

Summary of Payments Community Event Discussions

This document is intended as a high level reflection of the views of the Payments Community (“the Community”) expressed during the hub sessions at the Event on the 17th September.

The PSR has not edited the content of the remarks as this document is a high level record of the Community’s discussions, and is designed to give context to the priorities set out in the main body of this paper.

Some of the items discussed by the Community were not identified as priorities or are out of scope for the Forum, but it is recommended that the Forum considers these items when agreeing its principles and priorities.

Over-Arching Principles

Initial contributions to discussions in the hubs focussed on over-arching principles that should underpin how the Forum sets its strategy, what the end-strategy should deliver and how it should be communicated. They have been grouped into general categories below for ease of reference.

Vision

Views were expressed that the Forum should begin with an overall long term strategic vision for the payments industry, in order to prevent it repeating the mistakes of previous strategy-setting bodies. However progress on implementing short to medium term changes shouldn’t be delayed.

Users at centre of strategy

Community members repeatedly voiced their desire to begin the strategy setting by placing the needs of the users at the beginning of the process.

Assessing the types of payments that users want, and taking into account the holistic needs of consumers, were viewed as critical ways to being trying to remove the complexity from users’ experience.

Horizon Scanning

The community agreed with the importance of horizon scanning work, which would look at upcoming regulatory and technical changes. The Community emphasised the need to build on existing research and strategy initiatives when undertaking work on identifying user needs and potential solutions.

Some members of the Community also expressed an expectation that this could be an opportunity to look at regulation in a holistic way, with a view to rationalising the existing structures.

Such an approach could also help the payments industry understand where its strategic objectives sit within wider UK economic strategy.

Cost Benefit Analysis

Members of the Community agreed with the need for an appropriate level of cost benefit analysis of any proposed solutions, although some members suggested further levels of analysis – i.e. macro-economic level, cost to users separate to cost to providers.

There were also calls for guidelines regarding appropriate use of the analysis within the payments industry.

Ways of working

A number of 'ways of working' were identified by the Community, including a focus on identifying best practice; fostering collaboration; harnessing the industry energy for change through the media; ensuring that appetite for innovation is balanced with regard to system stability.

Terminology

The community emphasised the need for clearer terminology that could be understood by non-payments parties and industry experts alike so as to clarify exactly what the Forum understood by various terms. Examples included 'enhanced data', 'real-time' and '24/7'.

Mix and definition of stakeholders

Many Community members stressed the importance of ensuring that the strategy took into account the whole range of users and their differing needs.

The different user segments needed to be clearly defined and representative of the whole of the payments industry.

The Community identified a gap in SME needs, and suggested widening the traditional definition of 'vulnerable consumer' to include the unbanked.

Cash

There were concerns that the strategy may not have a sufficient focus on cash payments.

Cards

There were concerns that the strategy may not have sufficient focus on the role of card schemes.

International focus

There were repeated calls, relating to both over-arching and specific issues, for the Forum to take account of international payment developments, and for the Forum to actively participate in international policy initiatives.

Design at heart

One member of the Community was keen to stress the importance of good design in any solutions put forward by the Forum. They suggested the Forum should liaise with the Design Council for better outcomes and simplicity.

User needs

Research and definitions

The Community consistently highlighted the importance of research to identify the various payments user groups and their needs.

The Community identified a gap in research on SME needs and considered that the Forum's work should include helping the whole spectrum of users, including SMEs.

Some also advocated widening the definition of 'vulnerable consumers' to include the unbanked.

Cash

The Forum was asked to consider the 'cost of cash' in order to highlight unintended consequences for users and bring more focus to e-payments.

Policy questions surrounding the role, supply of and access to cash in the economy were also raised as a possible point of consideration by the Forum.

Payment methods

The Community supported a review of various payments forms and processes. This included direct debits, continuous payment authorities, and misdirected payments.

There was a general appetite for removing the complexity from the customer experience when it comes to payments, for example when opening a bank account across several banks.

It was also considered that direct business access to a system such as FPS could serve the service user objective by simplifying ways of making payments.

Security

The Community wanted to know why security was out of scope for the Forum and why the security of individuals was not covered.

ATM and Branch Services

Questions were raised about the ATM provision, both in terms of its commercial costs and viability, and how a system such as Link could help provide services for vulnerable users.

In addition, some Community members suggested conducting a specific piece of work to recommend how to reduce the impact of branch closures, potentially through the ATM network.

Delegated Power of Attorney

Members of the Community insisted that this was wider than just the payments industry and so there should be a broader arrangement than currently exists. Therefore it was agreed this was out of scope for the Forum.

Access to Markets

Access

There were many calls for open access models to be considered by the Forum to ensure a level playing field for all Payment Service Providers (PSPs).

Governance arrangements were also acknowledged as a barrier to innovation, and some members suggested that the terminology around access suggested too much of a bank-focus.

Access was also discussed in the context of the end-user and the need for greater simplicity and transparency (particularly in regard of customer access to data) at the front-end of payments.

Many of the issues raised on this point are out of scope due to the PSR's on-going work through the direct and indirect access market reviews.

Simplification

Community Members emphasised the importance of simplification as an overall principle relating to access to the payments systems and infrastructure.

There were many concerns over the fragmented nature and lack of interoperability of the schemes, specifically the interbank schemes, with a consensus arising in some individual hubs that fewer schemes could lower costs and lead to simplification of payments systems.

