

House of Lords Select Committee on the Rural Economy

Citizens Advice response
to call for evidence



Citizens Advice

Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities.

In April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory consumer representative for the postal sector in England and Wales. Our role is to ensure postal services and post offices meet the needs of consumers in a way that is fair and accessible for all. We have particular responsibilities regarding the interests of the more vulnerable members of society, and also consider the interests of small businesses.

We are responding to this consultation in our capacity as the postal advocate. Our response focuses on a number of the subjects raised - provision for essential services (access to post, banking, payment and application services), supporting local shops, addressing social isolation and supporting the ageing rural population.

Recommendations

Post office are widely used by both individuals and small businesses, particularly in rural areas. Post offices currently make a significant contribution to local economies and the community wellbeing. Our evidence shows that:

- 1. Post offices need to remain open and local.** Post offices are extensively used by almost all individuals and small businesses, and proximity is crucial. The Government's £370m funding¹ to support the post office network between April 2018 and March 2021 is welcome, but the Government and Post Office Ltd must continue to ensure the post office network retains its wide geographic spread.
- 2. Post offices should continue to offer a wide range of services.** The range of services are valued by consumers, including postal, banking, government and community services. Whilst many services are moving online, face-to-face access remains important particularly for older people and many of the more vulnerable members of society.
- 3. The Government or the UK finance industry should commission research to assess consumer access to and satisfaction of banking services at post offices.** There is an increasing reliance on post offices for day-to-day community banking services, but Citizens Advice and other stakeholders have raised concerns about the suitability of post offices in providing these services. It is important to identify and address any issues around performance and service standards and to better understand customer journeys, before raising awareness of banking at post offices.
- 4. The Post Office should should make it easier to set up a community-run post office.** Community-run post offices can play important roles filling gaps in service provision and Post Office Ltd should make improvements to the application process to make it easier for community-run groups to apply to run and set up a post office.

¹ BEIS press release, [Government Pledges to Secure the Future of the Post Office](#), 20/12/17

1 Post offices and the rural economy

1.1 The post office network is a crucial access point to the public postal service.² Post offices also deliver other essential services to citizens, including banking services, access to benefits, bill payment and a range of central and local government services. Post offices have long played particularly critical roles in rural areas, frequently described as 'lifeline' and 'essential to the vitality of the local community'.³

1.2 But post offices - and the ways in which individuals and small businesses use them - have undergone very considerable change in recent years. These changes reflect the enormous economic, technological and social developments within wider society. A range of factors including the increasing digitisation of communications and transactions, pressure on local retail and ongoing bank branch closures are likely to continue to have a significant impact on service provision.

1.3 With an older population and often less choice in service providers, rural residents and businesses may be disproportionately affected by these changes. The post office network with its extensive geographic coverage, is key in providing services in rural and remote areas.

1.4 There are around 11,600 post offices in the UK, with a unique reach across all parts of the country. Rural areas are particularly well served by post offices, and over half (53%) of the UK's branches are rural.⁴ 98.7% of the rural population is within 3 miles of a post office. This exceeds government access criteria that require Post Office Ltd (POL) to ensure 95% of the rural population is within 3 miles of a post office.

1.5 In many rural and remote areas, post offices are especially important because of the decline in availability of local alternatives providing these services. Notably, the number of bank branches has fallen sharply in recent years.⁵ Closures of other services such as pubs⁶ and shops⁷ have also affected rural areas, especially where alternatives are distant.

² Royal Mail, [Universal Service Obligation](#)

³ Business and Enterprise Committee, [Post Offices - securing their future](#), 2009

⁴ Post Office Ltd, [Network Report 2018](#)

⁵ From 20,583 in 1998 to 8,837 in 2012, and 37% of bank branches have closed over the last decade (2007-2017). (House of Commons Library, [Bank Branch Closures](#), 2018)

⁶ The Campaign for Real Ale [reports](#) 21 pub closures a week in 2016, of which just under half were in rural areas.

