please give specific details or additional comments in the box below:

5. Do you think vulnerable people in your community would suffer if the Post Office you use most often were to close?

Yes

No

Don't know

6. What would be the impact on CAB clients if a local Post Office branch were to close? Tick all that apply.

Have to travel further to nearest PO

Difficulties accessing their cash

Remaining PO branches would struggle to cope with demand

Increased reliance on others to access services

No impact

Other (please specify below)

Please give specific details or additional comments in the box below:

7. And what would be the impact on local businesses (e.g. pubs and shops) if a local Post Office branch were to close? Tick all that apply.

Reduction in customers for nearby businesses (e.g. pubs and shops)

Put at risk the future of nearby businesses

More customers for nearby businesses

No impact

Other (please specify below)

8. Given that some PO branches have very few customers and are loss-making, the Government looks likely to conclude that the current post office network is unsustainable. Different ways of delivering services are therefore likely to be considered, such as reduced opening hours, mobile Post Offices or partnerships with local communities (pubs, police stations etc). What are your thoughts on these options?

Please put a tick in the appropriate box for each option, and provide any comments in the box on the next page.

Option	Good idea	Bad idea
Reduced opening hours – e.g. open 2 days a week		
Mobile Post Office (e.g. visiting village once a week)		
Partnership with community organisations (e.g. pub, church)		
Closure of local branch		

Please provide any specific details or additional comments in the box below:

9. It has been suggested that Post Offices may need to reduce the number of services & products they offer. What do you think the Post Office's core products & services should be? Tick all that apply.

- Postal services
- Access to cash  
(e.g. to receive benefit payments)
- Free access to bank accounts
- Paying bills
- Applying for official documents
- Offering other financial products  
(e.g. credit card, savings etc)
- Other (please specify below)

Please give specific details or additional comments in the box below:

**ADVICEGUIDE SURVEY ON POST OFFICES**

The Government has recently published proposals for the future of the Post Office network. These proposals have already prompted much discussion and media coverage.

Here at Citizens Advice we are trying to find out what you think about Post Offices, and how you think changes to the Post Office network might affect you and your community. Your answers will help shape our response to the government's consultation.

This is a short survey that should take just a couple of minutes to complete.

Thank you.

	<b>Question</b>	<b>Possible answers</b>
1	How often do you visit a post office branch?	About once a day Several times a week Once a week Once a fortnight Once a month Several times a year Not at all
2	Which post office services do you use? Tick all that apply.	<ul style="list-style-type: none"> <li>• Postal services (e.g. sending letters and parcels, buying stamps)</li> <li>• Collecting pension/benefits</li> <li>• Withdrawing cash from Post Office Card Account</li> <li>• Withdrawing cash from bank account</li> <li>• Paying bills</li> <li>• Buying other items sold in the post office, such as newspapers, groceries, cards, stationery</li> <li>• Paying car tax</li> <li>• Applying for passport</li> <li>• Foreign currency / bureau de change</li> <li>• Buying financial service products (e.g. insurance, savings products)</li> <li>• Collecting official forms</li> <li>• Finding information</li> <li>• Other (please specify)</li> </ul>

## APPENDIX 2

3	<p>What do you value about post offices? Tick all that apply.</p>	<p>Range of products and services Helpful counter staff Convenient location Trustworthy name Acts as centre of the community Nothing Other (please specify)</p>
4	<p>People often say that post offices play an important 'community' role. What do you think this role is? Tick all that apply.</p>	<ul style="list-style-type: none"> <li>• A place to meet friends</li> <li>• A place to get official information</li> <li>• A place to receive informal advice from counter staff</li> <li>• A place to read community notices / local information</li> <li>• Post offices do not play such a community role</li> <li>• Other (please specify)</li> </ul>
5	<p>Which post office branch do you use <b>most often</b>?</p>	<p>The branch nearest to my home The branch nearest to my workplace The branch that I pass while I am out and about Other (please specify)</p>
6	<p>How do you usually get to the post office branch you use <b>most often</b>?</p>	<p>Walk Public transport By own car (as driver) By own car (as passenger) I am given a lift in someone else's car Cycle Other</p>
7	<p>How long does it usually take you to get to the post office you use <b>most often</b>?</p>	<p>0 - 5 minutes 6 - 10 minutes 11 - 20 minutes 21 - 30 minutes More than 31 minutes</p>
8	<p>How badly would <b>you</b> be affected if the post office you use most often was to close?</p>	<p>Not really affected Quite affected Significantly affected</p>

