

## The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

### Respondents basic details

<b>Consultation title:</b>	Being responsive to user needs
<b>Name of respondent:</b>	
<b>Contact details/job title:</b>	
<b>Representing (self or organisation/s):</b>	Tusmor

### Publication of Responses

In responding to this consultation, you are sharing your response with the members of the Payments Strategy Forum (Forum), evaluators appointed by the Forum and the Payment Systems Regulator Limited, ('the PSR' - which provides secretariat services to the Forum). The PSR accepts no liability or responsibility for the actions of the Forum members or evaluators in respect of the information supplied.

Unless you tell us otherwise the Forum will assume that you are happy for your response to be published and/or referred to in our Final Strategy Document. If you do not want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly 'Not for publication'.

**Please check/tick this box** if you do not want all or parts of your response to be published:

### Declaration

"I confirm that our response supplied with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.

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### Response template

This response template is intended to help stakeholders in responding to the questions set out in our Draft strategy for consultation and in its Supporting Papers.

If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it. We will assume that all other information is suitable for publication.

Responses should be emailed to us at [Forum@psr.org.uk](mailto:Forum@psr.org.uk) in Word and PDF formats by no later than **14 September 2016**. Any questions about our consultation can also be sent to [Forum@psr.org.uk](mailto:Forum@psr.org.uk).

Thank you in advance for your feedback.

### QUESTIONS IN RELATION TO SECTION | RESPONDING TO CONSUMER AND BUSINESS NEEDS

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**Question 1:** Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing?

Agree

**Question 2a:** Do stakeholders agree with the financial capability principles?

Agree

**Question 2b:** How should these principles be implemented?

Individual payment providers should decide how to manage the implementation enabling them to differentiate their service offering and compete in the market.

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**Question 2c:** How their implementation should be overseen and how should the industry be held to account?

Implementation oversight should be via the existing FCA Treating Customers Fairly remit.

**Question 3a:** What benefits would you expect to accrue from these solutions (not necessarily just financial)?

Service providers would have significantly greater choice in the provision of truly differentiated services targeted at the specific needs of different classes of payer;

Reduction of 'bank' charges when the payer temporarily has insufficient funds and can postpone the payment execution until expected funds are realised.

**Question 3b:** Do you agree with the risks we outline? How should we address these risks? Are there further risks we should consider?

Agree. Care must be taken to define the legal ownership of the funds flowing through the systems to prevent payers restricting usage. It should be remembered that electronic payments are a representation of actual money and no payer in a cash transaction is able to control how the recipient then utilises their cash.

**Question 3c:** Is there a business case for investing in solutions to address these needs and if not, how such an investment can be justified?

Our view is that this is a legal ownership point not a systems based requirement. Existing mechanisms through regulation of the FCA ought to be sufficient providing consumers are aware and have easy access to report any infringement of their autonomy in handling their own money.

**Question 3d:** Are there any alternative solutions to meet the identified needs?

None that spring to mind

**Question 3e:** Is there anything else that the Forum should address that has not been considered?

We did not see any controls over the actual reference data being provided. It is essential that this data is in plain english and provides sufficient detail about potential consequences to the consumer if payment is deferred. Otherwise all that will happen is penalties currently charged by banks for unfunded payments may just move to the payment requestor.

It may have been addressed but it is not clear that the payee can simply reject a mis-directed payment that has arrived in the wrong account.

**Question 4a:** Is there a business case for investing in transitional solutions while the new payments architecture is being delivered and if not, can such an investment be justified?

None

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**Question** Are there any viable technical solutions to deliver some of the consumer benefits  
**4b:** early without compromising the longer term solutions recommended by the Forum?

We believe this is at the feet of the provider and not the Forum.

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## QUESTIONS IN RELATION TO SECTION 6 | IMPROVING TRUST IN PAYMENTS

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**Question 5a:** Do you agree with our proposal regarding customer awareness and education? If not, please provide evidence to support your response.

Agree

**Question 5b:** Do you agree the delivery of these activities should be through an industry trade body? If so, which one would be most appropriate to take the lead role?

No. Trade Bodies are all free to engage in such activities supported by their membership, no Trade Body should be given pseudo-regulatory advantage over any other.

**Question 6:** Do you agree with the establishment of guidelines for identity verification, authentication and risk assessment? If not, please provide evidence to support your response.

Yes, providing that the outcome is based in existing and future legislation such that the application of the guidelines means the provider is indemnified against legal or regulatory action if the guidelines are deemed legally or regulatory insufficient.

**Question 7a:** Do you agree with our solution to develop a central data repository for shared data and a data analytics capability? If not, please provide evidence to support your response?

Agree it is a sensible approach, disagree that the data is owned by the PSOs and PSPs rather than the consumers and businesses themselves.

**Question 7b:** Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

Agree

**Question 7c:** If any legislative change is required to deliver this solution, would such change be proportionate to the expected benefits?

Cannot comment without further information.

**Question 8a:** Do you agree with our solution for financial crime intelligence sharing? If not, please provide evidence to support your response?

Cannot agree or disagree based on the information provided.

**Question 8b:** In what way does this solution improve financial inclusion? More generally, how should the intelligence sharing be used for the “public good”?

Cannot agree or disagree based on the information provided.

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**Question 8c:** Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

Agree

**Question 8d:** Do the benefits of financial crime intelligence sharing outweigh the new potential risks created?

Cannot agree or disagree based on the information provided.

**Question 8e:** Can this operate without changes to legislation? If not, what changes to legislation would be required to make this happen? If any legislative change is required, would such change be proportionate to the expected benefits?

Cannot agree or disagree based on the information provided.

