

News Release

Worrying lack of knowledge revealed about major changes to payment of state benefits

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Almost half the people who will be affected by changes in the way state pensions and benefits are to be paid from April onwards are not aware of what is being planned.

Research carried out by the Scottish Consumer Council and Postwatch Scotland has uncovered what is described as an alarming lack of awareness among the public of these changes which will start in April and be phased in over a two year period. The two organisations are calling on the Government to address this problem as a matter of urgency and to give consumers as much advance information as possible about the options which will be open to them in the future.

The Government is introducing a new system for state pensions and benefits from April that will end the traditional cash payments from post offices. In future, claimants will either have to have their money paid into a bank account or, if they want cash from a post office, they will have to open a special post-office based account.

This change will have important implications, particularly for people on low incomes and the elderly many of whom rely on post offices to pay out their benefits in cash. The choices people make may also affect the future of some local post offices. Many post offices depend for survival on the business that is generated from paying benefits. If too many of their existing customers switch over to bank accounts it could result in closure.

The SCC and Postwatch Scotland decided to carry out research to find out how this change is likely to impact on consumers. The findings are contained in a report published today *Who Benefits?* which is based on interviews with just under 1000 adults from across Scotland.

Just over half of those interviewed (53%) were in receipt of benefits such as the state pension, unemployment, disability or child benefit. Almost two out of three people (62%) got their benefit from the post office and this increased to 79% for people on the lowest incomes. More than eight out of 10 people (81%) who used a post office also had a bank account.

The main reasons for collecting benefit at a post office were that they had always done it this way (31%); the post office was nearer (21%); they like to keep benefit money separate from their other finances (19%).

Despite the fact that, for many people, the change is just two months away, almost half (48%) said they were unaware of plans to pay state benefits solely through bank or other accounts.

Just over half said they would like to continue to be able to obtain cash from a post office and this increased among people on low incomes, those over 65, the unemployed, single people and those in rural areas.

The research concludes that many people are likely to have to open a new account to obtain their benefit payments. Yet a fifth of the people who took part in the research did not know what type of account would be best for them.

The report says that the impact of the change could be positive in increasing the choice and accessibility of financial services. "However," it adds "without the information and advice they need, there is a risk that people will make the wrong choice or even fail to open a bank account at all."

It also says that the research confirms the key role played by post offices in the current system, particularly for low income consumers. It warns that the consequences for post offices need to be seriously considered as the loss of income could lead to closure and the withdrawal of a range of other essential services from local communities.

Of most immediate concern is the lack of awareness of these changes among the people surveyed. Almost half (48%) were unaware that the traditional system of paying benefits from post offices is to end. "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," says the report.

Graeme Millar, chairman of the Scottish Consumer Council said: "It is clear that there is much confusion surrounding what will be a major change to the way state benefits are paid across the UK. Those on low incomes, the unemployed and the elderly are among the people who rely most on post offices paying out their benefits. They are the ones who stand to lose the most from this process. Action is needed now to provide better information and advice to all those affected and to minimise any problems when the new system is introduced.

Dr Tom Begg, chairman of Postwatch Scotland, said: "This research provides a helpful snapshot of the views of Scottish customers most likely to be affected by the

changes. However, we continue to have a number of serious concerns about implementation of the policy".

"For example, given the obvious continuing uncertainty of many consumers, we really do need to know what is the default option for those who fail to identify an account into which benefit payments can be made. In our view this could be either continuing with order books (particularly in the short term); or automatically issuing such clients with card accounts".

"Moreover, we are deeply concerned about the financial effects on sub-post offices of the potential loss of benefit business. Processing benefit and pension payments provides a substantial part of sub-post office incomes and the wholesale loss of this activity could be devastating to the network. That is another very good reason for allowing a substantial number of customers to have post office card accounts."

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About the Scottish Consumer Council

The Scottish Consumer Council was set up by the government in 1975 to promote the interests of consumers, particularly those who experience disadvantage in society. While producers and suppliers of goods and services are usually well organised when protecting their own interests, individual consumers very often are not. The people we represent are consumers of all kinds: they may be council tenants, patients, parents, solicitors' clients, public transport users, or simply shoppers in a supermarket. We speak up for them by communicating with the professions, industry, business, local authorities and central government, using careful research and persuasive lobbying.