



**Consumer
Focus**
Campaigning for a fair deal

Counter measures

Delivering access to current accounts for all at the post office

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About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

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Introduction

Consumers tell us there is a significant appetite for all current accounts to be accessible at post offices. Our research suggests over 18 million consumers would be likely to use post offices, in addition to their bank branches, to access their current accounts.

With 11,800 branches, there are more post offices in the UK than there are bank branches. At a time when banks continue to reduce their branch networks, the post office offers the potential to become a 'neighbourhood bank' – offering access to bank accounts for all, regardless of provider, and improving access to face-to-face banking services. This report makes the case for all UK current accounts to be part of that solution.

Nearly 44 million people, 93 per cent of the adult population, hold a personal current account¹, with nearly 71 million accounts generating almost £9 billion in revenue for the banks². The majority of current accounts can already be accessed through post offices.

RBS are due to allow its customers to start making withdrawals at the Post Office and this will mean that almost 80 per cent of all current account holders will be able to withdraw their money, free of charge, at post offices³. However, HSBC and Santander customers remain unable to undertake any transactions over the post office counter⁴.

Even where banks do allow their customers to use post offices, not all of them offer the full range of transactions over the counter, for example, customers may be able to make cash withdrawals, but not pay in money or check their account balance⁵.

Consumers remain largely unaware of the ability to undertake current account transactions at post offices. Our research suggests the majority of consumers (82 per cent) who can already use post offices to access their accounts were unaware they could do so. Banks have not promoted post office access effectively, and the Post Office has found it difficult to do so because they have not been able to use the compelling and simple message: 'access all current accounts here'.

This is despite significant demand for universal access to current accounts at post offices. Consumers tell us that post office access would:

- allow them to benefit from improved access to face-to-face transactions, with particular benefits for those living in rural areas
- restore access for people living in communities where the last bank branch has already closed
- help those who already use the post office regularly, and could benefit from the convenience of being able to access their current accounts when using the post office to access other services

Based on our survey results, almost four million customers already use post offices to access and use their accounts, but the potential exists to increase this to over 18 million people.

¹ Office of Fair Trading (2010) *Review of Barriers to entry, expansion and exit in retail banking*

² *ibid*

³ Department for Business, Innovation and Skills (BIS) (2010) *Securing the Post Office network in a digital age*

⁴ Excludes former Alliance and Leicester customers who retain the ability to access their accounts through post offices on a legacy basis

⁵ A full list of which transactions are available is provided in annex 1

This includes four million customers who would be likely to use the post office if their existing provider, HSBC and Santander, allowed them to. Customers of these banks tell us that post office access is important to them, with around a third of account holders of HSBC and Santander stating that the ability to access their accounts at post offices would make it easier for them to do their banking.

The appeal of post office access is remarkably consistent across all consumer segments: 38 per cent of social group ABC1s, 45 per cent of rural consumers, and 54 per cent of account holders living in small towns, and banking with these providers, want to be able to use the post office to access their account. The benefits for consumers of these banks are considerable – access to a branch network almost nine times greater than they currently have⁶.

Consumer Focus wants to see four steps taken that would ensure **all consumers can benefit from access to current accounts at post offices, in addition to bank branches:**

- **All banks should offer all current account transactions at post offices:** consumers want to be able to make cash withdrawals, cash and cheque deposits, and check their account balance over the post office counter. Banks should respond to consumer demand, and accordingly shift away from the existing picture of patchwork provision.

- **HSBC and Santander should join the other major banks and allow their customers current account access at post offices:** This would give their customers more flexible and convenient means to access their accounts. It would also secure consistent access to post offices across each of the UK's major banks.
- **Banks should agree to raise awareness of post office access:** the majority of consumers who could already access their accounts at post offices are unaware this facility is available to them. Banks should commit to raising awareness of post office access, including through messages on statements, ATMs, and through messages on online banking services.
- **The Post Office must improve the service it provides in its branches:** although consumers who already use post offices to access their accounts are generally satisfied with the service they receive, queue problems and poor quality of service are major disincentives among many consumers who could otherwise benefit from access to their accounts at post offices.

Our research demonstrates the considerable potential to secure current account access for all, regardless of bank provider. This could deliver particular benefits to consumers who are poorly served by existing branch provision. It also leaves us on the brink of a major opportunity to make access to current accounts at post offices normal.

The banks should now respond positively to the considerable appetite of their account holders, as shown in this report, and deliver the extension of post offices access consumers clearly want and that many would benefit from.

⁶ According to the Campaign for Community Banking (CCBS), at the start of 2010, HSBC's branch network consisted of 1,369 branches, Santander currently has approximately 1,300 branches UK-wide

Why is account access through post offices important?

In recent years, the UK has experienced a sharp contraction in the branch networks of each of the major retail banks. In all, one-fifth of banks and building societies (2,213 branches) have closed since 2000⁷, and around a third (35 per cent) of branches have closed in the last 15 years⁸. According to the Campaign for Community Banking Services, almost 1,000 communities are now 'banking deserts', having lost the last bank branch in their area, and in a further 1,050 communities, only one bank branch now remains.

The waves of bank closures reflect the significant costs, for the major retail banks, of maintaining branch networks. Despite these costs, consumers still depend on being able to visit a local branch – branch access remains important to withdraw cash, make deposits by cash or cheque, and to check account balances. Small businesses are disproportionately reliant on access to banking facilities, for example to deposit takings. In rural areas, where ATM coverage remains poor, access to over-the-counter banking, including through the post office, remains critically important – consumers may have to travel several miles to access their cash if there is no ATM or bank branch nearby.

According to McKinsey, 'UK consumers are still largely branch-based. Although transactions are expected increasingly to move out of the branch, branches are likely to remain the dominant channel for most products⁹.' In other words, an increase in the ATM network will not satisfactorily address the considerable consumer demand for face-to-face counter services.

Consumers are already relatively poorly served by the UK's retail bank networks. Bank branch density is the second lowest in Europe, with only 196 branches per million inhabitants, compared to the European average of 475. Only the Netherlands has a lower branch density (189 branches per million inhabitants)¹⁰. As figure 1 shows, provision of bank branches in France and Germany far exceeds that in the UK¹¹.

Figure 1 Provision of bank branches in selected European countries

Country	Bank branches (per million inhabitants)
Netherlands	189
UK	196
France	440
Italy	570
Germany	480
Spain	1,010
European average	475

Source: McKinsey, CCBS

⁹ *ibid*

¹⁰ *ibid*

¹¹ However, it is important to recognise the different cost structures that underpin retail banking models in the UK compared to other EU countries. Although UK consumers have access to a smaller branch network than in other EU states, the free-in-credit banking model means consumers have access to free cash withdrawals, deposits and standard payment services, which is typically not part of account functionality in other EU states

⁷ Campaign for Community Banking Services

⁸ McKinsey (2011) *Face to face: a €15-20 multichannel opportunity*

There are a number of reasons to explain why banks should look again at making their current accounts available through post offices, reflecting: consumer demand; changes to branch networks; and the ongoing importance of face-to-face transactions.

