



PRESS RELEASE

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GIROCHEQUES TO BE REPLACED – THE END OF AN ERA

The Minister for Employment, Chris Grayling, has announced today in a Written Ministerial Statement that the payment of welfare benefits by girocheques through Post Office branches is to end. About 98% of benefit payments are already made directly to the recipients' bank or other account. Hence this change will only affect the remaining 250,000 of so "benefit customers" who are not paid in this way. The new service for these individuals will instead be provided over the counter of over 20,000 PayPoint outlets, which are typically local convenience stores or newsagents. It will be crucial that the changeover is as seamless as possible and that the new system is very easy for the "customer" to use; most of them have opted for the girocheque system because they are unable or unwilling to cope with electronic banking. PayPoint and their partners Citibank will need to bend over backwards to ensure that their new system can really deliver the simplicity and supportive service that these new "customers" - some of them the most vulnerable members of our society - need.

Ken Parsons, Chief Executive of the Rural Shops Alliance, commented,

"The value of this contract is not massive – about £20million a year – and it will not have a significant economic effect on most post office branches or PayPoint outlets. The impact will be even less if girocheque recipients elect to open a Post Office Card Account, instead of migrating to the new system, as we would expect many to do.

However, this is a deeply symbolic loss for Post Office Ltd. In the past, payment of pensions and other benefits was a bedrock of the organisation, and this is one of the last tangible links with those times. This is a brutal reminder for subpostmasters operating in all types of location, that the Post Office is part of a fast-changing and very competitive marketplace, where nothing can be taken for granted.

The Post Office minister, Ed Davey, has been encouraging other government ministries to use the post office network to handle a range of interfaces between the citizen and government. The award of this girocheque contract to PayPoint must not be seen as setting a precedent, allowing departments to ignore the Post office option. Future contracts from government will probably fit better into the strengths of the Post Office branch network. It is essential that the loss of this contract spurs Post Office Ltd. on to win lucrative work in these new areas, such as identity verification and delivery of the proposed Universal Credit".

Notes for editors:

The Rural Shops Alliance (RSA) is the national voice for about 7,500 rural retailers. We campaign on their behalf and also help these shops to become more competitive with practical advice and support, to the benefit of thousands of rural communities. Many 'blue chip' suppliers and county councils sponsor and partner the work of the RSA. Our direct contact with rural shops and with these organisations means that we keep in close touch with emerging issues and concerns in our fast changing business sector.

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