**APPENDIX 2**

9	How would <b>your community</b> be affected if the post office you use most often was to close?	Not really affected Quite affected Significantly affected
10	If the post office you use <b>most often</b> was to close where would you get the services that you currently use the post office for? Tick all that apply.	At another post office branch At a bank / building society branch At other local shops At a supermarket On the internet Over the telephone Other
11	If the post office you use most often was to close how long would it take you to get to another post office branch?	0 - 5 minutes 6 - 10 minutes 11 - 20 minutes 21 - 30 minutes More than 31 minutes
12	And how would you get to another post office branch?	Walk Public transport By own car (as driver) By own car (as passenger) Given a lift in someone else's car Cycle Other
13	Would it cost you more to travel to another post office branch?	<ul style="list-style-type: none"> <li>• Yes, significantly more.</li> <li>• Yes, slightly more.</li> <li>• No, would cost the same.</li> <li>• Not applicable</li> </ul>
14	Please tell us anything else about the post office network here.	

## APPENDIX 2

It would really help us if you could give us some information about yourself by answering the following questions:

15	How old are you?	0-15, 16-24, 25-34, 35-44, 45-54, 55-64, 65-74, 75+
16	Where do you live?	England Northern Ireland Scotland Wales Other
17	What type of area do you live in?	City / Town Rural
18	What are your main sources of income? Tick all that apply.	Wages / income from self-employment Private pension State pension Income support / jobseeker's allowance / pension credit Tax credits Other benefit income Other source of income
19	Are you or any member of your household disabled?	Yes No

*THANK YOU FOR COMPLETING THIS SURVEY.*

## Recommended features for the Post Office Card Account (POCA) replacement product

February 2007



European Consumer Centre

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the social policy work  
of the Citizens Advice service  
[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

Citizens Advice is an operating name of  
The National Association of Citizens Advice Bureaux  
Charity registration number 279057

Registered office: Myddelton House  
115-123 Pentonville Road, London N1 9LZ  
Tel 020 7833 2181  
Fax 020 7833 4371

## Recommended features for the Post Office Card Account (POCA) replacement product -

### SUMMARY

- The Department for Work and Pensions (DWP) has announced that the contract with Post Office Limited to run the Post Office Card Account (POCa) will not be renewed when it expires in 2010.
- We welcome the commitments given in the recent Department for Trade and Industry consultation on the future of the Post Office network<sup>1</sup> that it will introduce a new account after 2010 and that this account will include similar features to the POCa. In particular, we are pleased to note that the new account will be available nationally and customers will be eligible for the account on the same basis as they are eligible for the current POCa.
- We recognize the need to comply with EU procurement legislation in putting the running of the new account out to competitive tender but consider that cost should not be the only criterion on which potential suppliers are judged in any tendering process. In particular, we suggest that bids must be judged against a set of user-centred criteria designed around the needs of customers of the new account service. These might include: a sizeable network which has strong representation in both rural and urban deprived areas; experience in dealing with similar accounts and customers; a strong brand that customers know and trust; and demonstrable ability to deal with vulnerable customers.
- This document focuses on the product features and support which we think are essential in the POCa replacement product. We highlight the key points of learning derived from Citizens Advice Bureaux (CABx) experience in helping clients open and operate POCAs and basic bank accounts, and trust that the critical factors identified will assist DWP in designing the POCA replacement, make sure that the new product does not repeat past shortcomings and failings, but rather meets the needs of account holders and helps in efforts to promote financial inclusion.
- We recognise that a balance needs to be struck between simplicity and multiple account features. Our key proposals in relation to the minimum product features of the POCa replacement are:
  1. the account should be able to receive cash payments and payments by cheque from a variety of payees;
  2. careful consideration needs to be given to how the new product fits with the DWP's Local Housing Allowance policy, including whether the account should offer the ability to make and receive regular electronic payments;
  3. a cash card should be provided to allow the customer to make withdrawals from ATMs;

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<sup>1</sup> Available at: <http://www.dti.gov.uk/files/file36025.pdf>

4. the process for opening the account should be as simple as possible, and there should be flexibility over the type of ID required to open an account;
  5. alternatives to PIN numbers should be made available; and
  6. simple procedures should enable third-parties to act on behalf of account holders.
- While it is critical to get the product features right, DWP must also recognise that in developing proposals for a POCA replacement it is imperative that equal consideration be given to the process for opening accounts and the support mechanisms available to customers when difficulties are encountered, for example where a PIN number is forgotten or a discrepancy arises between amounts paid into the account.
  - For those customers who are unable to cope with an account of any kind, the DWP must continue to provide cheques in order to pay their benefits.