- **Contraction of the UK's bank networks:** although the rate of closures has slowed in recent years, it appears that they are now starting to intensify again. For example, in July 2010, Halifax announced the closure of 265 agency branches, many of which were located in rural locations¹². In May this year, the Nationwide indicated further branch closures were likely in the year ahead¹³.
- **Not everyone can or will migrate to alternative channels:** internet banking usage is lower in the UK than across Europe (35-45 per cent compared to 48 per cent), and there is a significant gap of up to 25 percentage points between affluent, younger customers and older, poorer customers who are prepared to bank online¹⁴. Rural consumers may find it difficult to undertake online banking because of slow broadband speeds. UK consumers typically use few multichannel options compared to other European countries – an average of 2.3 channels, compared to 2.6 as a European average¹⁵.

Although an increasing proportion of transactions are expected to migrate to alternative channels, branch closures and lower ATM penetration than in other European countries¹⁶ still necessitates face-to-face transactions for many consumers, for services including cash withdrawals and deposits by cash or cheque.

- **Consumers still value face-to-face access to their accounts:** consumers continue to attach significant value to the option of undertaking transactions, face-to-face. Clearly for many consumers this is in addition to being able to access their accounts through alternative channels. According to research undertaken by the Office of Fair Trading (OFT), 70 per cent of current account customers consider it important that their account offers branch access close to where they work or live, and it is the number one factor influencing choice of bank¹⁷. Forthcoming research for Consumer Focus suggests this could be higher, with 84 per cent of current account customers and 82 per cent of social group ABC1s saying they value having a branch nearby¹⁸.
- **Access to cash:** many consumers depend on being able to withdraw or deposit cash face-to-face, for example in urban deprived or rural locations where the provision of fee-free ATMs or other banks is often patchy at best. Extending services through post offices is therefore a pragmatic and arguably cost-effective response to addressing ongoing and increasing coverage gaps in branch coverage.

¹² <http://bit.ly/n3W92b>

¹³ Nationwide warned of the risk of further closures when it published its results in May this year <http://bit.ly/qy2up9>. Last year, 14 agency branches were closed in Devon and Cornwall, and further closures have taken place in recent months in South East London

¹⁴ McKinsey (2011) *Face to face: a €15-20 multichannel opportunity*

¹⁵ *ibid*

¹⁶ *ibid*

¹⁷ OFT (2010) *Review of Barriers to entry, expansion and exit in retail banking*

¹⁸ Survey undertaken by TNS of 2,000 consumers in March 2011

- **Needs of small and micro businesses:** many small businesses (and some large businesses) need to withdraw and deposit large amounts of cash and cheques every day, and can face significant marginal costs associated with having to travel to bank branches in order to do so. Although this report focuses primarily with the issue of consistent access to current accounts, Consumer Focus agrees with the Independent Commission on Banking that the post office can address access issues in this respect¹⁹. A small number of consumers, for example microbusinesses such as e-Bay traders, may also use current accounts for business purposes, and would therefore benefit from access to all current accounts, at the post office on a commercial basis.

What we did

Consumer Focus commissioned a UK-wide online survey, undertaken by YouGov, of 2,116 adults. Fieldwork was undertaken in quarter one 2011. Results were weighted to ensure the survey sample was representative.

A vast majority (94 per cent of 1,987 respondents) reported that they held at least one current account, which is in line with previous research undertaken into the personal current account (PCA) market.

The objectives of the research were to:

- Assess awareness and usage of post office access among current account holders who can already access their accounts in this way
- Establish the appetite of current account holders who cannot use the post office to access their accounts in this way, including HSBC or Santander customers
- Understand consumers' branch banking behaviour and how this is changing
- Explore the reasons for consumers wanting to use post offices instead or in addition to existing bank branches
- Discover how consumers could be most effectively made aware of current account access through post offices
- See whether people would be interested in accessing their accounts through other retail distribution networks eg PayPoint

Note that customers with a Santander account were asked whether they had previously held the account with Alliance and Leicester, or whether they had opened the account with Abbey, Bradford and Bingley, or since the Santander brand was established as the single brand for all accounts.

If the respondent's account was previously with Alliance and Leicester, these consumers retain post office account access and were surveyed on this basis. All other Santander customers do not have post office access, and were surveyed accordingly²⁰.

¹⁹ In its interim report, the Independent Commission on Banking identified the role for the Post Office in meeting the banking needs of small businesses

²⁰ Cahoot is owned by Santander but is treated as a separate provider for the purposes of this research

Key findings

Awareness and usage among consumers with post office access to their current accounts

Most of the UK's major retail banks now allow access to their current accounts, in some form, over the post office counter. This includes three of the four banks with the largest market share of current accounts (Barclays, RBS, and Lloyds Banking Group). In the case of Halifax, now part of Lloyds, consumers gained the ability to deposit cash and cheques, in part to mitigate the closure of its network of agency branches²¹.

In November 2010, RBS announced that it would allow its customers to begin undertaking cash withdrawals, but not deposits, at post offices²² – this service is expected to be rolled out to customers this autumn.

However, not all providers offer access to all transaction types at post offices. This patchwork availability – for example, some banks allow cash withdrawals but not cash or cheque deposits – means that awareness of current account access remains limited. See annex 1 for a full breakdown of which transactions each bank allows to be accessed at post offices.

There is strong appetite among consumers to use the post office network: customers who are aware they can use post offices already do so frequently, and many customers who did not know they could use the post office would like to start doing so.

Awareness of post office access

Awareness is low, with only one in five (18 per cent) of current account holders with post office access aware they can undertake transactions at a post office branch.

Customers with a Co-operative or Santander account (opened as Alliance and Leicester) are significantly more likely to be aware that they can access accounts at the post office (51 per cent and 48 per cent respectively). This is perhaps unsurprising given the strong relationships these banks have traditionally had with the post office, but also given the fact customers of these banks use post offices more frequently than those of other major banks. 79 per cent of Co-op Bank customers, and 63 per cent of Alliance and Leicester customers, use a post office at least once each month. This compares to 54 per cent of Barclays account holders.

Across customers of the other major banks, the awareness gap is significant – only 18 per cent of account holders with post office access know they have this functionality, including only 10 per cent of those holding a current account with the Halifax (figure 2).

²¹ See earlier

²² BIS (2010) *Securing the Post Office network in a digital age*

Figure 2 Consumer awareness of post office access by bank provider

Bank/ building society account is held with	Awareness of post office access (%)
Co-operative Bank	51
Santander account (opened as Alliance and Leicester)	48
Lloyds TSB	21
Barclays	17
Nationwide	11
Halifax	10
Average	18

