who benefits?

research into consumers’ views and awareness of changes to benefits and state pension payments at post offices
Postwatch Scotland

Postwatch Scotland is the consumer watchdog for postal services in Scotland. It is part of the UK organisation Postwatch which was established under the Postal Services Act 2000. The office in Scotland opened on 2 April 2001.

Postwatch Scotland was set up to protect, promote and develop the interests of domestic and business consumers of postal services.

It does this by researching, speaking out and campaigning on issues of concern; by securing value for money through better services and keener prices; by encouraging choice and innovation through responsible competition and informing customers about postal services and market developments.

Postwatch has been particularly concerned about the changes to the benefits payment system that are due to commence April 2003 as it has a particular remit to pay particular attention to the interests of the disabled and chronically sick, pensioners, people on low incomes and those who live in rural areas. It has also a remit to investigate any matter relating to the number and location of post offices.

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The Scottish Consumer Council

The Scottish Consumer Council (SCC) was set up by government in 1975. Our purpose is to promote the interests of consumers in Scotland, with particular regard to those people who experience disadvantage in society. While producers of goods and services are usually well-organised and articulate when protecting their own interests, individual consumers very often are not. The people whose interests we represent are consumers of all kinds: they may be patients, tenants, parents, solicitors’ clients, public transport users, or simply shoppers in a supermarket.

Consumers benefit from efficient and effective services in the public and private sectors. Service-providers benefit from discriminating consumers. A balanced partnership between the two is essential and the SCC seeks to develop this partnership by:

- carrying out research into consumer issues and concerns;
- informing key policy and decision-makers about consumer concerns and issues;
- influencing key policy and decision-making processes;
- informing and raising awareness among consumers.

Please check our web site at www.scotconsumer.org.uk for news about our publications.

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We can often make our publications available in braille or large print, on audio tape or computer disk. Please contact us for details.
Many of the most vulnerable people in our society use their local Post Office to cash their giro cheques and collect their state benefits. In April 2003, the Government will begin to implement changes in the payment of benefits that will in due course result in all such payments being made by automated credit transfer (ACT). This will cover everything from the state pension to child benefit, from unemployment benefit to payments to help people who have a disability or are chronically sick.

This means that many consumers, particularly those on low incomes, will have to open a bank account for the first time. In order to overcome the potential for this initiative to add to financial exclusion, the Government has asked banks and building societies to develop basic bank accounts which allow control over money without getting into debt (Appendix I gives details of these accounts).

The changeover will affect Post Offices in Scotland which play a key social and economic role in providing an accessible range of essential services to local communities. Many small Post Offices depend for survival on the trade that benefit recipients bring and if they do not keep a large proportion of such customers then closures could result.

This is an issue of crucial importance to people who receive state benefits. Direct credit has the potential to give consumers greater choice about how and where they collect their benefit and basic bank accounts could bring with them financial inclusion benefits. But this will only happen if the views of those affected are taken into account in the way the changeover is implemented, and if consumers receive proper and timely information about the options open to them so that they can make informed choices.

The Scottish Consumer Council and Postwatch Scotland wanted to know just how this change would affect consumers in Scotland and what practical issues would need addressed in order to ensure that consumers were able to choose where and how to open the account which best suited them.
We therefore commissioned NFO System Three to undertake research on consumers’ use of Post Offices with regard to benefit payments and their awareness of the changes which are about to affect them. The findings are outlined in this report. Over the period, 26 September – 1 October 2002, a sample group of 986 adults aged 16 and over were interviewed in their own homes throughout 42 constituencies across Scotland. The sample was weighted to match population profile estimates. Data was recorded against the following demographic variables: sex, age, socio-economic group, geographical location, marital status, children under 17 in the household, and working status.
Who will be affected?

The research showed that 53% of respondents received either a state pension or some other form of benefit payments. (See Figure 1). Perhaps unsurprisingly the groups most likely to receive benefits were those aged 65 and over and those not currently working. Respondents aged 65 and over (98%) were found to be about twice as likely to receive benefits than those aged between 25 and 64, and over four times more likely than respondents aged 16-24. 82% of respondents who were not in employment reported that they received benefits compared with 29% of working respondents. Similarly, 75% of respondents from socio-economic group DE received benefits while respondents from the other three socio-economic groups averaged 42%. (See Figure 2). Women and respondents from rural areas were also found to be more likely to receive benefits of some kind. 63% of women received benefits compared with 42% of men, while 60% of respondents from rural areas indicated that they received benefits compared with 51% of urban dwellers.

