

End-User Needs Working Group

Developing “simple to use” design principles for the development of payment systems

In February the End User Needs Working Group (EUNWG) agreed¹ that the PSF process provided two opportunities to ensure that UK payment systems support and enhance financial capability of all users in line with the UK’s Financial Capability Strategy:²

1. Supporting PSOs and other collaborative initiatives to understand the financial capability needs of all users.
2. Ensuring that payment schemes and overlays are designed to be “simple to use” for all users across the payments chain.

It was agreed by the EUNWG that “simple to use” design principles should be developed for inclusion in the Payments Strategy which reflect existing best practice and knowledge. The draft principles set out in this paper have been developed by the EUNWG in consultation with the Money Advice Service (MAS).

Purpose of the principles

The principles seek to support the payments sector to meet financial capability and inclusion needs. They are intended to focus on the development of inclusive payment systems that respond to consumers’ needs and improve their ability to maximise the value of their money day to day.

The draft principles encourage projects to consider how consumer needs can be embedded into day to day development of services. The principles reflect existing good practice. They align the work of the Payments Strategy Forum with the Financial Capability Strategy for the UK and recognise the importance of innovations in payments to improving financial capability and financial inclusion.

A mechanism for updating the principles and industry knowledge around user needs and emerging best practice will be developed in collaboration with the Financial Capability Strategy for the UK.

¹ Payments Strategy Forum Document No. PSF25022016 – (5b) End-User Needs Triage and Prioritisation Analysis

² www.fincap.org.uk

Rationale for the approach we have taken

Payment systems ultimately serve the needs of consumers and the economy, and the design of payment schemes and services should reflect the needs of consumers. Consumer needs are diverse since people's circumstances and levels of financial capability differ. It is clear from the detriments as refined by the Working Group that current payment systems are not uniformly meeting the needs of all consumers. For example it has been identified that consumers need:

- more flexible mechanisms for making recurrent and ad-hoc payments; and
- additional functionality when making payments, e.g. to confirm or validate the payee and to track their payment.

The solutions identified by the EUNWG and other working groups have the potential to partially address these detriments. However, to ensure that future evolution in the payment systems take account of end users' needs, it is desirable to establish principles which ensure consumers' financial capability is a consideration in the future development of schemes and products.

Evidence on financial capability and inclusion³ shows that levels of financial capability in the UK are low and that many UK adults are not confident managing their money. But it is not only consumers' financial capability which affects their financial wellbeing; consumers' circumstances (their financial means and financial pressures) also influence the extent to which existing payment systems meet their needs. For example, people on low or irregular incomes will be most affected by the inflexibility of current systems; for many in this situation, applying good financial capability knowledge would lead them to conclude, correctly, that they are better off making more costly one off push payments they can fully control rather than sign up to discounted recurring pull payments which risk incurring returned payment fees. It is thus unlikely that consumer education alone will address the detriments identified. Payment schemes and services should be easy to understand and to use, minimising the need for such guidance. In short, effective payment schemes and services should serve to enhance consumers' ability to manage their money most effectively.

The UK Financial Capability Strategy has put in place a framework for improving the financial capability of people in the UK with a focus on evidence and evaluation of impact. It will share insights into how consumers manage their money, levels of financial capability in the UK and what works to increase financial capability. It is efficient for payments to engage with and build on this evidence base rather than create its own.

As well as understanding consumers' financial capability it is important to understand how emerging payments impact consumers' ability to maximise their money. This should be considered as payments are being developed and evaluated when they are trialled with consumers. As part of the Financial Capability Strategy the Money Advice Service is helping to

³ Money Advice Service (2016) Understanding financial capability to build responsive payment systems

build the capability and capacity of organisations to evaluate impact on consumers' financial capability in a consistent way. The tools it is developing are available to assist PSOs to evaluate the impact of payment systems on people's ability to manage their money. Following adoption of the Principles in the payments strategy, the Money Advice Service will develop proposals for the effective maintenance and dissemination of financial capability evidence pertaining to payment systems.

Draft principles for the collaborative development of payment services

1. Projects to develop UK payment services reflect and respond to consumers' needs.

- **They recognise the diversity in consumers' situations and experience:** they reflect that levels of financial capability amongst UK consumers vary and how consumers' situations and preferences impact how they manage their money day to day.
- **They engage with the UK Financial Capability Strategy:** The Strategy will share insights into how consumers manage their money day to day, levels of financial capability in the UK and what works to increase financial capability. They should build relationships with a range of organisations representing the diversity of consumers' interests.
- **They add to the evidence base:** Conducting their own research with consumers and sharing relevant insights with the sector.

2. Projects develop UK payment services in an inclusive way that enhances consumers' ability to manage their money day to day.

- **Consumers' interests are appropriately represented in the development and decision-making process.** Consumers and organisations that represent them are involved in the development process. Analysis of expected impacts on a diverse range of consumers' ability to manage their money day to day is undertaken and published.
- **Services are designed to be inclusive of the least capable wherever possible:** They should be easy to use, accessible and minimise the need for user education. As a result they better serve all consumers.
- **Services are responsive to end users' financial capability and how users actually manage their money day to day.** They facilitate all consumers to manage money day to day and transact in a way that suits them. They seek to protect consumers from financial crime and minimise opportunity for user error.
- **The impact of payment services on consumers' ability to manage their money day to day is evaluated.** When new or enhanced payment services are trialled their actual impact on a diverse range of consumers' ability to manage their money day to day is evaluated. The evaluation is published.

3. Projects to develop UK payment services invest in financial capability interventions that work, where it remains necessary to develop consumers' capability to engage with payment systems. E.g. to raise awareness and confidence in new technology or to alert users to financial crime.

- **System alternatives are considered before seeking to educate consumers.** Before investing in financial education seek to 'design-out' the need to educate consumers (see principle 2).

- **If it remains necessary to increase financial capability or the need for increased financial capability is identified at a later date, they invest in initiatives that work:** The evidence base is consulted and investment is made in approaches that are proven to work or an innovative approach that has the potential to work.
- **Interventions contribute to the evidence base:** The impact of financial capability interventions on consumers' ability to manage their money day to day is evaluated and learning is shared. The UK Financial Capability Strategy provides guidance and tools to evaluate impact.⁴

Further reading

1. Money Advice Service (2016) Understanding financial capability to build responsive payment systems
2. Financial Capability Strategy for the UK, Understanding What Works
http://www.fincap.org.uk/understanding_what_works

⁴ <http://www.fincap.org.uk/evaluation-toolkit-homepage>