Base: 1,567 current account customers whose bank has a post office agreement

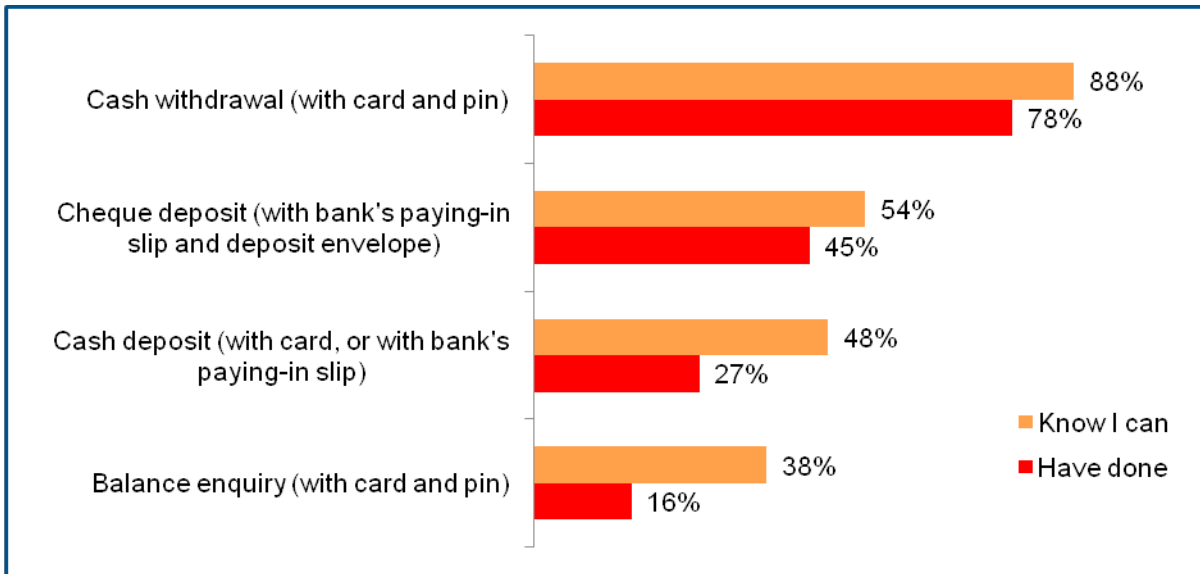
The limited awareness is seemingly a product of the banks' failure to promote post office account functionality, but also reflects the difficulty for Post Office Limited (POL) of promoting its current account services with less than 80 per cent account coverage. This is complicated further by some providers only allowing some transaction types, such as cash withdrawals, to be undertaken. POL should also improve its point-of-sale materials to ensure consumers in branches and on its website are aware of the ability to access other banks' accounts.

Consumer Focus thinks that the banks should take more steps to make their customers aware of the range of options they have to access their account. As indicated later in this report, it appears banks have the greatest potential to promote post office access to their customers. According to our research, 40 per cent of those aware of post office access learned about it through post offices, compared to 27 per cent who heard about it through their bank. Strikingly, for Co-op and Alliance and Leicester customers, the reverse is true – 41 per cent of Alliance and Leicester customers, and 26 of the 37 Co-operative customers who answered this question, say they had been notified by their bank, indicating the high correlation between banks that effectively communicate this option, and consumers being aware this is an active option to access their accounts.

Awareness and use of current accounts through post offices

A significant majority of consumers (66 per cent) who are aware they can access their current account at post offices have actually done so. There is a close correlation between awareness and usage of post offices to undertake specific transactions: for example, almost 90 per cent of consumers who were aware of post office access knew they could withdraw cash, with 78 per cent of consumers having made a withdrawal. See figure 3.

Figure 3 Awareness and usage of post office by transaction type



Base: 183 respondents who know they can access and use their current accounts and have done so

A significant number of consumers who can access and use their account through post offices are choosing to do so frequently. As figure 4 indicates, 41 per cent use a post office at least each month, which is broadly comparable with usage of bank branches. Among rural consumers, 63 per cent say they use the post office, at least every month, in order use their account – indicating the particular importance of post office access in areas where the coverage of bank branches remains weakest.

Figure 4 Usage of POs and banks to access current accounts

Frequency of visit	Post offices (%)	Bank branch (%)
More than once a week	3	5
Once a week	6	5
More than once a month	16	14
At least every month	16	19
At least every 3 months	20	23
At least every 6 months	19	13
Less frequently/never	20	21

Base: 183 respondents who know they can use post offices and have done so.
1,983 respondents who have a current account that allows branch access

As figure 5 shows, the primary driver for using the post office remains poor branch access, and the close proximity of post offices to where consumers live and work. As such, there appears to be significant potential for post offices to serve a far higher customer base – if steps are taken to ensure consumers are aware of this option.

In more effectively promoting the range of transaction options open to their customers, including the services available through post offices, banks would be taking a constructive step to improve consumer account access, in particular in areas that are poorly served by existing branch and ATM infrastructure.

Though we recognise that increased usage of post offices will result in additional transaction costs for many banks, the additional convenience and flexibility for consumers would be significant. It is also likely that a significant proportion of transactions would otherwise have been undertaken by other means, for example by a consumer travelling to use an ATM of another bank. As such, banks may experience a displacement of existing costs, rather than incurring significant additional fees.

It will also be important that the Post Office offers competitive terms to participating banks. In the event we see a significant increase in account holders using the Post Office, as a result of banks better promoting this form of account access, there is an argument for Post Office Ltd to offer more competitive commercial terms to participating banks, in return for the increased income that results. The case for banks to more actively promote post office access is strong.

Figure 5 Reasons for using post offices to access current accounts

	%
It's easier to get to the post office than it is to my bank	51
There isn't a local branch of my bank in my area	31
There is no cash machine in the area where I live	13
Banks in my area have closed	5
I like to support my local post office	47
I prefer post offices to bank branches	9
It's convenient to do my banking at the same time as using the post office for other services	44
I was visiting an area that had no bank or cash machine that I could use	7

Base: 158 respondents who have made current account withdrawals or deposits. Respondents were invited to 'tick all answers that apply'

Standards of service

Many consumers will understandably question whether post offices can provide effective quality of service, because of ongoing queue problems in town and city centre post offices, and also the suitability of some branches to access financial accounts²³.

While Consumer Focus recognises that significant problems with service standards remain, and that a transformation in service standards is necessary more widely, the actual experience of customers using post offices to access their current accounts is strongly positive: the vast majority of consumers (94 per cent) who have used their current accounts at post offices say the service they received was either excellent (57 per cent) or good (37 per cent). Only 1 per cent said the service they received was poor.

It is, however, important that POL recognises that the perception of poor service – even if not reflected by experience at post offices – is a significant inhibitor for many consumers who would otherwise use the network to access their accounts.

One in three who are aware they could use the post office, but haven't, state that queues are a major disincentive – particularly consumers living in urban areas (37 per cent), where queue problems appear to be concentrated. 17 per cent state that the post office is not suitable or private enough for them to undertake transactional banking services.

²³ Consumer Focus research shows that queues in town and city centre post offices have continued to increase, and that this was exacerbated by the impact of the last post office closure programme. Ipsos MORI (2010) *Evaluating the quality of service and product advice in Crown and privately managed Post Offices*. Commissioned for Consumer Focus

This is an issue which carries particular resonance with the forthcoming rollout of Post Office Locals²⁴. During piloting of the Post Office Local model, some consumers have expressed concerns regarding the suitability of premises to offer certain transactions, including cash withdrawals, and the training and product knowledge of counter staff. The piloting of this model is continuing²⁵. Consumer Focus is working with Post Office Ltd to ensure these concerns are addressed the wider rollout takes place. See figure 6.

Figure 6 Reasons for not using post offices to access current accounts (aware but unwilling)

	%
Post office queues are too long	33
Post offices are not suitable/not private enough for banking	17
Post Office opening hours are inconvenient for me	7
Post Office counter staff are unhelpful	5
My bank is easier to get to	35
No post office branch nearby	8
I prefer to use my bank branch for banking	38
Other	14

Base: 105 respondents who are aware they can use post offices, but have not done so.
Respondents were invited to 'tick all answers that apply'

²⁴ In Autumn 2010, Government announced that 2,000 subpostoffices would be converted into a new operating model, Post Office Local. Transactions at Post Office Local branches are typically undertaken from the main retail counter in host premises, such as convenience stores, raising issues such as customer privacy

²⁵ Consumer Focus (2011) *Local But Limited: Will Post Office Locals meet Consumers' Needs?*

Current account holders who have, but are unaware of, post office access

Interest in accessing current accounts through post offices

With the majority of current account customers already able to access and use their accounts at post offices, but unaware they can, there is a huge pool of potentially underserved consumers. If awareness can be increased, there is a significant opportunity for POL to make current account access over post office counters a mainstream activity. Over four-fifths of consumers (82 per cent) who can access their accounts at post offices told us were unaware they could, with two-fifths (40 per cent) saying would use the post office to access their account if they knew this option was available to them.