Figure 1. Do you currently receive a state pension or benefit payments?
How do consumers collect pensions and benefits?

Most respondents collected their state pension or benefit payments at the Post Office (62%) rather than receiving them through their bank account. In particular respondents from socio-economic group DE were found to collect their benefits from the Post Office (79%) rather than via their bank account (22%). (See Figure 3). This contrasts sharply with respondents from group AB for whom 72% reported that they received their benefit payments through their bank account rather than by collecting them from the post office (28%). (See Figure 4). Differences in the way respondents receive benefits could also be observed in relation to marital status and working status. While respondents who were married/with partner or in employment were about as likely to collect their benefits via the Post Office as their bank account, single (71%) and unemployed (67%) respondents were more likely to visit the Post Office to collect their benefits.
Figure 3. How do you receive your state pension or benefit payments? Are these collected at the Post Office or are they received through your bank account?

<table>
<thead>
<tr>
<th></th>
<th>Collected at Post Office</th>
<th>Received through bank account</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62%</td>
<td>38%</td>
<td>1%</td>
</tr>
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</table>

Figure 4. How do you currently receive your state pension or benefit payments? Are these collected at the Post Office or are they received through your bank account?

<table>
<thead>
<tr>
<th></th>
<th>A8</th>
<th>C1</th>
<th>C2</th>
<th>DE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collected at Post Office</td>
<td>28%</td>
<td>53%</td>
<td>47%</td>
<td>22%</td>
</tr>
<tr>
<td>Received through bank account</td>
<td>72%</td>
<td>47%</td>
<td>59%</td>
<td>79%</td>
</tr>
</tbody>
</table>
Respondents were asked whether they in fact had a bank account, either in their own name or jointly with another. 81% of respondents who used the Post office to collect their pensions or benefits were found to have a bank account. (See Figure 5). However, there were a number of factors which could be seen to affect the likelihood of these respondents having a bank account. Respondents were found to be steadily more likely to have a bank account as their age increased, with 87% of respondents aged 65 and over compared to 71% of those aged 16-24 indicating that they had a bank account. A sharper increase could be seen in relation to socio-economic status. (See Figure 6). 71% of respondents in group DE had a bank account but this rose to over 90% for the other three socio-economic groups. 87% of both rural respondents and those who were married or lived with their partner had bank accounts compared with 79% of those living in urban areas and 75% of respondents who were single.

Figure 5. Do you in fact have a bank account, either in your own name or jointly with another?

![Bar chart showing the distribution of responses.]

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>81</td>
<td>18</td>
<td>1</td>
</tr>
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</table>
Most respondents who received benefits or a state pension from the Post Office indicated that they collected it themselves. 86% did so compared with 15% who got someone else to collect it on their behalf. Of those respondents who reported getting someone else to collect their benefit payment 60% always had it collected by someone else, 37% most times and 3% occasionally. The research found that almost all respondents who had their benefits payments collected by someone else always used the same person (96%). 4% indicated that they had different people collect their benefit payments.
Why do consumers collect their pension or benefit in the way they do?

As stated in the previous section, most respondents collected their benefits or state pension from the Post Office (62%) while a significant minority (38%) received theirs via their bank account. The survey asked respondents what their main reason was for collecting their benefit payments in the way they do.

Looking firstly at respondents who indicated that they collected their benefit or state pension from the Post Office, it was found that the main reason given was that respondents had always collected their benefits this way (36%). (See Figure 7). For 21% of respondents the Post Office was nearer to them than any bank, while 19% indicated that they liked to...
keep their benefit/pension money separate from other money. 5% reported that they liked to meet people in the area when collecting their benefit/pension from the Post Office. The same percentage indicated that the main reason for collecting their benefit/pension payments from the Post Office was that they did not have a bank account. This is noticeably lower than the 18% of respondents who indicated that they did not have a bank account.

There was greater consensus among respondents who indicated that their benefit/pension was paid directly into their bank account. 76% reported that banking was more convenient than going to the Post Office. Other reasons identified were: the money reliably comes into the respondent’s bank account at the same time each month/fortnight/month (7%); having the money to pay bills by direct debit (6%); and that using a bank is more secure (4%).