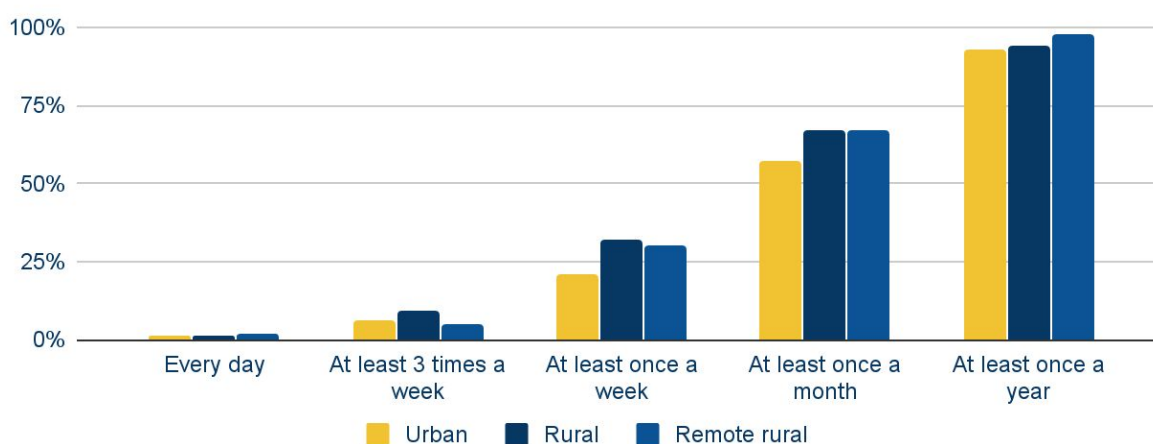
⁷ The Rural Shops Alliance [estimates](#) 2,500 village shop closures in the decade to 2014.

2 Rural consumer use of post offices

2.1 Almost everybody uses a post office at some time, but rural residents are slightly more likely to use post offices than urban residents. 98% of rural consumers use post offices (compared with 97% of urban consumers).

2.2 People based in rural areas also use post offices more frequently than urban residents. Whilst nearly 1 in 3 (31%) rural residents uses a post office at least weekly, in urban areas only 1 in 5 (21%) do so. 2 in 3 (67%) consumers in rural areas use a post office monthly or more (compared to 57% in urban areas).⁸

Figure 1. Rural consumers use post offices more frequently



2.3 Rural residents say that localness or proximity is the most important reason why they choose to use key services at post offices.

3 Access to postal services

3.1 The ways in which people use post have changed dramatically over the last 15 years. Although letter volumes have declined, postal services remain a central part of our economy. Most consumers still access important information through the post and more than 2 in 5 people send items through the post at least once a fortnight. The rise in online shopping has resulted in 190% growth in business to consumer parcel volumes since 2010 and this trend has led to an increase in the use of parcel-related services.⁹

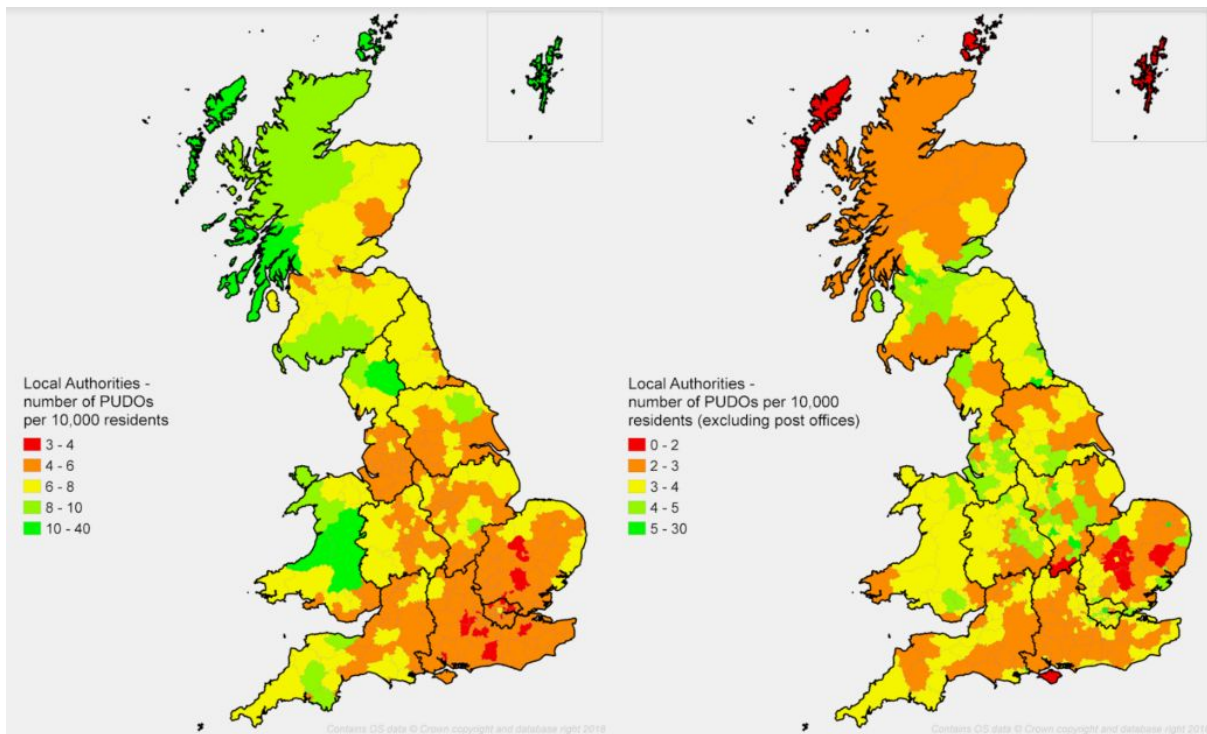
3.2 Rural residents are particularly reliant on post offices for access to postal

