

# Vulnerable populations: An overview of La Banque Postale's experience providing universal banking accessibility

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## **Abstract:**

Like all other banking institutions, La Banque Postale is seeing fewer clients coming into its branch offices, as people nowadays carry out most of their daily financial transactions remotely, using their smartphones, and are using cash less and less.

Yet thanks to its easy accessibility, its strong foothold in underprivileged suburban neighbourhoods, and its decision to continue to have a cash desk at each of its counters, La Banque Postale still serves nearly three million customers in its branch offices. These customers continue to carry out numerous cash transactions via their bank accounts. An observation provides one explanation for this situation: nearly two-thirds of the people who frequently go to the post office to carry out cash transactions generally live in underprivileged neighbourhoods, and the majority are unable to carry out even a simple transaction using digital means.

Banking exclusion is often addressed in terms of income, but in our view, it is more relevant to view it in terms of uses – notably digital ones. Use-based exclusion is currently becoming one of the main drivers of social exclusion.

In analysing a possible “end to cash”, La Banque Postale is investigating the technical and human resources that must be maintained (at a socially-acceptable cost) so that the aforementioned population segments are not totally excluded from the banking system.

In the French banking sector, La Banque Postale holds a unique position.

It is the only banking institution tasked with a public service remit for “banking accessibility”.

Legal texts define this remit through a certain number of specific requirements for La Banque Postale's Livret A savings account. La Banque Postale must:

- open a Livret A savings account for any person who requests one
- carry out deposit and withdrawal transactions for any amount above €0.50
- authorise Livret A direct debits for income tax, residence tax, utilities bills (water, gas and electricity), as well as rents due to social housing entities
- allow direct deposit of social benefits onto the recipient's Livret A account
- ensure that all Livret A transactions are entirely free of charge (even in cases when a direct debit is rejected)

The Livret A savings account has three characteristics:

- it is universal (i.e. there are no prerequisites for gaining access to the service)
- it is entirely free of charge
- it offers limited features compared to a current account (notably, it does not include any payment instrument)

In a country like France, which has many bancarisation schemes (including the right to hold an account, a specific service offer for vulnerable clients, etc.), a product such as La Banque Postale's Livret A should, in principle, only be used by a residual number of people faced with unusually harsh situations of precariousness.

However, we are forced to admit that this is not the case.

A portion of Livret A accountholders at La Banque Postale actually use their accounts more like a current account than a savings account. One indication of this is the very high number of transactions recorded on these savings accounts – considerably higher than for the Livret A savings accounts at other banks.

This mainly involves savings accounts with low balances: Livret A accountholders at La Banque Postale whose average balances are above €3,000 have behaviour comparable to their counterparts at other banks. Those whose average balances are lower than this amount carry out more transactions; the lower the average balance, the greater the number of transactions.

For example, Livret A savings accounts with average balances of €150 or less record four times as many transactions as their equivalent at rival banks.

In 2015, La Banque Postale recorded nearly 45 million withdrawals from Livret A savings accounts.

By digging a bit deeper, we see that in fact nearly three-quarters of Livret A deposits and withdrawals are carried out by two million accountholders.

These “hyperactive” Livret A accounts – involving numerous deposits and withdrawals, often carried out at the post office counter rather than on ATMs – are also concentrated geographically.

There is a very high overlap between the neighbourhoods where the most active Livret A accountholders live and the suburban areas (known as “Priority Neighbourhoods”) that face significant social problems.

This is also true for the map of transactions made by these clients, even though these transactions are often made in central city districts, reflecting clients' daily movements.

Moreover, it is striking to note that in reality, this specific situation does not apply to the Livret A alone. For current accounts at La Banque Postale, 5% of the accounts generate a majority of the transactions carried out at a post office counter, often in cash. The map of these current account transactions generally overlaps that of Livret A transactions, except that some current account transactions are also made in rural areas (mainly by senior citizens).

La Banque Postale carries out six times more transactions at its counters than other banking institutions.