While convenience can be seen as the main reason why respondents chose to collect their benefit/pension via their bank account, the research showed certain groups to be more likely to do so than others. Respondents from higher socio-economic groups were found to be more likely to identify convenience as the main reason for receiving their pension/benefits through their bank account. 86% of respondents from socio-economic group AB and 80% of those from C1 identified convenience as the main reason why they had their benefit/pension paid into their bank account. This figure fell to 75% for respondents from socio-economic group C2 and 62% from group DE.

Respondents aged 16-24 were found to be less likely to identify convenience as the main reason for collecting their benefit payments through their bank account, with only 57% doing so. Older age groups were more likely to identify convenience, although there was not a continuous increase as respondents aged 25-44 were most likely to choose this option (81%), followed by 79% of those aged 65+, and 67% of those aged 45-64.

Smaller differences were found relating to marital and working status, and whether respondents had children under 17 in the household.
Consumer awareness?

From April 2003 state pensions and benefits will gradually be paid through bank accounts. For the 62% of respondents who indicated that they collect their pension/benefit from the Post Office this will mean making alternative arrangements for how they receive their pension/benefit. (see Figure 9). The research found that nearly half the respondents (48%) were unaware of the government’s plans to pay state pensions and benefits solely via bank accounts.

The main difference in awareness was found between urban and rural respondents. Almost two thirds of respondents from rural areas were aware of the impending changes compared with just 47% of urban respondents. (See Figure 10). Respondents aged over 65 were found to be more likely to be aware of the forthcoming changes to pension/benefit payments, with 58% answering yes to this question. Half of those aged 45–64 were aware of the forthcoming changes, compared with just under half of those aged 16–24 and 25–44. Differences in awareness could also be seen with regard to socio-economic status. 58% of respondents from
Did you know that from April 2003, benefits and state pensions will gradually be paid through bank accounts?

Figure 9.

Did you know that, from April 2003, benefits and state pensions will gradually be paid through bank accounts?

Figure 10.
group AB reported that they were aware of the government’s plans to pay pensions/benefits solely through bank accounts. Less than half the respondents from socio-economic group DE (46%) were found to be aware of the forthcoming changes to how they could receive their pension/benefits.

Other groups which the research found to be less likely to be aware of these forthcoming changes were women (48%), single respondents (45%) and people with children under 17 (46%).

Future choices?

Respondents were asked whether they would like to continue to be able to obtain cash for their pension or benefit payment at their local Post Office counter when these changes come into place. Just over half the respondents indicated that they would like to be able to continue to

Figure 11. When this happens, would you like to continue to be able to obtain cash for your pension or benefit payment at your local Post Office counter?

<table>
<thead>
<tr>
<th>Choice</th>
<th>%</th>
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<tbody>
<tr>
<td>Yes</td>
<td>51</td>
</tr>
<tr>
<td>No</td>
<td>32</td>
</tr>
<tr>
<td>Don’t mind</td>
<td>15</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
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obtain cash from the post Office. (See Figure 11). Thirty two percent did not want to be able to obtain cash from the Post Office, while 15% reported that they did not mind.

Respondents from socio-economic group DE were found to be particularly in favour of being able to continue to obtain cash for their pension or benefits payments from their Post Office. (See Figure 12). Over three times as many respondents from group DE (67%) answered yes to this question than respondents from group AB (20%). Similarly, those respondents not currently in employment were found to be more likely to be in favour (58%) than those in employment (34%).

The research found a number of other groups to be more in favour of being able to obtain cash for their pension/benefit payments from the Post Office after April 2003. These were: respondents aged 65+ (57%), respondents with no children aged under seventeen in the household (57%), single respondents (60%), and those from rural areas (55%).

**Figure 12. When this happens, would you like to continue to be able to obtain cash for your pension or benefit payment at your local Post Office Counter?**
To be able to obtain cash from the Post Office for pension/benefit payments after April 2003 consumers will require an account accessible at the Post Office. Respondents were asked to choose what kind of account they would prefer from the following options: card account, basic bank account and current account (see appendix I). The most popular option was a card account, with one third of respondents choosing this type of account. (See Figure 13). The second most popular option was a basic bank account which 30% of respondents opted for, while just under one fifth favoured a current account. A similar proportion (18%) indicated that they did not know what type of bank account the would prefer.

Figure 13. To do this you will need an account accessible at the Post Office. A number of options are available. Which one would you prefer?

