



Access to Cash: Call for evidence

Response from the National Federation of SubPostmasters

The National Federation of SubPostmasters (NFSP) is a professional trade association representing independent businesspeople who act as agents for Post Office Ltd (PO). Our 8,000 members own and operate around 9,300 sub post offices. Privately-owned post offices comprise 98% of the national post office network and are, collectively, a major employer nationally.

The NFSP exists to support subpostmasters to maximise profit from their post office and retail business. We are a member-focused organisation.

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

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

The NFSP has chosen to respond to questions 1 and 3 together – as it is our view that the answer to both questions is for Government to focus its attention on supporting and enabling the post office network.

The NFSP would welcome legislation that protects people and businesses that rely on the use of cash. We agree with and support Government's stated position that these people and businesses should not be left behind.

Banks have been closing their doors on high streets around the UK for many years in order to cut costs and improve profit margins. While these closures are detrimental to people's ability to access cash, the banks are entitled to make this type of commercial decision.

The NFSP believes that Government should introduce legislation which acknowledges that the banks have a right to close branches for commercial reasons, yet, at the same time, a responsibility to ensure people and businesses experience as little detriment as possible from these branch closures.

The NFSP believes that an appropriate mechanism for this would be legislation requiring that banks divert some of the cost savings associated with branch closures to help ensure that people's ability to access cash is not adversely affected.

These funds should be used to maintain and develop a network of free-to-use ATMs across the UK and to support access to key banking services through the post office network. Post Office Ltd is currently working with The Financial Conduct Authority (FCA) on the Community Access to Cash Pilot (CACP) initiative which seeks to help address the challenges of improving

access to cash and cash acceptance. Depending on the outcomes of the CACP, the funds could support access to banking through post offices in a number of potential ways:

- Funding improvements to individual post offices to ensure accessibility.
- Introducing banking hubs within post offices.
- Automated deposit services available within the busiest post offices.
- Enabling Post Office Ltd to invest in new technologies to aid delivery.

The NFSP, as the representative body for subpostmasters, is supportive in principle of improvements to individual post office sites in the interests of helping maintain people's and business's ability to access cash – on the proviso that investment funds will be made available for Post Office Ltd and subpostmasters to achieve this.

The NFSP believes it is important to enable people to access cash for free at the point of use, and for subpostmasters who provide these services to be appropriately remunerated and have their best interests protected. The post office network plays a vital social role in communities across the UK¹, but the vast majority are commercial businesses themselves and should be treated as such by Government and the banks. For this reason, it is important that any and all national and local solutions to enable access to cash in the immediate and historic wake of bank branch closures should:

- Be flexible and not take a 'one size fits all' approach.
- Consider the interests and concerns of the subpostmaster, as well as the needs of the local community.

One measure that Government should include within legislation to help protect the interests of people, businesses and subpostmasters, would be to mandate participation in the Banking Framework Agreement between the banks and Post Office Ltd. The NFSP recommends that this mandate should cover the following:

- A long-term agreement – i.e. a minimum of ten years – not only to safeguard people's and business's ability to perform key banking services through the post office network in the long-term; but to also safeguard the investment made in the post office network (as funded by the banks) – so that all measures implemented can have an appropriate lifespan.
- All banking providers - as currently not all banks participate. It would be beneficial to customers for a completely standardised and consistent level of service to be available via the post office network, regardless of which specific banking provider is used. By way of an example, Nationwide customers cannot currently carry out deposits through post offices.
- Appropriate and regularly increased rates of remuneration for subpostmasters who provide these services on behalf of the banks. The NFSP would gladly work with HM Treasury and Post Office Ltd to help determine the most appropriate levels of remuneration for subpostmasters' provision of banking services in future.
- Increase the range of services available through post offices – such as access to savings accounts and credit card bill payment.

The NFSP would also like to see the funds levied from the banks used to promote the availability of banking services at the post office. Research by Citizens Advice shows that public awareness of the availability of banking services at post offices has increased in recent years – from 43% in 2018 to 67% in 2020. While this is encouraging progress, as many as a third of consumers remain unaware of the availability of banking services at post offices. Additionally, Citizens Advice's research shows that there are also issues with the levels of awareness people have – only 45% of consumers are aware of the full range of banking services available.

¹ <https://nfsp.org.uk/news/view?name=post-offices-a-support-mechanism-for-300000-vulnerable-people>

With 11,500 branches, the Post Office is the UK's largest retail network and the largest financial services network in the UK. It has more branches than all the UK's major banks put together. Since 2010, the number of bank branches has nearly halved², whereas the number of post offices has remained largely consistent.

Post offices are uniquely well equipped to meet demand for banking services across all corners of the UK. The UK Government's post office access criteria ensure that all communities are within a convenient distance from their nearest post office branch:

- 99% of the UK population are within three miles of their nearest post office outlet.
- 90% of the UK population are within one mile of their nearest post office outlet.
- 99% of the total population in deprived urban areas across the UK are within one mile of their nearest post office outlet.
- 95% of the total urban population across the UK are within one mile of their nearest post office outlet.