Perhaps surprisingly, the appeal of post office access extends across all customer and age segments – it is not restricted to the older or less affluent customers who traditionally use post offices regularly. For example, similar numbers of social group ABC1s (42 per cent) say they would use the post office to access their accounts to C2DEs (34 per cent). Likewise, 41 per cent of adults aged 18-34 would use the post office, rising to 44 per cent of those aged 35-44, and 40 per cent of those aged 55 or over.

As figure 7 demonstrates, it appears the ability to undertake transactions through post offices has universal appeal across age, income and geography. Particular interest is expressed by those living in small towns (47 per cent), rural areas (42 per cent), in the North East of England (57 per cent) and Yorkshire (47 per cent).

Consumers want to be able to access their accounts at post offices, in order to benefit from the convenience and flexibility this affords them. The ability to use the post office is rated strongly, even if in reality consumers may only undertake a transaction there from time to time.

Figure 7 Consumers likely to use post offices to access current accounts if they knew they could

Consumer segment	Likely to use post offices to access account (%)
All interested	40
ABC1s	42
C2DEs	34
Adults aged 18-34	41
Adults aged 35-44	44
Adults aged 45-54	38
Adults aged 55+	40
Rural consumers	42
Consumers living in small towns	47
Urban consumers	42

Base: 1,126 adults who can access their accounts at post offices but were unaware of this. Respondents were invited to 'tick all answers that apply'

Based on the total number of people with current accounts that already allow post office access, this could lead to 11.8 million additional consumers accessing their current accounts through post offices – a massive shot-in-the-arm for the Post Office network²⁶. The scale of the consumer appetite underlines the significant access gap between current provision of face-to-face banking services, and the branch coverage consumers want and expect.

Expected frequency of using Post Offices

Our research indicates that the Post Office could benefit from a significant increase in the number of consumers, with a sizeable proportion of this customer base expecting to undertake transactions on their current accounts frequently.

As figure 8 indicates, one in three consumers (30 per cent), once aware they can access their accounts at their post office, would expect to do so always or on a regular basis. This includes 35 per cent of Barclays and 35 per cent of RBS customers, and 30 per cent who have a current account with Lloyds TSB. Only one in ten (11 per cent) say they would rarely use a post office branch.

Figure 8 Frequency of expected use of post office to access current accounts among consumers previously unaware they have this facility

Frequency of expected usage	%
Always	6
Regularly	24
Sometimes	56
Rarely	11
Don't know	2

Base: 452 consumers who were unaware they had post office access but would use this if they knew about it. Total does not sum 100 due to rounding

In addition to securing revenue through transactional and interchange fee arrangements, it is also likely many branches could benefit from indirect revenue associated with additional footfall, and the increase in non-post office retail transactions that would be likely to result. This could be the biggest benefit for many individual branches; the National Federation of Subpostmasters (NFSP) estimates that £2 billion in indirect revenue is generated through Post Office Card Account (POCA) transactions alone²⁷. It is likely that the indirect retail revenue associated with current account transactions, given the significant additional footfall, could far exceed this amount²⁸.

²⁶ This is based on the 40 per cent of current account customers who can already use post offices, would be interested in doing so, but did not know this was a facility open to them. It assumes universal awareness of post office access among this customer segment

²⁷ National Federation of Subpostmasters (2009) Income survey

²⁸ Indirect retail revenue is likely to include sales of non post office retail items, for example groceries, newspapers or stationery

Reasons for interest in post office access

As with current account holders who already use them, the ease of being able to access post offices is the primary driver for consumers wanting to undertake a core range of transactions there. Over half (54 per cent) of consumers with access, but who are unaware of this, say they would find it easier to get to the post office than their bank; half (50 per cent) consider it would be useful if they were visiting an area that had no bank or cash machine; and 37 per cent suggest it would be convenient for them to undertake transactions at the same time as they use the post office for other products and services. See figure 9.

It appears that many consumers want to use the post office to undertake current account transactions at the same time as they access other post office services – in other words, to carry out a current account transaction they would otherwise have undertaken elsewhere. As such, it is unlikely that the banks will face a significant increase in costs associated with an overall increase in the transaction base.

Figure 9 Reasons for wanting to use post offices to access current accounts

	%
It would be easier to get to the post office than it is to my bank	54
There isn't a local branch of my bank in my area	18
There is no cash machine in the area where I live	7
Banks in my area have closed	6
I like to support my local post office	52
I would prefer using post offices to bank branches	5
Would be useful if I visited an area that had no bank or cash machine	50
It would be convenient to do my banking at the same time as using the post office for other services	37

Base: 452 consumers who were unaware they had post office access but would use this if they knew about it. Respondents were invited to 'tick all answers that apply'

One in five consumers (18 per cent) who are unaware they can use the post office say they have no other bank branch nearby. The increased promotion of post office access would therefore particularly benefit these consumers – indeed, the Halifax actively expanded the transactions allowed through post offices to arguably mitigate their recent closure activity.

Among those who do not want to use post offices, poor service standards and the perceived unsuitability of post office branches figure strongly. Half of these consumers (52 per cent) state that post office queues are too long. One third (33 per cent) express concerns about the suitability of branches and the privacy available. Over half (56 per cent) of consumers who are not interested in using the post office say they would continue to prefer to use their existing branch for face-to-face services. See figure 10.

Figure 10 Reasons for not wanting to use post offices to access current accounts (unaware and unwilling)

	%
Post Office queues are too long	52
Post Offices are not suitable/not private enough for banking	33
Post Office opening hours are inconvenient for me	8
Post Office counter staff are unhelpful	10
I prefer to use my bank branch for banking	56
My bank is easier to get to	36
No Post Office nearby	7
Other	8

Base: 674 consumers who can access their current accounts at post offices but did not know and do not want to do so. Respondents were invited to 'tick all answers that apply'

How should consumers be made aware of post office access?

If consumer awareness of post office access is to increase, banks will need to commit to more effective promotion of the ways in which consumers access and use their current accounts.

Banks appear to have the greatest capacity to drive awareness among their customers, with the single most effective means of raising awareness, according to consumers who would like to use post offices, being through on-screen messages when logging onto online banking (69 per cent of these consumers, rising to 72 per cent of 18-24 year olds). Messages on ATM screens, receipts, and on paper statements are also seen as effective means: 51 per cent of 18-24 year olds, and 53 per cent of 35-44 year olds, say that ATM screens would be a valuable way of making them aware of post office account access.

Posters and leaflets at post offices were also highly rated, disproportionately so among older customers who are more likely than younger customers to use post offices already. Over half (52 per cent) of consumers say that posters in post office branches would be effective, rising to two-thirds (64 per cent) of over 55s. However, it appears that the banks must take the lead in promoting the ability to access current accounts at post offices, particularly if awareness is to increase to a significant level.

If a significant increase in post office transactions results, the Post Office should be prepared to offer more competitive terms to participating banks, in return for increased business.