## **INTRODUCTION**

The Citizens Advice Bureaux (CAB) network is the largest independent network of free advice centres in Europe, providing advice from over 3,200 outlets, ranging from GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

The service has two equal 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 needs effectively;
- and equally, to exercise a responsible influence on the development of social policies and services, both locally and nationally.

In 2005/6 the CAB service dealt with 5.25 million advice issues, an increase of 4% over the 2004/05 total. Problems with financial products or services accounted for 100,000 issues dealt with by bureaux, and of these 16% related to problems experienced in relation to Post Office Card Accounts (POCAs) and bank and building society accounts.

CAB clients are likely to be on low incomes. Research by MORI shows that CAB clients are predominantly in social groups DE and more likely to be tenants of social housing than the population as a whole.<sup>2</sup>

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<sup>2</sup> Unmet need for Citizens Advice Bureaux, MORI, September 2004

## GENERAL COMMENTS

Citizens Advice Bureaux (CABx) have a great deal of experience helping clients move to direct payment of benefits into bank accounts, and have helped many people choose the most appropriate method of payment for their circumstances during the migration from benefit books to direct payment.

Whilst the POCA offers very limited functionality, over 4.7 million POCAs had been opened for the receipt of benefits, pensions and tax credits (accounting for approximately 40% of benefit claimants invited to convert to direct payment). Evidence from Citizens Advice Bureaux shows that the POCA is popular with our clients for five key reasons:

- **Simplicity** – the POCA is a straightforward, easy-to-understand product which does not require lengthy documents to explain key features;
- **Accessibility** - the extensive Post Office network means that it is easy and convenient for customers to access their accounts since they can use their local post office to receive their benefit and pension: only four per cent of villages now have a bank or building society whereas 60 per cent currently have a post office<sup>3</sup>;
- **Continuity** - following the move to direct payment many customers wished to continue receiving their benefit income from the Post Office, where they had previously received payment from their benefit books;
- **Difficulties opening bank accounts** - many of our clients find it difficult to open, access and operate bank accounts, including basic bank accounts. These problems are detailed in our evidence report, *Banking benefits*.<sup>4</sup>
- **Rejection of mainstream financial services providers and endorsement of Post Office as alternative** –many POCA holders opted for a POCA to signify their solidarity with the Post Office network and rejection of mainstream financial services' products.

This popularity has meant that many clients have already come to their local CAB to register their concerns about the withdrawal of the POCA. This points to a need for DWP to formulate plans for the POCA replacement carefully, and the need to take into account customer concerns.

While Citizens Advice recognises that the POCA fulfilled a useful role for many people, its limited functionality rendered it of limited use in fostering real financial inclusion. For instance, it offered no overdraft, direct debit or standing order facilities and could only accept electronic payment of state benefits, pensions and tax credits.

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<sup>3</sup> House of Commons Treasury Select Committee, Cash Machine Charges - Fifth Report of Session 2004–05, P.46

<sup>4</sup> *Banking benefits – CAB evidence on payment of benefits into bank accounts* is available at: <http://www.citizensadvice.org.uk>

## **DETAILED COMMENTS**

### **The account should be able to accept cash payments and payments by cheque**

As well as accepting electronic payments from central government as the current POCA does, the replacement product should enable account holders to deposit both cash and cheques in their accounts.

The inability to perform such simple tasks can cause considerable difficulties for current POCA holders. For example, we have received cases where clients have withdrawn all their available funds thinking this would be equivalent to a week's benefit payments but have in fact received substantially more (perhaps because their account had been credited with the winter fuel payment or backdated benefits) but have then been unable to deposit the excess amount back in their account. To ensure that such difficulties are not repeated, the replacement product should be able to accept cash deposits. This is in keeping with one of DWP's stated aims in implementing payment modernisation, specifically that payments should be "safe, secure and value for money."