![Bar chart showing preferences for account types]

Although over half the respondents indicated that they would like to be able to continue to obtain cash for their pension/benefit payments from the Post Office after April 2003, only 41% of those who collected their pension/benefit from the Post Office and had a bank account were willing to open an additional bank account if their existing account was not accessible at the Post Office. (See Figure 14). Almost one half (49%) indicated that they would not be willing to open an additional account, while 10% did not know.
Given that almost one fifth of respondents did not have a bank account and that of those who did, some would not be able to access their account from the Post Office, it would appear that a large number of people will have to open a new bank account to receive their pension/benefit payments. As stated previously in this report nearly a fifth of those respondents who wanted to be able to continue to collect cash for their pension/benefit payments did not know what kind of account they would prefer. Given the apparent confusion regarding the options available, it would appear crucial that consumers have access to good advice on the type of account most suited to their needs. The survey asked respondents who they thought they would go to in order to obtain this advice. They were able to choose from the following options: Citizens Advice Bureau, an independent financial adviser, family member/friend, sub-postmaster/mistress, bank manager, Social Security/Benefits Office. Respondents could choose more than one option.
The most common choice was bank manager with 24% of respondents picking this option. (See Figure 15). Sub-postmaster/mistress was the next most popular option (20%), followed by family member/friend which was identified by 15% of respondents. A smaller number picked the remaining options – Citizens Advice Bureau (8%), Social Security/ Benefits Office (5%), and an independent financial adviser (3%).

Figure 15. If you wished to obtain advice on the type of account most suited to your needs, who do you think you would go to for advice?
Over a fifth of respondents reported that they would not seek advice from anyone on the type of account best suited to their needs. Respondents from the higher socio-economic groups were noticeably more likely to indicate that they would not seek advice from anyone. (See Figure 16). Almost one third of respondents from group AB (32%) and 26% of those from C1 would not seek advice compared with 20% from C2 and 15% from DE.

**Figure 16. Wouldn't seek advice from anyone.**
Conclusions

The results of this survey highlight the sheer volume of people who will be affected by the introduction of direct credit and the scale of the impact it will have on what are essential sources of income for vulnerable groups. This impact could be positive, leading to increased choice of and accessibility to financial services. However, without the information and advice they need, there is a risk that many people will make the wrong choice, or even fail to open a bank account at all. The research finding which showed that nearly half of those people who receive pensions or benefits did not know anything about the new system is alarming, particularly in the light of the short timescale before the changes start to happen.

The choices which people do make will have wider implications for communities. The potential for better access to banks for individuals will have to be balanced against the corresponding loss of income for Post Offices and the subsequent threat of closures and withdrawal of a range of other essential local services.

In terms of those who will be affected by changes to benefit payments, our research did, predictably, tell us that this would include those in the lowest socio-economic groups, elderly people and those who are unemployed. However, we were also surprised to note that more women than men receive benefits, possibly in connection with child benefit, and that more people in rural areas received benefits than those living in towns and cities. This emphasises the scale of the changes being proposed and their effect on the wider population across Scotland.

The research confirmed that the Post Office played a crucial role in paying pensions and benefits. Most people possessed a bank account but did not use it for this purpose. There were, however, some sharp contrasts between the different socio-economic groupings and those falling into the lower groups were heavier users of the Post Office. For over a third of people this appeared not to be the result of a pro-active preference, more a continuation of past practice. However, 45% of the respondents did give positive reasons for using the Post Office, mainly due to its accessibility. It was also interesting to note that a fifth of people cited the desire to keep benefit payments separate from other cash sources.
There was greater consensus among respondents whose benefits/pensions were paid directly into a bank account. The majority of people liked the convenience which went with this method. However, again there was a clear contrast between the different socio-economic groups. The higher groups were more likely to cite convenience. However, those in the lower groups cited the practical benefits to be gained by having money paid into their bank account at predicted times.

These patterns of use in relation to banks and Post Offices are relevant. They tell us that the Post Office plays a key role in the current system, particularly for lower income consumers, as the place most people currently obtain their cash. The accessibility of the Post Office was important. For those who currently used banks, convenience was important but the practical benefits to be gained by direct credit were seen as more important for people on lower incomes. However, there is a substantial group of people who appear to use the Post Office for traditional reasons only, even although they have a bank account. This could indicate a degree of inertia about switching and barriers in terms of information about the best option for them.

