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## **New state-owned Post Bank would ensure Post Office longevity, Cass report says**

A new report from [Cass Business School](#) finds that establishing a state-owned UK Post Bank would ensure the long-term sustainability of the Post Office by diversifying its portfolio of activities and increasing revenues.

The report states that a Post Bank would enable other important economic and financial goals by:

- Improving access to finance for Small and Medium Enterprises (SMEs).
- Advancing financial inclusion by reaching those who do not use banking services or who are likely to be affected by local bank branch closures.
- Rebalancing the UK economy away from London and other major urban centres.

Establishing a Post Bank would also align the Post Office with the successful strategy of other postal operators around the world including Italy's Poste Italiane and France's La Banque Postale.

Post Office banking services are currently provided by the Bank of Ireland UK (Plc). However, the report recommends that this partnership should end because the Bank of Ireland is still dealing with the aftermath of the financial crisis and is unlikely to invest substantially in the Post Office.

Lead author, [Professor Barbara Casu Lukac](#), Director of the [Centre for Banking Research](#) at Cass, said the partnership with the Bank of Ireland has not delivered the expected and potential results for the Post Office.

“Our analysis suggests the revenues the partnership between the Post Office and the Bank of Ireland has brought in remain significantly lower than post banks around the world and it has not delivered a full range of banking products for Post Office customers.”

Professor Casu Lukac said the establishment of a Post Bank is an opportunity for the Post Office to build on its existing strengths, including the positive public perception of the Post Office brand, compared to financial institutions.

“A strong brand and a solid reputation are key factors for a successful new player in any financial system, but this usually takes years to build – the Post Office already has this significant advantage.”

Professor Casu Lukac said a Post Bank would improve access to finance for SMEs. It could also join forces with challenger banks specialising in SME lending and acquire new technology to make sure that lending and related risks are managed prudently and sustainably.



Professor Casu Lukac said the capillary structure of the Post Office branch network puts a new Post Bank in a strong position to support financial inclusion and rebalance the UK economy, away from London.

“A Post Bank would reach the large groups of people and small firms who do not currently use banking services. It would also reach customers who are affected by the massive branch closure programmes operated by banks, often in rural areas,” she said.

The report advises that the Post Office acquires the Bank of Ireland UK portfolio, retaining existing customers. It suggests that the Post Bank is set up as a subsidiary, with a separate management team.

“We estimate that the initial equity should be in the region of £2 billion - the same amount the government has put into the Post Office in the past seven years. The profits this would bring in would eliminate the need for an ongoing annual subsidy for the Post Office, putting it on a sustainable footing for the future. The current macroeconomic conditions are also ideal to raise the initial capital, due to the low interest rates environment,” said Professor Casu Lukac.

Dave Ward, General Secretary, [Communication Workers Union \(CWU\)](#) said:

“Today’s report from Cass underlines the case for a Post Bank to secure the future of the Post Office and move away from its current strategy of cost cutting. Successful Post Banks are a key part of the postal industry in many countries from France to New Zealand – there is no reason for the UK to be leading the world in the managed decline of its post office network.

“The Post Office has a branch network that is bigger than all of the banks and building societies in the UK combined. As the report from Cass shows, this gives it huge potential for growth and to provide banking services to SMEs and the financially excluded with its own Post Bank. We would urge the government and the Post Office to act on the report’s recommendations.

“The CWU has been campaigning for a Post Bank for some time. In 2010 the government rejected the calls for a Post Bank to be set up and decided the Post Office should continue to partner with the Bank of Ireland to provide financial services instead. Today’s report shows this was a mistake. The partnership with the Bank of Ireland is now holding it back and we believe a Post Bank should be at the heart of a new strategy for the Post Office’s future.”

The independent report *Making the Case for a Post Bank* was commissioned by the [CWU](#) and carried out by the [Centre for Banking Research](#) at Cass. The authors are [Professor Barbara Casu Lukac](#), [Dr Angela Gallo](#) and [Dr Francesc Rodriguez Tous](#).

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**Media: Amy Ripley, Cass Press Office, M: +44 (0) 7794 053 384 E: [amy.ripley@city.ac.uk](mailto:amy.ripley@city.ac.uk)**



City, University of London Press Office, T: 020 7040 8788, E: [pressoffice@city.ac.uk](mailto:pressoffice@city.ac.uk)

**Notes to Editors:**

The [Centre for Banking Research](#) at Cass Business School promotes high calibre academic banking research and provides specialist consultancy to the banking and financial services industry, public sector organisations, regulatory authorities and governments. Its core and associate members maintain extensive links to the International Monetary Fund, the European Central Bank, the Bank of England, the Financial Conduct Authority, HMT, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.