Ultimately, in addition to the legal definition of the remit for accessibility, we observe an intensive use of cash, often at post office counters. This is the case despite efforts to provide these clients with ATM cards and to assist them in using those cards (most often, these are low-income clients who live in suburban areas in which the overall social situation is difficult).

This is undoubtedly the actual specific role played by La Banque Postale, but the current definition of its remit for bank accessibility does not fully reflect that role. On the one hand, the vast majority of its ten million clients are comparable to the clients of other banks: they go to bank counters very rarely, carry out their transactions remotely (nowadays, mainly on their smartphones), and are beginning to use less cash, as indicated by the downward trend in ATM traffic.

At the same time, because La Banque Postale is easily accessible, continues to have cash desks at all its counters, and has a much denser branch network in underprivileged suburban areas than other banks (its branch density in these areas is higher than all other banking networks combined), it serves a client base that continues to use cash extensively and to carry out a high proportion of transactions at bank counters.

The reasons behind this client behaviour are hard to pinpoint because it is very difficult to discover them through classic surveys, especially if these reasons are related to forms of exclusion that the individuals in question are unwilling to talk about.

These reasons are very diverse, whether it is because individuals with very small budgets may view “virtual” money as being a source of anxiety, or due to cultural habits, illiteracy making it hard to use digital tools, etc.

There are probably also some “opportunistic” behaviours, in other words, people who use our service only because it is available and who could get by if that service were eliminated – even though it is hard to imagine that many people go to the post offices of underprivileged neighbourhoods because they enjoy it (regardless of the efforts made to improve the reception in these post offices).

Recently, in collaboration with Emmaus Connect (an NGO that works to combat digital exclusion), La Banque Postale carried out an interesting study that showed that two-thirds of clients at the counters of our offices in underprivileged neighbourhoods were individuals suffering from digital exclusion. In other words, these people were unable to use digital tools to make simple transactions (of any kind).

These findings open up a field for future work, as well as for future public policy discussions.

Costly physical infrastructure is necessary to be able to serve these population segments, which generally have low incomes and suffer from digital exclusion. For instance, a banking transaction carried out at a bank counter costs ten times more than a transaction carried out remotely (on an ATM, via the Internet or over the phone). These proportions are probably the same in other business sectors.

As more clients go digital, this gap will grow wider.

Simple economic rationality would mean no longer serving these clients. And, if the decision were made to maintain a physical infrastructure to serve them – as La Banque Postale does – then the relative cost of this infrastructure would rise over time, for an ever smaller number of clients.

Moreover, it would be incorrect to assume that it is only a matter of time before this issue resolves itself: most people suffering from digital exclusion are not elderly. Many young people who have no problems using a telephone or playing video games are unable to complete an online banking procedure successfully.

These observations point to at least three action areas. We must:

- Gain a better understanding of the reasons why the use of cash and the need for “physical” bank counters are so resilient. In my view, this is more a matter for sociologists than for bankers – even postal bankers with a public service remit.
- Refocus public-sector intervention on the real market shortcoming and the genuine service need.
- On a more fundamental level, evaluate the costs of digital exclusion for society as a whole, and bring together efforts to reduce this exclusion. In 2017, in collaboration with NGOs with which it has a long-standing working relationship, La Banque Postale launched an ambitious programme on this issue. However, in dealing with this problem, it is only one of many stakeholders in a much broader collective issue.

Discussions about the digitalisation of banking services and a possible end to cash – two trends that are welcome in many respects (notably in terms of cost-cutting and tracking transactions) – absolutely must take into consideration the fact that some population segments, often with very difficult living conditions, are currently excluded from the general move towards digitalisation.

How can we bring them out of this exclusion? In the meantime, how can we provide them with the non-digital services that they need? And what is the cost for society as a whole?

These are the real stakes of the discussions that have barely begun on a potential public service remit for banking accessibility in a banking sector whose digital shift is already well under way.