ECONOMIC SECRETARY TO THE TREASURY

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Stephen Timms MP
Chair
Work and Pensions Committee
House of Commons
London
SW1A 0AA

Dear Stephen,

10th February 2020

Access to banking services in Post Offices

Congratulations on your appointment as Chair of the Work and Pensions Committee. I am writing in reply to a letter sent by your predecessor at the start of the pre-election period in October 2019, regarding access to banking services through the Post Office.

In January 2017, the Post Office agreed a three-year, industry-wide agreement known as the Banking Framework. This marked the largest expansion of face-to-face banking in a generation, allowing communities and businesses to withdraw money, deposit cash and cheques and check balances at 11,500 Post Office branches in the UK. The volume of basic banking transactions undertaken at Post Offices has steadily increased since the introduction of the Banking Framework, with close to 130 million transactions in 2018.

Following negotiations for Banking Framework 2, Barclays UK announced on 8 October 2019 that their customers would not be able to withdraw cash from post offices from January 2020. However, on 24 October 2019, following a discussion I had with their CEO, Barclays UK reversed this decision and announced that it would commit to full participation in the Post Office Banking Framework from the renewal date in early 2020, including maintaining the cash withdrawal facility using debit cards for Barclays' customers.

The Government believes that banks are best placed to make the commercial decisions in how they provide services. However, I have always been clear that industry must play a key role in ensuring access to cash and banking services for people and businesses, and I welcomed this news which allows 95% of business and 99% of personal banking customers to continue to carry out their everyday banking services at over 11,500 post offices across the UK. This new Banking Framework agreement will run for three years until January 2023 and future negotiations will have my full support.

More broadly, as digitalisation changes the way we bank and pay for things, it is vital that we ensure that vulnerable customers are not left behind. The Government is committed to improving access to financial services and part of this is about ensuring that physical banking and cash remain available to those who need it. Government, regulators, and industry are already taking action to ensure this.

In 2018, the Government conducted a Call for Evidence on Cash & Digital Payments in the New Economy. This sought to gather evidence on how changing preferences for cash and digital payments impact on different sectors, regions and demographics. In the response to this Call for Evidence, the Government committed to supporting digital payments whilst safeguarding access to cash for those who need it. Furthermore, the Government announced the launch of the Joint Authorities Cash Strategy (JACS) Group - which brings together the Payment Systems Regulator, Financial Conduct Authority and Bank of England - to ensure comprehensive oversight of the overall cash infrastructure in light of changing trends related to cash. An update of the JACS Group activities will be published in due course.

Finally, in addition to safeguarding our cash infrastructure at future levels of usage, let me assure you that it is equally important that we redouble our efforts to ensure that all of our constituents are benefitting from new technology. We cannot reverse digital innovation, and nor should we, given the benefits they bring to our constituents. It is vital that we press on with our work to ensure banks support communities across the UK, and I will continue to urge firms to consider all consumers, not only when they are considering the future of cash and physical banking, but also when they design new digital products and bring new innovations to market.

I am copying this letter to the Chair of the Treasury Select Committee.

Thank you for taking the time for making me aware of your concerns.

with very best regards

JOHN GLEN