Current account holders without post office access

Despite a sustained push from Government and consumer groups, two major banks, HSBC and Santander (excluding those who previously held the account with Alliance and Leicester), continue to prevent their customers from accessing their current accounts at the post office. According to our research, these accounts represent a market share of 23 per cent (if the account most regularly used is counted for consumers with multiple current accounts). This is up from 22 per cent based on figures produced by the OFT last year²⁹.

A small number of building societies are also still to allow post office access³⁰, as is First Trust Bank in Northern Ireland.

Excluding former Alliance and Leicester customers, who can continue to use post office access on a legacy basis, based on our survey this equates to potentially 3.4 million consumers who want, but may be denied the opportunity, to access their account at post office branches³¹.

In 2008, the Abbey brand was identified by the OFT as a 'challenger' brand: regarded as having the potential to exert a competitive constraint on the major providers in the current account market³². Although Santander, which includes former Abbey accounts, is now a significant provider of current accounts, it continues to display aspects of 'challenger brand' behaviour (even if it can no longer be legitimately classified as having this status). For example, Santander has been actively seeking to increase its share in the current account market, through attractive initial switching offers.

On this basis, we call on Santander, but also HSBC, to recognise the potential competitive advantage of responding to their customers' needs. A significant proportion of their existing customer base, and those who could potentially be encouraged to switch from other providers, strongly want to see post office access to their account. In a market which is characterised by high levels of customer inertia, and where branch access is particularly important factor in determining choice of bank³³, post office access could offer an attractive proposition to many existing and potential consumers.

²⁹ OFT (2010) Retail Banking Overview

³⁰ BIS has stated that the Building Societies Association is in discussions with Post Office Ltd 'to explore how building societies could use post offices as a convenient means to withdraw and deposit cash'. BIS (2010) Securing the Post Office in a Digital Age

³¹ Consumers who want post office access with an account with Santander (exc. Alliance and Leicester)

³² OFT (2008) *Personal Current Accounts in the UK: an OFT market study*

³³ OFT research found that 70 per cent of current account holders found branch location important, including 38 per cent who found it important to have a branch where they live, and a further 23 per cent who thought it important they had branch access where they lived and worked. OFT (2010) *Review of Barriers to entry, expansion and exit in retail banking*

A greater concern for these banks has been the potential costs associated with enabling post office access, and the concerns that through enabling post office access, this effectively allows the Post Office to cross-sell its own financial products to their customers. These are legitimate concerns, but our research suggests that the majority of bank customers frequently use the post office anyway – being able to combine current account and other post office transactions is one of the most attractive aspects of the proposition for consumers. Regulatory authorities will want to be vigilant in respect of cross selling, or the potential thereof, to ensure any open competition is fair and supports a competitive market for financial products.

Furthermore, it seems likely that a high proportion of transactions would otherwise have been undertaken by other means: for example, consumers in rural areas travelling into the next nearest town to use an ATM. It is therefore likely that, excluding transactions that would otherwise have been undertaken in one of their branches, the direct costs for banks may not be as significant as they may initially conclude.

Interest in securing post office access

A significant minority of consumers whose banks do not allow post office access (42 per cent) would like to be able to use post office branches – this includes almost half (49 per cent) of Santander current account holders, excluding Alliance and Leicester customers, and two-fifths (39 per cent) of those holding a current account with HSBC.

The lower scores for HSBC are likely to reflect its First Direct customer base, who use a different banking model than HSBC's branch-based customers.

Appetite is consistently strong across virtually all segments of HSBC and Santander's customer base: this includes 38 per cent of customers in social grades ABC1 and 45 per cent of customers in full-time work. Again, post office access has a universal appeal – it is not something that is only of interest to 'traditional' post office customers. 45 per cent of rural customers, and 41 per cent of those living in urban areas, would be interested in and would use the post office to access their current account. See figure 11.

Figure 11 Consumers without post office access who want it

Consumer segment	% wanting post office access
All consumers	42
ABC1s	38
C2DEs	48
Rural consumers	45
Consumers in rural areas or small towns	52
Urban consumers	41

Base: 420 adults who do not have post office access on their account. Respondents were invited to 'tick all answers that apply'

Note: small base sizes for rural consumers and those in small towns when reported separately

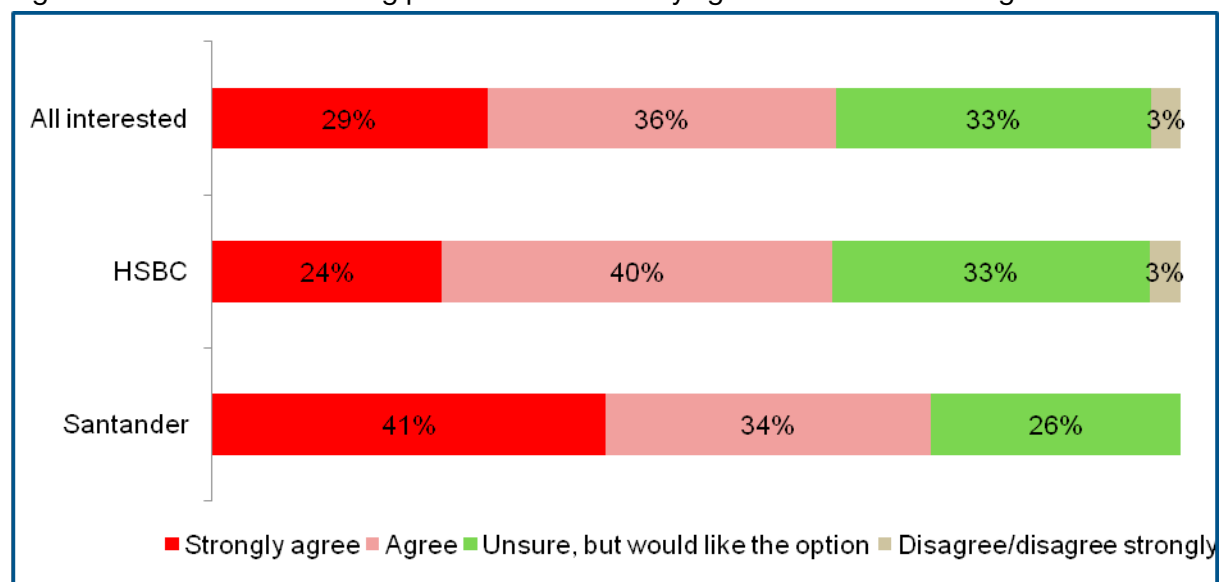
Why do consumers want post office access?

Three quarters of Santander customers (75 per cent), and nearly two thirds (64 per cent) holding a current account with HSBC who would like post office access, state that post office access would make it easier for them to undertake bank transactions. Almost one third (29 per cent) strongly agree that post office access would make it easier for them to do their banking. Consumers appear to want post office access, in order to benefit from the additional convenience and flexibility this offers, even if they would only take advantage of this facility occasionally.