⁸ Citizens Advice, [Rural Post Office Use](#), 2017

⁹ Citizens Advice, [Trends in the Postal Services Market](#), 2018

services. Our recent mapping research shows that although rural areas such as the Highland and Island of Scotland, Central and West Wales and South West England have better provision of parcel pick up and drop off (PUDO) points in proportion to their populations (per 10,000 residents), as figure 2 illustrates this is largely dependent on the post office network.¹⁰ Alternative outlets, such as supermarkets selling stamps and parcelshops like CollectPlus, tend to be less well-provided than in urban areas.

Figure 2. Rural PUDO provision is dependent on the post office network



3.3 Our research finds 72% of rural residents, rising to 80% in remote areas, use a post office to buy stamps or pay for letter postage (compared with 70% in urban areas). 65% of rural residents, and 67% of remote rural, use a post office to send parcels (62% in urban areas). 40% of rural residents return internet shopping items at a post office (38% in urban areas).¹¹

4 Essential services - cash and banking

4.1 A key economic challenge facing rural areas arises from the ongoing exodus of bank branches from the countryside. Whilst over 2,000 bank branches have closed since 2015¹², a net total of 87 post offices closed between 2015 and 2018.

¹⁰ Citizens Advice, Mapping Parcel Shops, May 2018

¹¹ Citizens Advice, [Rural Post Office Use](#), 2017

¹² Which? press release, [Bank Branch Closures Top 2,100](#), 2/5/18

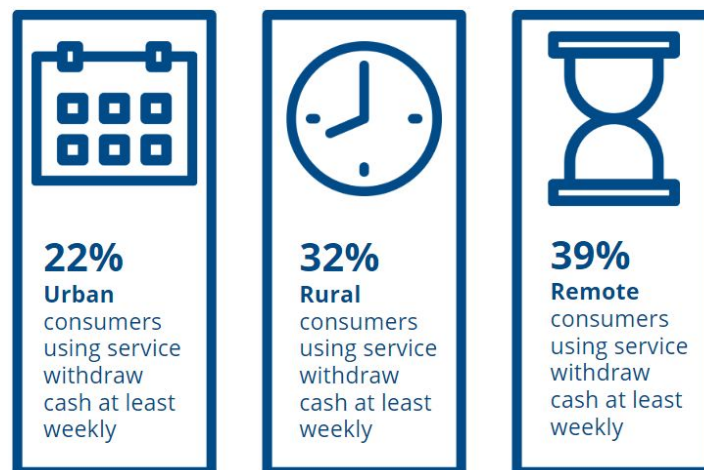
The government intends the post office network to play a crucial part in filling the gap following the banks' retrenchment.

4.2 Since January 2017, an agreement¹³ between the Post Office and the banking industry has enabled 99% of UK personal bank customers and 95% of business customers to do their day-to-day banking at post offices. These services include cash withdrawal, cheque and cash deposits and balance checking.