It is also important that the POCA replacement product allows account holders to deposit cheques in their account. The inability of the POCA to allow customers to do so is a major shortcoming. It can result in benefits claimants having to wait for long periods in order to obtain their benefits or force them to pay substantial fees in order to access money that they are entitled to since they have to resort to cheque cashing facilities.

A CAB in Northumberland reported that their client, a 70 year old woman, was sent a cheque which she attempted to pay into her post office card account. However, the client was unable to pay the cheque in since POCAs can only accept electronic payments from central government departments. In order to pay the cheque into a Post Office account the client would have to open another type of account. The inflexibility of the POCA meant that the client – who did not have a bank account - was denied immediate access to her money, which she desperately needed.

A CAB in South East Wales reported that a client without a bank account received a benefit cheque from Inland Revenue for £3,230 in March 2005 for backdated Tax Credits. Although she had a POCA to receive benefits payments, she was unable to pay the cheque into this account. As a result the client had to resort to a cheque cashing company. She was charged £123 to cash the cheque.

### **Careful consideration needs to be given to how the new product fits with the DWP's policy on Local Housing Allowance**

The Welfare Reform Bill contains provisions to roll out Local Housing Allowance (LHA) as part of the wider reform of Housing Benefit. Under the LHA, which was piloted in 18 pathfinder areas throughout the country, payment of HB will in most cases be made direct from the local council to the claimant or into the claimant's bank account for tenants in private rented

accommodation, rather than direct to the landlord, as at present. The claimant can then set up a direct debit or standing order for payment of rent to the landlord. The policy intention behind this change is to encourage tenants to take more responsibility for paying their rent, and to promote work readiness.

This change is likely to affect a large proportion of the four million households who currently receive housing benefit for help with their rent.

The features of the current POCA inhibit the ability of POCA holders to access LHA payments. Firstly, at present only DWP administered benefits and tax credits can be paid into a POCA. Local authorities cannot pay LHA into a POCA, as the Memorandum of Understanding between the banks, the DWP, Post Office Limited (POL) and the Department for Trade and Industry (DTI) would need to be rewritten to include every local authority. Secondly, the POCA does not offer direct debit or standing order facilities necessary to enable tenants to make secure rent payments to their landlords.

It is essential that DWP thinks extremely carefully and consults interested parties about whether the POCA replacement product should: (i) be able to accept electronic payments from organizations other than central government, such as local authorities; and (ii) offer account holders the ability to set up regular electronic payments, such as direct debits and/or standing orders, in order to make payments direct to landlords, as part of the LHA proposals. This is of particular importance since it remains unclear as to whether, and if so in what form, LHA might be introduced in the social rented sector at some future date – a significant proportion of whom are likely to be POCA holders.

### **Ability to make regular electronic payments**

The ability to make direct debit or standing order payments would offer other benefits, since it would help to remove some of the difficulties currently faced by POCA holders, such as:

- inability to make payments in certain circumstances – for example when the account holder is in hospital;
- inability to purchase certain types of products, including financial products which can reinforce financial exclusion; and
- having to pay bills in cash and being charged a premium for doing so.

A Worcestershire CAB's client was taken to hospital, and since he lives alone was worried about paying his bills while he was receiving treatment as an in-patient. He arranged for a friend to collect his mail for him and found that he had received a bill from his telecoms supplier for £61.47 and had recently received another bill for £117.52. He also received a letter from a debt collection agency for a bill of £15.07. The client's incapacity benefit is paid into his Post Office Card Account but this account offers him no way to set up payments for bills incurred while he is in hospital. The client is very worried about how he can pay for his bills while in hospital, and is very concerned about ending up in Court.

An East Yorkshire CAB reported a case in which they were assisting a client with their debts. The client opened a POCA for receipt of his jobseekers allowance and incapacity benefit, but the POCA did not provide any way for him to pay for his car insurance. The

insurance company made a number of inappropriate suggestions to the client how he might be able to get round this difficulty, including: paying for the annual insurance in a lump sum; obtaining a credit card to pay for the insurance; paying the money to a friend or relative and ask them to set up a direct debit for the car insurance.

A Cleveland CAB dealt with a case in which their client, a pensioner who does not have a bank account, is now being charged £4 per month to pay her telecoms bill by a method other than direct debit. When the client contacted her telecoms supplier, they informed her that this is the administration fee for not paying by direct debit. The client will not have to pay an extra £48 per year simply in order to pay her bills, even though she has a good payment record.

