



Post Bank Q&A

Why is a Post Bank needed?

Since commercial banks have been bailed out by the Government, surveys indicate consumer confidence in the private banking sector is low. This is a strong indication that a different approach to banking is necessary.

A Post Bank would meet the demand for secure and trusted banking while also addressing the needs of people who suffer from financial exclusion by creating a range of useful tailored products and services. Small businesses would benefit from the local nature of Post Bank services.

How would a Post Bank affect the Post Office?

A Post Bank is a natural progression of current services provided by the Post Office. It is not an extension of commercial arrangements with the Bank of Ireland or any other existing bank.

This modernisation, at a time when there is demand for it, should prevent further post office closures. It would safeguard existing jobs and create new jobs in the network, both at the counter and in support roles.

Who would finance the Post Bank?

The Government should initially finance the Post Bank as a social enterprise project until such a time that it becomes self-funding. Any profits would be invested into operations and into local communities and help underpin products directed at those who suffer from financial exclusion, and products directed at small businesses customers.

A small and transparent fee could be charged for the administration of accounts and other products which would safeguard customers from high bank charges, for example for going overdrawn. The establishment of a new banking system would not incur bad debt for the Government and would give consumers more choice in banking.

Do EU State Aid Rules Allow for a Post Bank?

Many European countries already have Post Banks, and while some of these are historical, France established one only last year.

£1.7bn of UK government money has already been approved through EU State Aid rules to support the post office network with £150 million as the annual social network payment. Part of the reason State Aid rules were approved depended on the Post Office providing banking capabilities, currently through the Post Office Card Account.

As the bank became more profitable, EU state aid subsidies would be reduced.

Would Post Office Staff Require Further Training if a Post Bank were Established?

The Post Office already provides financial services which staff are trained to sell and administer, including ISAs, insurance and bonds from both NS&I and Bank of Ireland. Post Office Ltd currently

has 428 Financial Services Specialists with the aim of having 640 by the end of this year and is seeking to recruit ex-Northern Rock staff.

Sub Postmasters are all small business owners who have financial skills and would require some additional training. If and when demand dictates, additional FSA qualified staff could be employed.

How Would the Establishment of a Post Bank Impact on Queue Times?

This is linked to staffing and training as presented in the question above.

Post Offices already provide financial services and manage queues with this current workload. A dedicated Post Bank should bring in additional revenues which will help to fund additional staff where demand dictates.

How Would a Post Bank Impact on Credit Unions and Community Development Finance Institutions?

Post Bank products should complement, not compete with, credit unions and CDFIs.

An arrangement could be made for credit unions and CDFIs to have access to the post office network for administering some of their own business.

Are there logistical issues with getting the Post Bank Running?

Not really. The Post Office has the single biggest linked computer system in Western Europe, which Crown and Sub post offices across the country access daily to input their takings, outgoings and other key financial information.

All post offices have money safes and most Crown offices have secure rooms. The Post Office has its own cash in transit fleet of trained drivers and money collectors with security vans which link up post office with secure cash storage depots across the country. There are also trained staff manning call centres to assist customers with transactions.

Whilst expansion and refurbishing is needed in some post offices and sub post offices, all the key pieces of the network are in place for a successful bank with universal access.

How would a Post Bank be different to other banks?

This bank will provide a real alternative to the highly concentrated commercial banks, four of which currently hold 76 per cent of all current accounts.

The Post Bank will focus on relationship banking, providing trusted banking products and innovative services that are really needed. It will have a positive strategy of linking with organisations which have social aims like credit unions, CDFIs and debt advisory bodies.

The Post Bank would provide all core banking products, including current accounts, debit facilities and access to credit. There will be no hidden or exorbitant charges, but instead a small transparent fee could be applied to banking services which meet the demands of the customer.

There would be no big bonuses, large executive pay packages or shareholders to swallow profits. Profit would be invested back into the bank and the communities where the Post Bank is located.

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