Under the current Banking Framework Agreement between Post Office Ltd and the banks:

- 99% of UK personal bank and building society customers can use post office counters to withdraw cash, pay in cash and cheques and obtain balances.
- 95% of small business banking customers can access their high street bank account for everyday cash banking services.
- Every branch can accept £2,000 in cash per transaction, while customers can pay in £20,000 at larger offices, with no limit if arrangements are made beforehand.

Clearly then, with its unique geographic spread and existing provision of banking services, the post office network is already in place and is already providing a solution - enabling vital access to banking services and promoting financial inclusion across the UK.

Post offices also currently have 2,000 free-to-use ATMs installed UK-wide, as well as offering face-to-face access to government services, bill payment, foreign currency, travel insurance and mail services.

The post office network is already set up to enable customers to transact in a secure and trusted environment. Post Office Ltd also already has in place an effective cash in transit infrastructure that carries cash to and from post office outlets across the UK. Furthermore, post office staff are already subject to rigorous compliance and anti-money laundering training.

Outside of the remaining bank branch estate, the post office network is uniquely able to carry out banking deposit transactions - with the behind-the-counter facilities to do so, as well as the cash in transit infrastructure to support this.

It bears repeating that the current and potential role of post offices in enabling access to cash and financial inclusion more widely should not be underestimated. Post offices are the solution to maintaining people's and business's access to cash.

Government should also note that by legislating that post offices should be enabled and supported to be the definitive provider of banking services outside of the UK bank branch network in the way that the NFSP has outlined, it will be supporting another of its own objectives: to support and sustain the post office network. Ensuring that customers continue to use post offices for cash withdrawal and deposits, and other banking transactions in the manner outlined, will help protect income and footfall to the network - thus protecting the livelihoods of subpostmasters and the investment Government has made in the network.

² <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Post%20and%20Telecoms/Banking%20on%20it%20.pdf>

2 What is the potential for cashback to play a greater role in the provision of cash withdrawal facilities, and how can legislation facilitate further adoption of cashback?

The NFSP believes that preserving people's and business's access to cash is vital for financial inclusion across the UK. However, we have concerns about how viable the further adoption of cashback is as a potential solution.

We believe firmly that – wherever and whenever possible – access to cash should be free at the point of use. Outside of the post office network, much of the UK's retail estate may be ill-equipped and, indeed, unwilling to provide free cashback or cashback without a purchase.

Government may wish to explore potential ways in which a cashback proposition could be rolled out across retailers nationally in such a way that meets the needs of consumers and service providers alike. However, the NFSP suggests that Government should focus its attention on the post office network as the current and future solution for access to cash.

The post office network already has in place:

- The Banking Framework Agreement
- Ability to conduct withdrawals and deposits, and other banking services – free at the point of use
- Cash in transit network
- In-branch security measures
- Trained staff
- Trusted brand
- Unique coverage across the UK

While other, likely larger, retailers may also share some of these attributes – none can claim to have all. Additionally, the post office network shares the same brand, the same central management, and the same IT systems. To effectively co-ordinate a nationwide cashback system for a network of disparate and unrelated retailers would be extremely challenging from a communications and logistics perspective.

The NFSP recommends that Government focuses its attention on enabling the post office network to enhance the role it already carries out in providing banking services to communities across the UK.

4 What are the key factors and considerations for maintaining cash acceptance in the UK?

Maintaining cash acceptance in the UK is vital for the livelihoods of individual people and small businesses alike.

The Access to Cash Review states that “17% of the UK population – over 8 million adults – would struggle to cope in a cashless society”³. Clearly then, the UK is not ready to go cashless and Government should look to ensure that people who rely on cash are not prevented from spending cash to purchase the goods and services they require.

The NFSP agrees with the Access to Cash Review in that Government should ensure it is “affordable for retailers, charities and service providers to accept cash” and should “remind suppliers of their wider societal responsibilities to meet the needs of vulnerable customers”⁴. It will be the most vulnerable people in society who would experience the greatest detriment should fewer outlets cater for cash acceptance – in particular older people, the “unbanked” and those without a fixed or permanent address.

³ <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

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Many small businesses rely on cash acceptance to function. For some businesses, cashflow is vital and cash has no associated delays for spending on stock or other goods or services. Card transactions, on the other hand, can take days to reach the business owner's bank account and this can, in some circumstances, create cashflow issues. Furthermore, cash acceptance is free at the point of sale - whereas (subject to variance between providers) card transactions have associated fees.

In the broadest terms, technology can rarely be relied on 100% due to hardware, software and connectivity issues. Having a failsafe is therefore prudent. Cash can be an effective failsafe because - assuming people's and business's access to cash is effectively maintained - parties equipped to make cashless payments will be likely to have the means to make payments in cash.