4.3 Access to cash is vital. Cash remains the second most frequently used payment method in the UK and is predicted to remain so for the next decade.¹⁴ Cash is especially critical for people with lower household incomes, who are far more likely to rely mainly on cash compared with their more affluent counterparts.¹⁵

4.4 Post offices are already playing an important role in providing access to cash and banking in rural areas. Recent research by Citizens Advice finds in rural areas nearly 1 in 4 (24%) consumers withdraw cash from their bank account at a post office (compared with 19% in urban areas).¹⁶ The more remote consumers are, the more likely they are to make frequent cash withdrawals (see figure 3).

Figure 3. Frequency of cash withdrawals increases with rurality



4.5 Banking at post offices can be a valuable way to protect consumer access in the context of bank branch closures. However our previous mystery shopping research shows issues with the provision and quality of banking services at post

¹³ Post Office Ltd press release, [Post Office and UK Banks' Partnership](#), 2017

¹⁴ UK Finance, [UK Payment Markets Summary](#), 2018

¹⁵ UK Finance, [UK Cash & Cash Machines](#), 2017

¹⁶ Citizens Advice, [Rural Post Office Use](#), 2017

offices. For example in over 1 in 5 (22%) visits mystery shoppers were unable to access the cash deposit service.¹⁷

4.6 Following a direction from the chancellor in the Autumn Budget 2017, earlier this year UK Finance and Post Office Ltd launched an action plan to raise awareness of banking at the Post Office.¹⁸ However due to our concerns and those of others stakeholders¹⁹ about the suitability of post offices to provide basic banking services, we recommend that before embarking on an awareness raising campaign the Government and the UK finance industry should undertake research to assess consumer access to and satisfaction of banking services at post offices.

5 Essential services - application and payment services

5.1 Post offices have an important function offering access to essential application and payment services. Some of these services are widely used, such as picking up government forms including applications for passports and driving licenses (48% of rural residents pick up forms at post offices).

5.2 However, as increasing numbers of payments are now transacted digitally, today's post office payment services tend to be most important for people who are digitally excluded, over 65 or on low incomes. Vulnerable people are more likely to use post offices to pay for vehicle tax, council services (eg rent, council tax, transport passes) and utilities.²⁰

6 Essential services - retail goods

6.1 Post offices in rural areas are often based within other shops such as convenience stores. The co-location of post offices within retail outlets enables many consumers to buy retail goods in the same premises. This service is particularly well-used in rural areas. Almost 7 in 10 rural consumers purchase non-Post Office retail goods at post offices such as stationery and cards, groceries, household goods, newspapers and fresh food.²¹ Income from

¹⁷ Citizens Advice, [The state of the post office network](#), June 2017

¹⁸ UK Finance, Banks and Post Office to raise greater awareness of banking services available in local post office branches, 29/03/2018

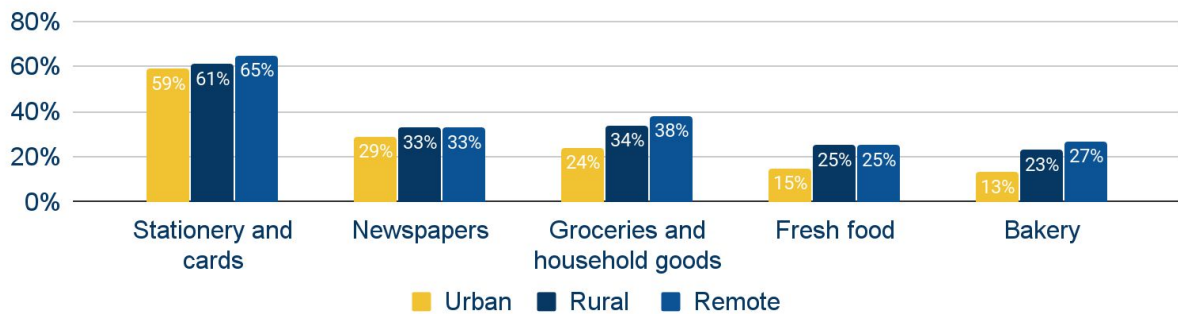
¹⁹ For example, see House of Commons debate on [Banking in North Ayrshire](#) (14/3/18)

²⁰ Citizens Advice, [Rural Post Office Use](#), 2017

²¹ Citizens Advice, [Rural Post Office Use](#), 2017

providing Post Office services may also help prop up the provision of other goods, by making retail outlets more financially sustainable.

Figure 4. Rural customers buy retail goods at post offices



7 Community support role

7.1 As well as offering Post Office and retail services, post offices often play a role in providing more informal and social services ('community services'). These services are most heavily used by older people and rural residents.