### **A cash card should be provided to allow the customer to make withdrawals from ATMs**

While many POCA customers are happy to visit their local Post Office and make use of PO counters to withdraw their benefit income, this should not be the only method for withdrawing cash for the replacement product. Clients may wish to withdraw their cash at a time when a local Post Office is closed, and they should be able to do so by making use of the cash machine network. This is likely to become increasingly important in the context of the forthcoming Department of Trade and Industry consultation into the future of the Social Network Payment and the rural network which seems likely to result in the closure of at least some Post Office branches.

Obviously if account holders are able to access their cash from ATMs, they will need to be given information warning them that some cash machines charge a fee for withdrawing cash, and that they need to be aware of this. The work currently being undertaken by the Cash Machine Taskforce under John McFall MP should help in this regard, since one of its aims is to improve warning signs on charging cash machines.

Of course, cash cards and PIN numbers will not be appropriate in all cases, particularly for the intended audience for the replacement product, many of whom are likely to be among the most vulnerable members of society. For these people, alternative means of accessing their cash will be required. This issue is dealt with in more detail in the section below which deals with problems encountered by some people in using PIN numbers.

### **The process for opening the account should be as simple as possible, and there should be flexibility over the type of ID required to open an account**

Citizens Advice's report, *Banking benefits*, found that bank staff are frequently not willing to be flexible in the type of documents they are willing to accept when people attempt to open bank accounts. This was a significant issue reported by bureaux, with nearly a third of the case studies used to compile the report concerning problems with banks not regarding customers' documents as suitable or sufficient to prove identity and address. The impact of this can be substantial:

A Somerset CAB's client had been offered a job and so needed to open a bank account to receive his wages. However, as he was homeless this proved impossible.

The client found himself caught in a vicious circle in which he was unable to open a bank account without an address, he could not find a place to live without one month's rent and deposit, and yet could not start work without opening a bank account to receive his wages.

While recent announcements about acceptable identification by the Joint Money Laundering Steering Group have been welcome,<sup>5</sup> the implementation of more flexible provisions may take some time to permeate to all of the banks' branches. Given this, and the ongoing difficulties that CABx clients experience in attempting to open bank accounts, there remains a strong need for the POCA replacement product to be available to all groups of people who are unable to open a bank account and for greater flexibility to be offered in terms of acceptable identification documents. We do recognise, however, that there is a difficult balance to be struck between offering more flexible opening procedures, complying with money laundering guidelines and the capabilities of the account.

It will be important that people who are in debt or who are undischarged bankrupts are able to open a POCA replacement product, since they can often experience great difficulties in opening a bank account.<sup>6</sup> The importance of this cannot be underestimated, and it needs to be borne in mind when drawing up eligibility criteria for the POCA replacement. Undischarged bankrupts, for example, may already have a bank account but, as a CAB Court Desk explains, the ability to open a POCA is very important for people in this situation, and must be retained in any replacement product:

A London CAB reports that many of the clients they see at their Bankruptcy Court Advice Desk are people on benefits who are petitioning for bankruptcy. These clients are totally dependent on their benefits payments for all basic necessities. If they do not get their money on time they cannot feed themselves and their families or pay their bills. However, most banks will freeze their customers' accounts as soon as they are informed of their bankruptcy. Clients may ask to open a new basic bank account after their bankruptcy but this is not always agreed to by the banks and, even where it is, it can take some time to set up the new account. The only account that is not closed to people in this situation is the POCA. For this reason, advisers often advise clients on benefit to open one of these accounts prior to petitioning for bankruptcy so that they can continue to receive their benefits in a regular way. If POCAs are discontinued – or eligibility is drawn too tightly - we are fearful that this option will no longer be open to benefit claimants and that benefit income will end up being paid into frozen bank accounts which the client is unable to access. This presents a serious risk of people ending up in destitution.