Primary reasons for wanting post office access include:

- the convenience of being able to access post offices relative to bank branches
- being able to bundle together post office and bank transactions
- being able to use post offices in areas where there is no local branch or the branch has closed

Figure 12 Consumers wanting post office access saying it would make banking easier for them

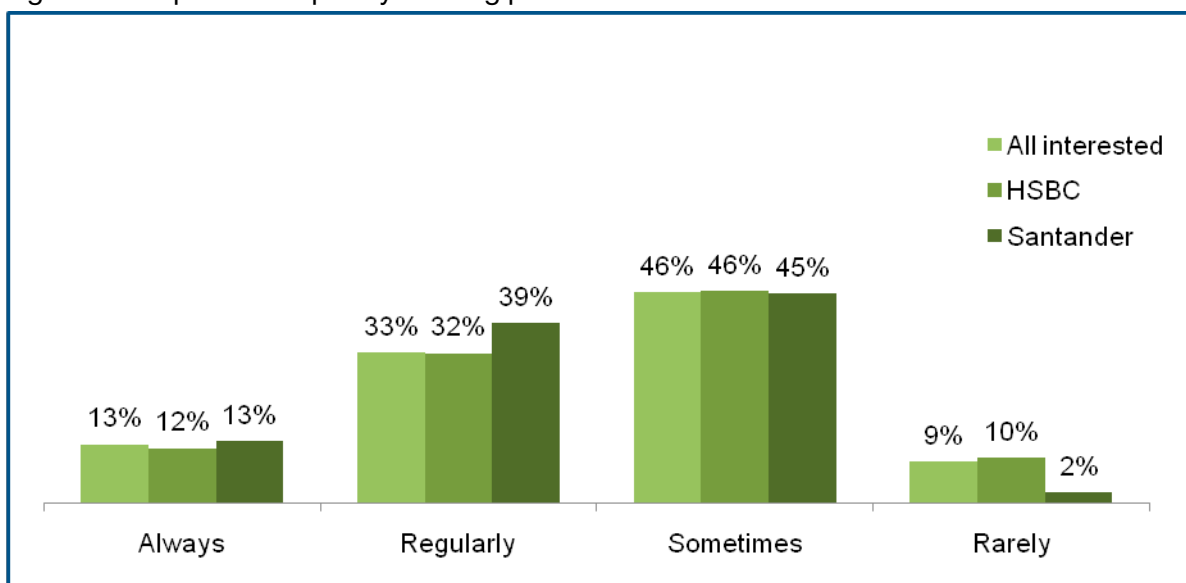


Base: 176 adults who do not have current account access but would like it.
Not all rows sum 100 due to rounding

Expected frequency of using post offices

As with consumers who can already use post offices, but are unaware they could, it appears a significant minority of HSBC and Santander customers would seek to use post offices frequently. Of the 42 per cent who do not have post office access but would like it, only 9 per cent expect they would use the post office rarely; 33 per cent would be likely to use the post office on a regular basis; 13 per cent say they would always use a post office branch (figure 13). This again reflects the appeal of and convenience for consumers of being able to access a significantly increased branch network, in particular for rural consumers and those in small towns.

Figure 13 Expected frequency of using post offices to access current accounts



Base: 176 adults who do not have current account access but would like it.
Not all figures sum 100 due to rounding

Nearly three quarters of Santander customers (69 per cent) and 83 per cent of HSBC customers would envisage using the post office at least once each month. As this is significantly higher than the 43 per cent who currently use a bank branch each month, this could in part be explained by the high levels of the enthusiasm for the idea. However, this also seems to confirm that a high proportion of post office transactions would otherwise have been undertaken by a wide range of other means – for example, by consumers travelling to use an ATM or a cashback service.

There is no evidence this represents consumers wishing to undertake additional transactions as a direct result of being able to use the post office to access their account.

Types of current account transaction envisaged at post offices

Consumers with HSBC and Santander accounts express interest in using the post office to undertake a core range of transactions on their account, with the ability to make cash withdrawals and deposit cheques considered most important to these customers. Two-thirds (66 per cent) of HSBC account holders who would like post office access, and a fraction more (69 per cent) of those with Santander, want to be able to make cash withdrawals at the post office, broadly similar to the proportion of consumers who already have the option, and actually use the post office to access their accounts.

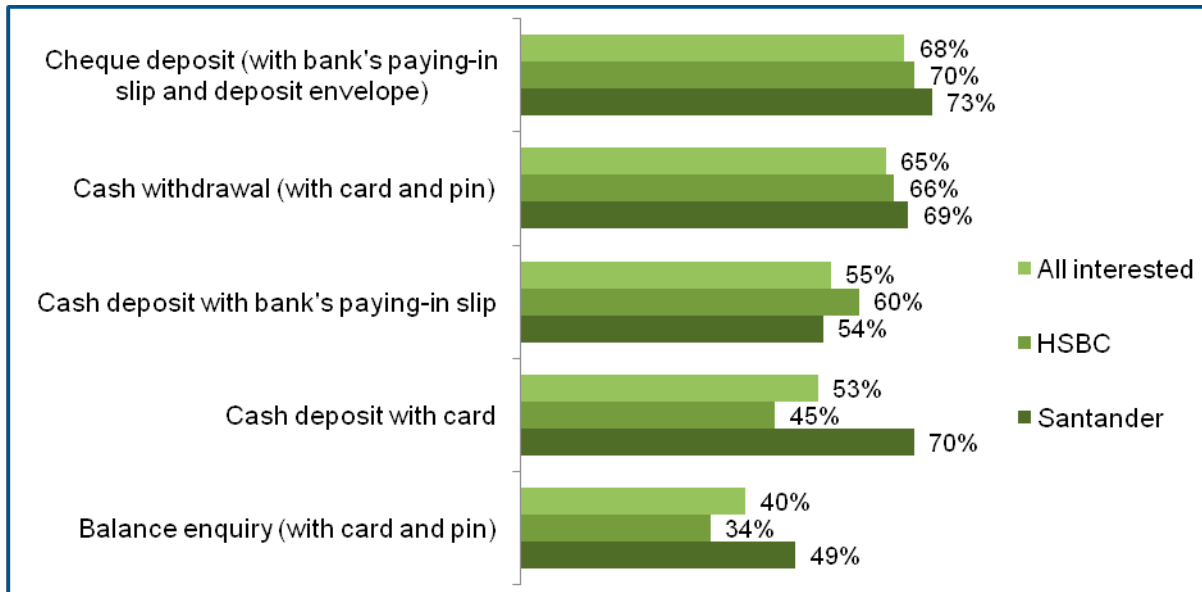
It appears that many consumers want the ability to undertake a wide range of banking transactions through post offices, even if in reality they will only undertake some of these transactions occasionally. For example, over half (53 per cent) of all customers without post office access who would like it indicate they want the ability to deposit cash with their card, but only around a quarter (27 per cent) of current account holders who access their accounts at post offices actually undertakes this transaction at present.

Again, this suggests that consumers strongly want post office access added to their account. However, banks should not be overly concerned about incurring additional costs – on the one hand, many consumers will only use the post office infrequently, and on the other, many transactions that would be undertaken over the post office counter would likely have otherwise been undertaken through alternative channels.

The former Chief Executive of Santander, António Horta-Osório, explicitly appeared to recognise the importance of face-to-face counter access (and the consistency of the product offer) when he stated that 'It's important for customers who travel around the UK to have 1,300 branches to transact with – and they will have the same product and the same people facing them in the branches.'³⁴ Our research demonstrates that branch access is clearly important – but that a more significant branch footprint, such as that provided by extending account access through post offices, is ultimately required if consumers' needs are actually to be met.