**Question 8f:** What governance structure should be created to ensure secure and proper intelligence sharing?

This is the first consideration and needs to be addressed, the payments industry can contribute information but the appropriate authorities and government bodies need to provide the legal and regulatory framework.

**Question 9:** Do you agree with the proposal to develop a Central KYC Utility? If not, please provide evidence to support your response?

Agree in principal but the work needs to be done with appropriate legal and regulatory inputs to define the framework before full agreement is possible.

**Question 10:** Do you agree with our solution for enhancing the quality of sanctions data? If not, please provide evidence to support your response?

Agree

## QUESTIONS IN RELATION TO SECTION 7 | SIMPLIFYING ACCESS TO PROMOTE COMPETITION

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**Question 11:** Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response.

Agree

**Question 12:** Do you agree with our proposal regarding access to settlement accounts? If not, please provide evidence to support your response.

Agree

**Question 13a:** Do you agree with the proposal regarding aggregator access models? If not, please provide evidence to support your response?

Agree

**Question 13b:** How can the development of more commercial and competitive access solutions like aggregators be encouraged to drive down costs and complexity for PSPs?

Resolution of the settlement accounts question is a pre-requisite for new aggregators to be able to compete. Inclusion of a wider base of payment schemes than proposed is also needed to be effective provider the full set of payments needed to compete with the big banks.

**Question 14:** Do you agree with our proposal regarding Common Payment System Operator participation models and rules? If not, please provide evidence to support your response.

Agree

**Question 15a:** Do you agree this proposal regarding establishing a single entity? If not, please provide evidence to support your response.

Agree

**Question 15b:** If you do not agree, how else could the benefits be achieved without consolidating PSO governance in the way described?

NA

**Question 16:** Do you agree with the proposal to move the UK to a modern payments message standard? If not, please provide evidence to support your response.

Agree

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**Question 17a:** Do you agree with the proposal to develop indirect access liability guidance? If not, please provide evidence to support your response?

Agree

**Question 17b:** What, in your view, would prevent this guidance being produced or having the desired impact?

Providers may not see any commercial benefit

**Question 17c:** In your view, which entity or entities should lead on this?

PSR



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**QUESTIONS IN RELATION TO SECTION 8 | A NEW ARCHITECTURE FOR PAYMENTS**

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**Question 18a:** Do you agree with the proposal for a co-ordinated approach to developing the various types of APIs? If not, please provide evidence to support your response?

Agree

**Question 18b:** What are the benefits of taking a co-ordinated approach to developing the various types of APIs? What might be the disadvantages of taking this approach?

Should result in design commonality and so save time and money for smaller PSPs. Disadvantage may result if the recommendations go too far and intrude on the business model of the user organisations rather than remaining solely a technical common approach.

**Question 18c:** How should the implementation approach be structured to optimise the outcomes?

Governance will be important to maintain optimum scope and delivery. A Steering committee could be set up through the PSF that ensures the needs across all intended users.

**Question 19a:** Do you agree with our proposal to create a Simplified Delivery Mechanism? If not, please provide evidence to support your response?

Disagree, this creates an incremental and monopolistic technology solution which is contrary to the earlier proposition for encouraging competition in the aggregator model.

**Question 19b:** Should the new consolidated entity be responsible for leading the development of the new rules/scheme or should a new body be given this responsibility?

None of the above

**Question 19c:** Could an existing scheme adapt to provide the Simplified Delivery Mechanism or should a new one be developed?

None of the above

**Question 19d:** Would it be better for the processing and clearing functions of the simplified framework to be built on distributed architecture or a centralised infrastructure? Could there be a transition from a centralised structure to a distributed structure over time?

None of the above

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**Question 19e:** Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding?

No, and also not necessary

**Question 20a:** Do you agree that the existing arrangement of the payments system in the UK needs to change to support more competition and agility?

Yes and the necessary steps are being taken

**Question 20b:** Will the package of proposals we suggest, the Simplified Payments Platform, deliver the benefits we have outlined? What alternatives could there be?

The point is not whether a new technology solution will work, the point is to maintain healthy competition to drive innovation, this proposal creates a new monopoly if we understand it correctly.

**QUESTIONS IN RELATION TO SECTION 9 | OUR STRATEGY IN SEQUENCE**

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**Question 21a:** Do you agree with this proposed sequence of solutions and approach outlined to further clarify this?

General direction is sensible, however checks and balances needed to continuously evaluate outcomes and prevent this long term plan creating the next inefficient and expensive payments backbone.

**Question 21b:** If not, what approach would you take to sequencing to bring forward the anticipated benefits, in particular for end users?

As above

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## QUESTIONS IN RELATION TO SECTION 10 | IMPLEMENTATION APPROACH

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**Question 22a:** What approach should be taken to deliver the implementation of the Forum's Strategy?

The strategy includes delivery proposals. These need to be separated so the regulators guide but the industry delivers.

**Question 22b:** Who should oversee the implementation of the Forum's Strategy?

Treasury would seem to be the obvious choice as they have the industry knowledge and engagement at a strategic level.

**Question 22c:** What economic model(s) would ensure delivery of the Strategy recommendations?

The strategy includes delivery proposals. These need to be separated so the regulators guide but the industry delivers.

## QUESTIONS IN RELATION TO SECTION 11 | COST BENEFIT ANALYSIS APPROACH

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**Question 23a:** Do you agree with the proposed approach for quantifying the potential costs and benefits of the proposed solutions?

No, the strategy includes delivery proposals. These need to be separated so the regulators guide but the industry delivers.

**Question 23b:** Do you agree with the costs and benefits drivers outlined in this document?

No, the Forum should not be costing solutions

**Question 23c:** We would appreciate any information on the potential costs and benefits you may have to assist our analysis.

NA