This issue is of concern not only to undischarged bankrupts. People who owe money to their bank – for example through debts accumulated to their credit card – can find that their bank takes income from their account without giving any warning. The 'right of set-off' can leave benefit claimants with little or no income to live on or to pay other, more pressing,

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<sup>5</sup> See <http://www.jmlsg.org.uk>

<sup>6</sup> According to FSA's recent leaflet *Basic bank accounts – your questions answered* (Sept 2006) only three banks will open a basic bank account for an undischarged bankrupt. See [http://www.fsa.gov.uk/consumer/pdfs/bank\\_account.pdf](http://www.fsa.gov.uk/consumer/pdfs/bank_account.pdf)

priority debts (such as rent or council tax). The following cases are taken from *Banking benefits*, though more recent cases continue to be reported:

A Buckinghamshire CAB reported that they saw a client who has her son's disability living allowance (DLA) and child benefit (CB) paid into her current account. The account was overdrawn and she also had two consolidation loans so owed £27,000. The bank removed the client's DLA and CB payments for two months, resulting in severe hardship with the loss of some £500 a month benefit income. This left the client short of money for food for her children.

A South West Wales CAB saw a client who was experiencing financial hardship and was in debt. The client had two young children and was in receipt of income support. Her bank had been accessing the client's account to meet some debt repayments, leaving the client with no money to live on. The client was left in a situation where she could not cover her rent and risked eviction.

A Lincolnshire CAB reported that they saw a client who has been overdrawn twice in one month. The bank used the client's child tax credit and child benefit to pay off the overdraft and the overdraft charges. This has left the client with no money for her children or to pay for her living costs.

A Humberside CAB reported that a lone parent with four children, and who was expecting a baby, was shocked to discover that £400 of her social fund maternity grant had been transferred out of her bank account to pay other debts leaving her with about £30 to live on. The client told the bureau that the bank had taken £200 out of her account a few weeks before. On contacting the local branch she was asked to speak to a helpdesk who informed her that even though an offer of repayments for the amount she owed the bank had been accepted, they would check her account regularly and take any money found to be in it.

For people in these circumstances, it is important to continue to receive benefits payments so that they can pay for essential expenditure. In this respect, the POCA acts as something of a 'safe haven', allowing people to keep their head above water while making arrangements to repay their creditors in a more manageable and sustainable manner.

### **Alternatives to PIN numbers should be made available**

While we recognise that the use of card and PIN has a major role to play in minimising fraud, withdrawing cash in this way is not appropriate for everyone. CABx report a large amount of cases in which clients have experienced major difficulties in accessing their POCA using a PIN number, often because they have difficulties remembering their PIN number. A small selection of such cases are included below to give a flavour of the types of difficulties experienced, and the impact that such problems can have:

A Warwickshire CAB reported that their client receives her state pension into a post office card account. The client has forgotten her PIN number on a number of occasions, and now gets worried and flustered entering her PIN especially when

there is a queue behind her. As a result, the client now dreads going to the post office to collect her pension. The client has suffered short-term hardship since she is unable to withdraw her benefit income while things get sorted regarding issuing new PIN numbers.

A Buckinghamshire CAB reported that their client receives his pension payment into a POCA. The client made three mistakes inputting his PIN number, resulting in the account being blocked and a new PIN number sent. Despite using the new PIN number, the client remained unable to access his account and the client was referred by the Post Office staff to the local CAB. The CAB phoned the Post Office helpline and found that the account was automatically blocked so the client would have to wait for yet another new PIN number to be issued (which would take 4 working days). The Post Office helpline did confirm that the Post Office could make an interim payment of £20 to help the client pay for his electricity and gas, but this amount was not sufficient to cover the amount he owed for rent. No money could be sent to the client by any other means as it was already in the Post Office Card Account and it would mean closing down the clients whole account and starting again, which in turn would mean more delays. Meanwhile, the client was left with no money.

Clearly, where problems have been encountered, the continued use of a card and PIN number is not appropriate. Not only do such procedures cause distress, worry and hardship to clients, they also mean that significant costs are incurred by those operating the account since a new card must be produced and sent, PINs must be re-set etc. A better way forward is required for the POCA replacement which minimises the risk of fraud but which eliminates some of the difficulties outlined above. One way forward that may be suitable for some account holders is to allow account holders to access their accounts via a card and signature approach rather than requiring them to remember and input their PIN number.