³⁴ <http://bbc.in/osbscX>

Figure 14 Transactions consumers would undertake if able to use post offices



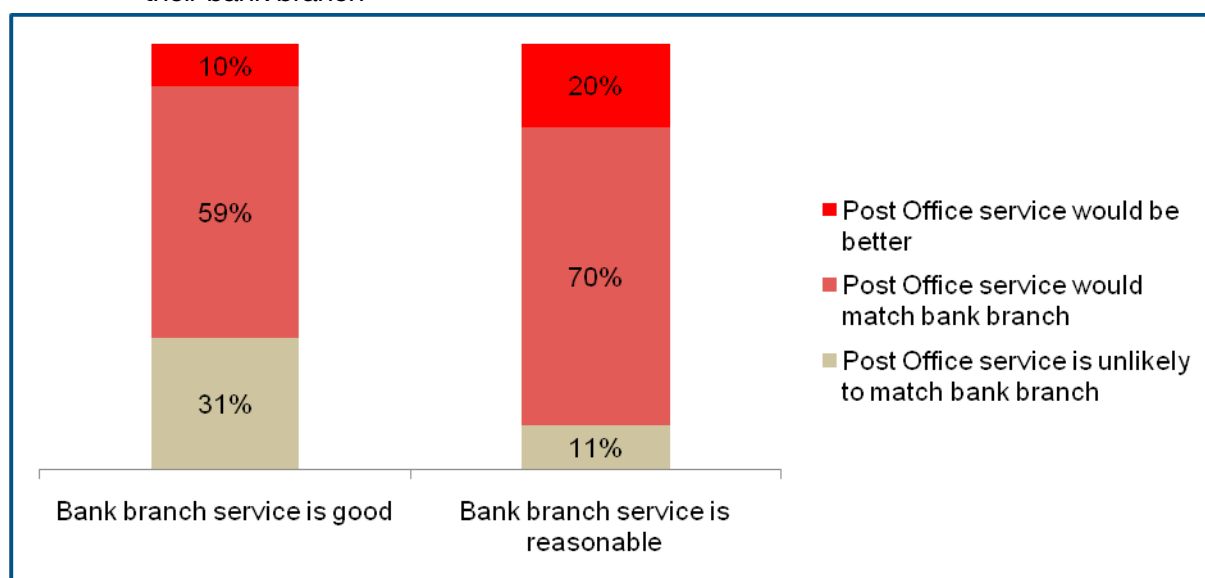
Base: 176 adults who do not have current account access but would like it.
Respondents were invited to 'tick all answers that apply'

Service standards

Consumers' appetite to use post offices appears, in part, to reflect consumer attitudes on the quality of service they would expect to receive when transacting on their account.

Among those who want their banks to allow them post office access, and say the service provided at their bank branch is good, a clear majority (69 per cent) expect that post offices will offer at least as good a service as their existing bank branch. Only one in 10 (11 per cent) of those saying their bank branch offers a reasonable service, and one in three (31 per cent) of those saying their bank branch offers a good service, think that the post office is unlikely to match the service standards at their existing branch. See figure 15.

Figure 15 Expectations of post office service standards among consumers getting good service from their bank branch



Base: all who cannot access their current account at post offices, are interested in doing so and regard their bank branch as offering 'good' (86 respondents) or 'reasonable' (79 respondents). Figures may not sum 100 due to rounding.

However, among those who do not want to use post office services, queues appear a major disincentive:

- 60 per cent say that queues are too long
- 40 per cent raise concerns about the suitability of post office branches to access current accounts
- smaller numbers raise concerns about the opening hours or suitability of post office counter staff

If the Post Office is to attract the largest possible customer base, assuming HSBC and Santander decide to allow access, these critical issues of service transformation need to be addressed. Whether real or perceived, poor service standards continue to blight the network and restrict potential areas of growth. As figure 16 shows, though many consumers will be unlikely to use post offices because they use and prefer other channels, there is a significant group of consumers which could be persuaded to use post offices if POL takes seriously improvements to in-branch service standards.

Figure 16 Reasons for not currently being interested in post office access (unable and unwilling)

	%
Post office queues are too long	60
Post offices are not suitable/not private enough for banking	40
Post office opening hours are inconvenient for me	15
Post office counter staff are unhelpful	9
I prefer to use internet banking	55
I prefer to use cash machines to withdraw cash	47
I prefer to use my bank branch for banking	42
My bank is easier to get to	28
Other	8

Base: 246 respondents who do not have post office access and do not want it.
 Respondents were invited to 'tick all answers that apply'.

Potential take up and appeal of current account access through post offices

How many consumers could access their accounts through post offices?

There is significant appetite among consumers for the ability to access all current accounts, regardless of bank provider, through post offices.

If such access is secured, our research suggests that the number of consumers using post offices to access and use their current account could increase dramatically: from 3.9 million to 18.2 million consumers, an almost five-fold increase³⁵. The potential increase in users cannot be realised without effective promotion of the service, particularly among the banks that already have access agreements in place – and without HSBC and Santander responding to the appetite among their customers. See figure 17.

Figure 17 Potential customer base for post office access

	%	Million
Total number of adults aged 18+ in GB	100	47.3 ³³
Total number with a current account	93	43.9 ³⁴
Total with a current account with post office access	75	32.9 ³⁵
Total with a current account without post office access		
HSBC	12	5.3
Usage and awareness among current account holders with PO access		
Santander (exc Alliance and Leicester)	6	2.6
Total current account holders who have PO access and aware of it (18% of those who have access)	13	5.9
Total current account holders unaware they have PO access (82% of those with PO access)	57	27
Total current account holders who are aware and use post office access (66% of all aware they have access)	9	3.9
Current account holders who would use PO access		
40% of those unaware they had access already	25	10.8
39% of all HSBC account holders	5	2.1
49% of all Santander account holders (excluding A&L)	3	1.3
Total potential additional PO users	33	14.3

³⁵ This is based on the numbers who would access their current accounts at post offices if they could, those who would use post office access if they realised they already can, in addition to those who already can

³⁶ Total population figure from Office for National Statistics (2009) mid-year population estimates

³⁷ Based on OFT data that 93 per cent of adults in the UK operate a personal current account. OFT (2010) *Review of Barriers to entry, expansion and exit in retail banking*

³⁸ Includes RBS account holders

Overall, over two in five current account holders (42 per cent) say they would use the post office if they were allowed to, or there was more effective promotion of the fact they are already able.

Based on our research, this could include up to:

- 10.8 million consumers who already hold accounts that offer post office access, but are unaware of this
- 2.1 million consumers who hold, as their primary account, a current account with HSBC (39 per cent of account holders)
- 1.3 million consumers who hold, as their primary account, a current account with Santander (excluding former Alliance and Leicester customers)

Although the majority of banks allow withdrawals via post offices, not all banks allow the full range of transactions. For example:

- Nationwide and Bank of Scotland do not allow deposits by cash or cheque
- Barclays does not allow current account withdrawals in Scotland
- RBS is still reviewing when to allow its current account customers to make deposits in addition to cash withdrawals and balance enquiries³⁹

In order to reflect the appetite from consumers, Consumer Focus wants to see truly consistent access across all providers; that is to say, withdrawal of current restrictions, leaving consumers able to undertake any transaction, from any provider, over the post office counter.

Access as a driver for account choice

Post office access is a prerequisite for one in eight consumers (13 per cent), and considered desirable by a further two thirds (61 per cent). This suggests that extending and promoting post office access could offer a commercial advantage to banks looking to increase their share of the current account market – including but not limited to HSBC and Santander.

Post office access is considered essential by one in six rural consumers (16 per cent), 21 per cent of those living in small towns, 23 per cent of customers holding a current account with the Co-operative Bank and 28 per cent of Alliance and Leicester current account customers.