7.2 Over 1 in 3 (35%) consumers use a post office for 'community services'.²² These include providing community information about events and local services. Post offices also often offer informal assistance to their customers - such as help and advice about services, reading official letters and form filling. In addition, post offices frequently operate as a focal point, a place to meet friends and local residents. (See figure 5 for further details.)

Figure 5. Rural customers make significant use of community services



²² Citizens Advice, [Consumer Use of Post Offices](#), 2017

7.3 In the context of an ageing population, this support function could become increasingly critical. Age UK figures highlight the importance of this role - the charity finds 41% of people aged 65 and over feel out of touch with the pace of modern life and over 1 million people say they always or often feel lonely.²³

8 Services to rural businesses

8.1 Post offices provide a significant contribution to rural economies, offering local access to cash and providing a reason to visit the town or village centre. The facility to withdraw cash is particularly important to local economies, previous studies indicate people who withdraw cash spend a high proportion of it in nearby businesses.²⁴

8.2 Post offices also deliver services directly to small businesses. Rural businesses make greater use of post offices than urban businesses. 39% of all rural small businesses use a post office at least weekly (compared with 33% in urban areas). 74% of rural small businesses use a post office at least monthly (65% in urban areas).

8.3 Rural small businesses make most use of mail services at post offices, including posting letters and documents, parcels and mail order return services. Small businesses in rural areas are almost twice as likely those in urban areas to use day-to-day banking services at post offices. 11% of rural businesses withdraw cash for their business from a post office (6% of urban businesses).²⁵ This function may become more important as bank branches continue to close.²⁶

8.4 A small proportion of small businesses use post offices for less formal services. Again, this is more common in rural and remote areas, where 6% of rural and 10% of remote rural small businesses use a post office for advertising their business or services.

8.5 The majority of businesses say without their local post office, business costs would rise. This is particularly striking for rural small businesses - 76% of rural and 80% of remote rural businesses anticipate higher costs to access services if their local post office was not available.

²³ Age UK, [Evidence review: loneliness in later life](#), 2015

²⁴ New Economics Foundation, [Ghost Town Britain II](#), 2003

²⁵ Citizens Advice, [Rural Post Office Use](#), 2017

²⁶ Federation of Small Businesses, [Locked Out](#), 2016

9 Community-run post offices

9.1 Post offices run by local communities, usually within a community-owned shop or pub²⁷ increasingly help maintain access to post office and banking services in rural areas. Community shops can keep services running where commercial ventures have failed, and around 190 community owned businesses now provide post office services.

9.2 Community-run post offices tend to be in rural areas with poor access to banking services, and with a large older population and limited public transport.

9.3 A recent Citizens Advice survey of people operating community-run post offices, found that 9 in 10 said providing post office services increases their social impact and has a positive impact on the strength of the local community. 86% said providing post office services reduces social isolation in the community. In addition, community-run post offices are frequently at least partly staffed by volunteers, bringing opportunities for residents to support their local economy and develop new skills and experience.²⁸

9.4 Whilst most community post office operators say it is easy to run post office services alongside their wider business, 3 in 10 say they found it difficult to get set up. The Government acknowledges these issues and supports moves to make it easier for communities to take on the operation of a post office.²⁹ Citizens Advice will be working with Post Office Ltd to make it easier for community-run enterprises to apply to run a post office.

²⁷ The [Plunkett Foundation](#) supports community shops and other businesses

²⁸ Citizens Advice, [Community-run Post Offices in the UK - what do we know?](#), June 2018

²⁹ BEIS, [Government Response to the 2016 Post Office Network Consultation](#), December 2017

Conclusion

Post offices are widely used by both individuals and small businesses, particularly in rural areas and by the more vulnerable members of society. Post offices currently make a significant contribution to local economies and the wellbeing of local communities.

The continued growth in online shopping and bank branch closures, indicate that people will continue to need post office services well into the future. The Post Office's community role and application and payment services are especially important for more vulnerable consumers and those in rural areas.

Our evidence shows that:

1. Post offices need to remain open and local
2. Post offices should continue to offer a wide range of services
3. The Government or the UK finance industry should commission research to assess consumer access to and satisfaction of banking services at post offices
4. The Post Office should should make it easier to set up a community-run post office.

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