### **Ability for third-parties to act on behalf of clients**

Citizens Advice considers it essential that third parties are able to act on behalf of customers and that the process for arranging this is as clear and simple as possible. This has not always been the case with the POCA where many CABs report that they or their clients have experienced severe difficulties in attempting to resolve matters relating to a relative's account where they are not in a position to sort out the matter themselves. Such difficulties can result in clients facing financial hardship, as the cases below show:

Bassetlaw CAB report that their client's wife lost her POCA card and the PO would not allow the client or his wife to access her money without the card. The client explained to POL that his wife suffers from Alzheimer's and she has difficulty speaking and interacting with people but the PO insists that the client's wife will have to request a new card over the phone (which she is unable to do). The situation means that the client and his wife cannot access her disability living allowance, which is causing real hardship. The CAB contacted the Post Office to explain the situation and request that they consider alternative ways for the client to act on behalf of his wife. After much discussion, the PO agreed that the client could write to

them requesting a new card as long as his wife signed the letter to give authority to her husband. The client agreed to try this, though his wife has great difficulty in signing her name due to the severity of her illness.

A CAB in South West Wales reported that their client, an 84 year old woman, lost her POCA card. The client's daughter reported the card missing and asked for it to be cancelled and a replacement issued. The POCA customer adviser insisted on speaking to the client who is very deaf and has a speech impediment. Since the elderly client could not hear the security questions she failed the security test. The Post Office then sent out forms for the client to complete and sign in order to get a new card. However, in the two years since she opened the account, the client's eyesight and the arthritis in her hands had worsened considerably so her signature did not match the one on her application form and she was denied a new card. The Post Office had no contingency plans in place for verification of signatures or security codes of elderly people or vulnerable people. The 84 year old client was left unable to access her pension and pension credit leaving her without money for 3 weeks whilst her family attempted to get her a new card. The client could not even close the account until she produced a matching signature.

A Kent CAB reported that their client's POCA was refused at a Post Office counter. Since the client is deaf and cannot hear what is said on the telephone she wanted the CAB adviser to speak to the Post Office helpline on her behalf. The Post Office helpline supervisor said that they could only speak to the CAB adviser if the client could give them the required security information over the telephone. If this were difficult, they suggested that the client should use a type talk or mini-com service to communicate with them. However, the nearest such service was some distance and the client was unable to travel there. The Post Office said that the only other way in which the client could sort out her card problems would be to write to them but it would take them 10 days to respond - during this period the client would have to survive with no money.

To ensure that similar difficulties are not experienced with the replacement product, Citizens Advice urges the DWP to think carefully about these issues and to have flexible contingency plans in place to deal with them.

### **Payment by cheque**

At present benefit recipients who are unable to manage a bank account or POCA themselves – perhaps because they have become housebound or have experienced mental health difficulties - have a number of options open to them in order to maintain receipt of benefits payments.

In our understanding, if they have a current account with a bank they can give Power of Attorney to a friend or relative who can then operate the account on their behalf. Meanwhile POCA holders are able to nominate a second person to receive a card and PIN number for their account. However, basic bank account customers have neither option open to them, since they must rely on pin pads or ATMs to access their money and sharing

PIN numbers is actively discouraged since the account holder is personally liable for any losses incurred because they have given their PIN to someone else.

If none of these options is appropriate, perhaps because of illness or disability, or because the person concerned relies on different carers to collect their money for them, then payment is made by cheque which can be cashed at post office branches (provided it is for less than £450). This facility provides a vital lifeline for many of the most isolated, vulnerable or housebound people.

Currently, over 700,000 people receive their benefits payments by cheque.<sup>7</sup> It costs DWP £1.70 to make a payment by cheque, compared to £1 to make a payment into a POCA and just 1p to make a payment into a bank account.<sup>8</sup> DWP's plans to end the POCA contract appear, at least in part, to be driven by the desire to cut expenditure. Citizens Advice is concerned that as part of the process of migrating people from POCAs to bank accounts and in replacing the POCA product, DWP may look to make additional savings by reducing the number of people paid by cheque. While we are supportive of efforts to increase levels of financial inclusion we do not wish to see people forced to open bank accounts or even POCA replacement products where these are clearly not suitable.

People who have chosen to receive their benefits by cheque have clearly indicated their preference for this payment method and efforts to move them to open some form of account must be handled extremely sensitively, paying attention to their needs, including the facility to nominate a second person to use the account on their behalf. Importantly, if it is clear that cheque payment remains the most suitable method, and payment into a bank account or POCA replacement product would be likely to cause difficulties, cheque payment should continue.

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<sup>7</sup> <http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm050704/text/50704w19.htm>

<sup>8</sup> [http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm060227/text/60227w67.htm#60227w67.html\\_sbhd3](http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm060227/text/60227w67.htm#60227w67.html_sbhd3)