I am writing to you on behalf of the Communication Workers Union (CWU) in response to the Economy, Energy and Tourism Committee’s inquiry into the Independent Commission on Banking (ICB) report published on 12th September 2011.

The CWU represents approximately 215,000 employees in the postal, telecoms and related industries and is the recognised union in Royal Mail for all non-management grades. We represent employees working in the directly managed Crown Post Offices and staff working in Post Office Supply Chain and Admin grades serving the whole of the Post Office network and the 1,400 Post Office branches in Scotland.

As you will be aware, the Post Office is a key provider of financial services. It is the largest provider of foreign currency in the UK, offers access to current accounts for the vast majority of high street banks and provides Post Office Financial Services through a joint venture with the Bank of Ireland. The Post Office has unrivalled levels of trust and a branch network which is more extensive than all of the banks and building societies in the UK combined; as such we believe it has an important role to play in addressing the failings of the banking sector and particularly in introducing diversity into the market. However, we are disappointed that this is not reflected in the ICB report.

As the ICB has recognised, safeguarding customer deposits in the event of insolvency is not the only issue that needs to be addressed in the banking sector and the market as a whole has become unresponsive to the needs of small businesses and communities. In the past decade thousands of bank branches have closed and there have been a number of high-profile market failures, such as Payment Protection Insurance (PPI) mis-selling. Individuals are increasingly being forced to turn to new and expensive forms of credit, such as payday loans, as banks fail to cater to their needs and despite commitments from the banks, lending to small businesses has continued to fall. As the ICB has discussed, in part, this is a result of a lack of competition in the sector which is particularly acute in Scotland: just two banks have a market share of almost 80 per cent.

The ICB has recommended three measures to address these issues: (i) enhancing the divestiture from Lloyds Banking Group; (ii) making it easier to switch accounts; and (iii) ensuring regulation is ‘pro-competition’. While the first of these could help by introducing a new entrant into the market without a significant branch infrastructure we believe it will be of limited effect in increasing competition.

The Post Office has a network which is larger than all of the banks and building societies in the UK combined and over 99% of the population live within three miles of a Post Office. Together with its current provision of financial services and its unrivalled levels of trust, we believe that this means it is uniquely positioned to offer a genuine challenge to existing banks. We have repeatedly called for a Post Bank to be set up to deliver this and we are
disappointed that the ICB has not considered the benefits this could bring about.

In its interim report the ICB made similar observations on the importance of physical bank branches in relation to the Post Office network and the provision of services for small businesses, noting that:

‘…access to branches for cash handling was important for many small businesses, and...some smaller banks struggle to provide the infrastructure to serve this need. The Post Office fills part of this gap, but does not appear to be a complete solution for this barrier to expansion.’

In line with this it stated it would investigate the possibility of improving the Post Office service – something we would support and believe can only be delivered by a Post Bank. In its final report, however, it stated that ‘additional planned investment by the Post Office should lead to improvements’ and made no further comment on this.

We would welcome an expansion or improvement in the service offered by the Post Office, but we do not believe this can happen unless there is a step change in the model being used to offer financial services through the network. After seven years the banking joint venture with the Bank of Ireland has failed to deliver core products such as a current account, a children’s account or a business banking account and commitments on each of these have failed to be delivered. In light of the Bank of Ireland’s financial straits following significant losses in the financial crisis we do not believe it is in a position to turn the situation around and we would therefore question whether the improvements envisaged by the ICB can happen.

We have called on the government to set up a publicly owned Post Bank through the Post Office network to help meet customer needs, introduce genuine diversity into the banking sector and, significantly, to urgently help secure the future of the Post Office. While the government has stated that there will be no compensated programme of post office closures, over 250 sub-post offices closed outside of any such programme between April 2009 and December 2010. Alongside this, we believe that the proposed separation of POL from Royal Mail Group will jeopardise around a third of POL’s revenues which come from mail services and it is clear that the future of the network is far from secure.

We therefore regard the ICB report as a missed opportunity both in relation to competition in the banking sector and with regard to the Post Office network and we believe that a Post Bank needs to be considered as part of the way forward. I enclose a copy of the most recent report from the Post Bank Coalition for your information and would urge the Economy, Energy and

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1 Most recently, the Business Innovation and Skills report, Securing the Post Office in the Digital Age (November 2010) stated that children’s accounts would be introduced at the Post Office ‘within 5 months’. However, this is yet to happen.
Tourism Committee to make the case for a Post Bank in its representations to the Treasury.

If you would like any further information on the CWU’s views please do not hesitate to contact me.

W HAYES
General Secretary, CWU
September 2011