Some delegates also commented that there was currently confusion surrounding the different schemes and their roles, and suggested standardised rules as a potential solution.

Infrastructure

Some Community members were in favour of a review of settlement infrastructure to be considered by the Forum. Specifically it was noted that this should be wider than just VocaLink and explore whether Chaps and RTGS should necessarily be managed together.

New Technology

Generally, the Community thought it important to consider all user groups, not just end-users, when discussing the implications and benefits of new technologies.

There were also wider questions about where the responsibility should sit between regulated and non-regulated parts of the industry, when it came to new payment types. This is because they represented two completely different innovation, competition and consumer protection environments.

Data

There were a number of questions surrounding the use and storage of any data gathered from enhanced data solutions.

There were general queries as to whether use of data without consent should be further restricted, and subject to controls by regulators or central government.

There were also concerns around where such data should be stored, who should have overall responsibility for its resilience and security, and who has liability for its use.

Data protection was also raised in relation to the chain of accountability and how that might hinder access by banks to relevant customer information, potentially adding further complexity to the processes.

Identity

The Community articulated on-going concerns with the technological evolution of identity verification, both for the sender and payee.

Some suggested that a perfect system for end-users would involve consistent ID, with others adding that the Forum should consider standard risk-based identity assurance and authentication processes, including considering options such as biometrics.

It was suggested that a collaborative approach on this issue could give end-users immediate access when opening accounts, removing some of the friction created by long verification processes.

Cheque Imaging

While the Cheque Imaging project remains out of scope for the Forum, the re-use of the infrastructure under development is something which the Forum could consider.

Some Community members asked how the future clearing model could be considered fit-for-purpose if it does not work in real time. However the general view of the Community was that the project provided an opportunity for new infrastructure.

Security and Resilience

Identity

Identity formed part of the discussions around the security and resilience of the payments systems, with Community members advocating a set of industry standards for account name and number protocols, and pre-validation of identity to prevent online fraud and aid reconciliation.

Fraud and Anti-Money Laundering

The Community raised ideas for combatting fraud and money laundering including centralised Anti-Money Laundering (AML) sanctions checking and a centralised Know Your Customer (KYC) database.

There was a suggestion that the 'Fraud and AML' item should be broadened into 'financial crime' in order to ensure that sanctions checking was covered by the Forum.

Account Number Portability (ANP) was also linked to fraud and security for some members of the Community, who thought that it could offer greater transparency and control over who the users are paying. This was contingent on ANP involving a centralised KYC database.

Risk, Resilience and Liability

Community members wanted a greater focus on risks and liabilities, particularly in regard to infrastructure. There was a consensus that specific consideration of risks and liabilities was needed as part of any new emerging solutions or initiatives.

Security

There were requests for greater transparency and clarity on who had responsibility for the security of systems other than the Bank of England (BoE) and a general request for initiatives which would build user trust and confidence.

There were also questions on who had responsibility for any emerging payment systems not designated for regulation by the BoE, and who was considering the risks to security when widening access to systems, particularly by non-credit institutions.

External Drivers

Horizon Scanning

Horizon scanning emerged as an important aspect of the work of the Forum.

It was noted several times that Application Program Interfaces (APIs) are an example of potential developments which could meet users' needs that the Forum should be aware of, and several Community members suggested liaising with HMT on its work in this space.

This issue arose from a wider concern amongst the Community that some of the implications of Payment Services Directive II (PSD2), although not under the PSRs mandate, should be considered by the Forum. However, this was more fundamental than just broad horizon scanning, in their view.

The Community also urged the Forum not just to consider the regulatory landscape when conducting horizon scanning, but also to look at technical and technological developments that the payment systems rely on, for example the boom in mobile internet use for payments.

Political drivers were also an important consideration in the opinion of some Community members, who urged the horizon scanning function to anticipate political interventions, such as those which precipitated cheque imaging and which may drive the agenda on Account Number Portability (ANP).

Education and Communication

The need for a framework which took into account the education of all users was raised by the Community in each hub. This framework was seen as critical to the success of new innovations, and to helping bridge the 'digital divide' as well as ensuring vulnerable customer groups such as the elderly, were properly informed and still able to understand and access their finances.

There was also a focus on the role better communication could play in helping users to understand the way they make payments, and make them aware of the difference

between payment methods, for example through clearer and simpler communication of terms and conditions.

Education and communication were also seen as an important part of consumer protection, enabling consumers to proactively pursue redress and make better use of new innovations and propositions.

International Payments

The Community proposed that the Forum should take an international view of payment systems and that UK systems should be designed to be interoperable globally, in order to enhance connectivity to global payments systems.

Capability for cross-border payments and cross-border switching should also be considered in any future strategy in light of the anticipated outcomes of the Interchange Fee Regulation (IFR) and the revised Payments Services Directive (PSD2), such as acquirer switching.

A Community member also suggested that the Forum discuss the need for UK cross-border e-clearing institutions and monitor international developments in this area.

There were also general concerns about a fragmented international regulatory environment and the effect which that has on deposit protection schemes, redress and recourse. It was suggested by several Community members that the Forum may want to discuss this as it affects users.

The discrepancies between regulated and un-regulated environments for digital currencies was also regarded as problematic, as different protections in different jurisdictions could inhibit mainstream adoption of digital currency.