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10 DOWNING STREET

THE PRIME MINISTER

15 April 1980

Dear Ernest,

Thank you for your letter of 10 March enclosing a petition from your constituents about possible changes to the methods of paying social security benefits and the effect on sub-post offices.

It is true that last year the Department of Health and Social Security - in consultation with Sir Derek Rayner - examined the arrangements for paying social security benefits. This study included the frequency of payments (weekly, fortnightly or four-weekly), and whether the public should be able to have benefits paid direct into bank accounts if they wished. This review was not simply concerned with saving money. It considered whether social security payment arrangements reflected conditions in today's society - bearing in mind other comparable payment methods - and whether the taxpayer was getting the best possible value for the £250 million of his money that goes each year on making 1,000 or so million individual social security payments. As a result of this review, Government Ministers are considering a number of proposals that would provide wider public choice and better value for the money spent on paying social security benefits.

There has been widespread concern and some misunderstanding about this review. However, the Secretary of State for Social Services made clear on 12 March when he answered Questions by the Parliamentary Social Services Committee, "Retirement

/pensioners

pensioners will remain free to draw their pensions weekly from the post office. That is a guarantee. We have no intention of forcing any retirement pensioner to be paid fortnightly if he or she does not want this." Patrick Jenkin went on to say that, "No-one will be forced to have their pension or other social security benefit paid direct into a bank account, but this might be an option for those who would like it." I hope this will allay the anxieties expressed to you.

At a time of economic difficulty, the Government believes that it must set an example by carrying out its own activities as efficiently as possible. We believe that the arrangements for paying social security benefits must strike the right balance between the claims of beneficiaries and the administration of the system borne by all taxpayers. Apart from the savings which could accrue to the taxpayer from possible changes in the way benefits are paid, there are a number of other facts to be borne in mind. Well over 90 per cent of benefit payments are made weekly, despite the fact that about two-fifths of the working population - including 50 per cent of working women - and most occupational pensioners are paid monthly. Over 90 per cent of the unemployed are already paid their unemployment benefit and the associated supplementary benefit fortnightly; and over a half of mothers now cash their child benefit fortnightly or less frequently.

Despite the fact that half the population uses a current bank account and three-quarters uses a current or some other type of account, at present we cannot pay benefits direct into a bank or other account in Britain. There are growing numbers of people who are used to being paid monthly through a bank account. They are used to budgeting on a monthly basis and would prefer to receive their social security benefits in a similar way. I can assure you that the Government will not make any changes based on this review without the most careful consideration and proper consultation.

/I repeat

I repeat my assurance that the Government will take full account of the views of those who might be affected when considering possible changes in the arrangements for paying social security benefits, particularly the possible effect of any changes on sub-post offices. We are fully aware of the most valuable service which sub-postmasters provide to the community, particularly in rural areas; and that local communities attach great importance to this service. I assure you that this review in no way reflects doubt about the quality of service provided by the sub-post offices. As Patrick Jenkin said on 12 March, "We are determined to ensure the continuance of the sub-post office network". He added that any changes which threaten the foundations of the network would be inconsistent with the Government's aim of sustaining local communities and the services on which they depend.

I am grateful to you for drawing these views to my attention and I can assure you that all views expressed will be taken fully into account by the Government in reaching decisions on this review.

(sgd) Margaret Thatcher

The Rt. Hon. Ernest Armstrong, MP.