These banks exhibit the highest awareness scores among consumers, with Alliance and Leicester and Co-operative customers also most likely to have heard about post office access through their bank directly. It therefore appears these banks may have successfully attracted or, given the legacy arrangements with Alliance and Leicester been able to retain, a significant proportion of consumers precisely because they have promoted post office access as an account feature.

The post office is significantly preferred over other retail networks, such as PayPoint, as a means of undertaking face to face transactions (in addition to bank branches). By a margin of three to one (63 to 22 per cent), consumers tell us they would prefer to be able to use a post office branch, rather than using a PayPoint or Payzone terminal, which are typically located in a convenience store or newsagent.

³⁹ See annex one

The impact of branch disposals

Consumer Focus is concerned that many consumers who currently bank with Lloyds Banking Group, including through its Halifax and Lloyds TSB networks, and with RBS through its branches in England and NatWest branches in Scotland, could see their ability to access their accounts through post offices withdrawn following the branch disposals required by the European Commission⁴⁰.

Although we support steps to reduce the dominant market shares of Lloyds and RBS, and more broadly steps to make the current account market more competitive, any loss of access could, by definition, potentially impact upon a significant number of consumers who value to being able to access their account over the post office counter. Lloyds, for example, has an estimated market share of 30 per cent.

RBS is currently in the process of selling 311 branches to Santander, mainly located in England and Wales⁴¹. RBS has advised Consumer Focus it does not intend to change its account terms and conditions, but it is unclear whether Santander will maintain existing access agreements with the Post Office. Separately, Lloyds has been instructed to sell more than 600 of its 2,900 branches, and potentially more if the Independent Commission on Banking upholds its interim recommendations this autumn⁴² (and these are accepted by Government).

Consumer Focus considers that, in both instances, consumers should at a minimum be able to maintain their existing ability to access their account at post offices. Consumers strongly value the ability to bank at post offices, and among those who are unaware they have post office access, our research shows a strong appetite for post office access.

In the months ahead, it is important not only that the acquiring banks commit to honouring any existing access agreements, but also that they work vigorously to reassure and communicate to customers that their account access will remain unchanged.

⁴⁰ Branch disposals were required by the European Commission to comply with State Aid requirements following the Government interventions in response to the banking crisis, and the consolidation in the sector that resulted

⁴¹ All but seven branches are located in England and Wales, with seven NatWest branches in England also being divested. RBS (May 2011) Interim Management Statement

⁴² In its interim report, the Independent Commission on Banking argued that the planned disposal of Lloyds branches 'will have a limited effect on competition unless it is substantially enhanced'

Conclusion

This research demonstrates the considerable appetite among consumers for access to all current accounts, regardless of provider, at post offices. Consumers want the ability to undertake a core range of counter transactions, including making cash withdrawals, deposits by cash or cheque, and the ability to check their account balance.

Post office access will make face-to-face banking more convenient for many millions of people – but offers particular benefits for consumers living in rural areas, small towns, and in areas where access to bank branches has fallen sharply in recent years. Access over the post office counter would make the most significant difference for the one in eight (13 per cent) of consumers for whom it is an essential account feature – and would likely be most frequently used in areas where the existing provision of both bank branches and ATMs is patchy.

Banks may be understandably concerned about the cost implications of allowing post office counter access, but there are a number of factors that suggest these concerns may be overstated:

- **Many consumers say they would welcome the option of being able to use the post office, even if they would only use the service from time-to-time:** the consumer appetite for post office counter access is strong, across all customer segments, although it appears that for many account holders, having access at post offices is ranked as important, even if they would only use the post office infrequently.
- **High usage is expected to be concentrated in specific customer segments:** understandably, it appears that the importance of and expected usage of post offices is highest among consumers in rural areas and small towns, where bank provision is poorest. Clearly a significant number of people – potentially over 18 million consumers – want to use the post office to access their account. However, other customer groups are likely to use post offices to access their accounts less frequently, and primarily as a complementary channel to existing branch access.
- **Many transactions undertaken at post offices would otherwise have been carried out by other means:** it is likely that a significant proportion of transactions carried out at post offices would otherwise have been carried out elsewhere, for example, by rural consumers using the post office to avoid travelling to an ATM in a nearby town, or consumers using the post office to withdraw cash as they undertake other transactions. It is therefore likely that post office access will result in a high displacement of existing transactions, with significant time and cost benefits for consumers. With the exception of transactions that previously would have been undertaken at one of their branches, this means the costs incurred by banks may not be as significant as they may initially or otherwise expect.

- **Will post offices cross-sell its own financial products?** The significant appetite for post office access reflects, in part, the high existing usage of post office branches. This high usage (56 per cent of current account customers visit a post office every month) means that the entirely legitimate concerns over the potential of the post office to cross sell its own financial products could be overstated – customers are already regularly using post offices. Regulatory bodies, including the new Financial Conduct Authority, will want to monitor cross selling and the potential thereof, and be vigilant to ensure open competition is fair. We recognise the concerns that, in respect of its own financial services offer, the post office is in effect a commercial competitor to the major banks. However, these commercial risks are outweighed by the significant benefits in terms of access, convenience and flexibility that would be offered to consumers by banks extending, or better promoting, access to their accounts. The experience of Alliance and Leicester and the Co-operative Bank suggests they may have successfully attracted, or been able to retain, a significant proportion of customers precisely because they have promoted post office access as an account feature.

Consumers would clearly benefit from a move to consistent current account access – with truly universal access meaning that all customers able to undertake any transaction, from any provider, over the post office counter. However, the potential increase in users cannot be realised without banks committing to promote post office access effectively. In turn, the Post Office must be ready to offer competitive terms that reflect any increase in business that results. HSBC and Santander must heed the appetite of their customers, and allow them the account access they require. Neither will the Post Office be able to successfully mainstream post office access unless it addresses the significant concerns regarding queuing and quality of service that continue to blight the network's potential.

Consumers stand to gain significantly from moves to extend access to banking services, including current accounts. The Post Office network can and should be an important part of this solution – consumers from across the spectrum want this to happen.

Making current account access at post offices a mainstream activity, and being able to reap the consumer benefits that result, has arguably never been closer.

Annex 1

Access to current accounts operated by major UK banks

Bank	Cash withdrawal	Balance enquiry	Cash deposit	Cheque deposit
Santander (formerly Alliance and Leicester)	Y	Y	Y	Y
Bank of Ireland	Y	Y	Y	Y
Bank of Scotland	Y	Y	N	N
Barclays ³⁹	Y	N	Y	Y
Cahoot	Y	Y	Y	Y
Clydesdale	Y	Y	Y	Y
First Direct ⁴⁰	Y	N	Y	Y
First Trust	N	N	N	N
Halifax	Y	Y	Y	Y
HSBC	N	N	N	N
Lloyds TSB	Y	Y	Y	Y
Nationwide	Y	Y	N	N
NatWest/Ulster Bank ⁴¹	Y	Y	Under review	Under review
Northern Bank	Y	Y	N	N
Royal Bank of Scotland ⁴²	Y	Y	Under review	Under review
Santander (excluding Alliance and Leicester)	N	N	N	N
Smile	Y	Y	Y	Y
Co-operative Bank	Y	Y	Y	Y
Yorkshire Bank	N	N	N	N

Source: Post Office Ltd

⁴³ Excludes Scotland

⁴⁴ Excludes England, Wales and Northern Ireland

⁴⁵ From autumn 2011

⁴⁶ From autumn 2011

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Published: August 2011

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