Another issue raised by the research concerns consumers’ use of proxies to collect their benefit. 15% of respondents, presumably those who find it most difficult to get out and about, get someone else to collect their payments. The new system will have to address vulnerable consumers’ reliance on other people to obtain their payments.

Nearly half of the respondents in our survey were unaware of the Government’s plans to pay state pensions and benefits solely via bank accounts. This information gap needs to be addressed as a matter of urgency and the onus is on government, post offices and banks to take on this responsibility. Our figures show that specific gaps exist in urban areas and in relation to women and people with young children. Of particular concern is the relatively low level of awareness in young people and in lower income groups.

More than half of the respondents wanted to be able to continue to obtain cash for their pension or benefit payment at their local Post Office and this figure increased for the lower socio-economic groups. However, in
order to do this, consumers will require an account accessible at the Post Office. The most popular option was a card account at the Post Office although we hesitate to draw firm conclusions about preferences for this given that this was the first time many of the respondents had been given information about the different options. However, it was relevant to note that nearly one fifth said that they did not know which type of account they would prefer.

We wanted to find out where people would be likely go for advice and information about the changes. This data would help identify potential sources that people felt they could approach. We also wanted to determine whether people felt they would need advice from someone else before making a decision. The people in the lower socio-economic groups were more likely to feel that they would need advice. The most common source people would approach was the bank manager, followed by the sub-postmaster/mistress. Some people would approach family or friends. However, only a very small number thought that they would go to the benefits office or use an independent source of advice like the Citizens Advice Bureau.

This was a statistical piece of research with a representative cross-section of consumers in Scotland. It gives a broad quantitative picture of consumers’ views and current patterns of benefit collection and has highlighted a range of universal issues which need addressed urgently. However, tackling these issues will have to take account of the specific needs of very disadvantaged groups who receive benefits, for example, homeless people who have no fixed address with which to qualify for a bank account, or people with visual or hearing impairments who will need information in specific formats.

The research set out to identify the scale and impact of the imminent introduction of automated credit transfer for state benefit and pensions payment. It revealed the potential to increase choice of and accessibility to flexible bank accounts for disadvantaged consumers. However, it also confirmed the key role played by Post Offices in delivering this service to disadvantaged groups and, of most concern, it highlights the lack of consumer awareness and crucial gaps in information provision and consumer education.
Appendix I  Glossary of Terms

Direct Credit

Direct credit is a direct electronic payment into a bank account or building society account rather than a payment by cheque or by cash.

Card Account at the Post Office

The Card Account at the Post Office (Card Account) is an electronic substitute for an orderbook. The Card Account will be restricted to recipients of a benefit, state pension or tax credit. Its purpose will be to enable state pension, benefits and tax credit recipients to receive direct credit payments from Government agencies. Account holders will withdraw direct credit payments made into the Card Account at a post office counter only. A plastic card will be used to make withdrawals. Benefit recipients will not be able to make deposits, set up direct debits or standing orders, set up an overdraft or use the card at banks or building societies. The card cannot be used to make cash withdrawals at an ATM.

Basic Bank Account

These accounts are also known as introductory or no frills accounts. Each bank’s account is known by a different name. For example, the Halifax basic bank account is called Cardcash. In addition to the features offered by the Card Account, basic bank accounts will allow benefit recipients to deposit cash and cheques, make withdrawals at ATMs, and set up direct debits and standing orders. Benefit recipients will not be able to have an overdraft or a loan. The features of each account are likely to vary slightly from bank to bank. Some banks may offer a debit card or free buffer zone as part of their basic bank account package. A free buffer zone is a free temporary overdraft which will allow a customer to take money from their account when, for example, they have £6 left in their account and a cash machine will only dispense a £10 note.
Network Banking Services

This is the name given to the services provided through post offices for, currently, seven banks. Benefit recipients who have an account with Barclays, Alliance and Leicester, cahoot, The Cooperative Bank, Lloyds TSB, smile, or First Direct (in Scotland) can make free cash deposits, cheque deposits, and cash cheques at a post office. In Northern Ireland these transactions can only be conducted at a post office if the customer has an account with Alliance and Leicester, The Cooperative Bank, or cahoot.

Universal Banking Services

Universal Banking Services is the concept developed by Post Office Limited in response to the Government’s decision to switch pensions and benefits transactions to payment by direct credit from 2003. For the Government the scheme is a means to tackle financial exclusion while also helping to ensure the future of the Post Office network. Universal Banking Services covers access to the Card Account and basic bank accounts at post offices.