

Financial Conduct Authority
PAYMENT SYSTEMS REGULATOR
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Canary Wharf
London E14 5HS

BY E-MAIL – Forum@psr.com

Dear Sir / Madam

22 September 2017

BLUEPRINT FOR THE FUTURE OF UK PAYMENTS
Nationwide's Reponse

Thank you for giving Nationwide the opportunity to respond to the consultation on the Blueprint for the future of UK Payments. We've been engaged with the Payments Systems Regulator (PSR) and wider Payments Community throughout the journey to this point and will continue to support the aims of the Payments Strategy Forum (PSF) which we recognise as important in creating a competitive and highly innovative payments environment that brings service benefits to all end users.

Nationwide brings a unique perspective as a highly successful, mutual organisation which is owned by its fifteen million members. We focus on personal financial services in the UK and we sustain industry leading standards for the level of service we provide. This is why we place such importance on what the Blueprint means for our members and indeed consumers as a whole.

Like many other stakeholders in the PSF process, we have been involved in handling external and internal feedback during the consultation period, and we've fed into the collective responses prepared by UK Finance and FFA UK. It is clear there have been misunderstandings relating to some of the proposals in the published document and it's important to address areas where the PSF's intent needs to be clarified. We outline our position on the topical issues below.

It's also important to listen to the feedback we are receiving which, at this stage of the PSF process, is often drawn from experts operating at a level of detail who are considering how the strategic solutions become reality. In some cases, the right understanding can be reached with further and clear definition of solutions, in other cases there is a need for more analysis. With the benefit of our PSF engagement, and understanding the positive intent of the Blueprint, we make recommendations in our detailed responses that we hope will help in the practical development of solutions that we broadly support.

On some of the key issues our position can be summarised as follows:

- We have previously commented that a truly holistic strategy for UK payments must consider payment cards. This isn't merely to incorporate the micro-level details of card transactions in relation to solutions such as Assurance Data. It's also valuable to think broadly about the positive characteristics of payment cards and how they may apply and co-exist with interbank payments and other transactions.
- We understand the strategic intent and operational merits of a New Payments Architecture that features a push mechanism at its core and Nationwide appreciates the importance of accessibility to facilitate competition, as well as the potential for agility and innovation to build services - with appropriate protection and liability arrangements to ensure their success.
- Nationwide can see the consumer value in enhancing and extending the payment services we have today with solutions such as Confirmation of Payee and Request to Pay. Indeed, the NPA operating via the consolidated New Payment System Operator, has the potential to offer payees and their customers a valuable spectrum of choice where payments can range from the highly 'unattended' such as the familiar Direct Debit approach, to an occasional intervention (for example subject to a value threshold), to a highly 'attended' situation to be managed by the payer each time.
- In relation to the NPA and end user solutions, in our detailed responses we suggest more analysis and information is needed on key elements including:
 - Understanding the practical implications and transformation costs for all stakeholders in the payments supply chain, broadening and deepening the engagement of corporates and enablers as the process moves towards solution definition.
 - Clarifying further the operation of Direct Debits where the financial fulfilment is a push payment and being clear and assured on sustaining the benefits that end users enjoy today.
 - Communicating very clearly the value of Request to Pay as a complimentary option for payees and payers, recognising that service, cost and risk drivers will influence how this service develops in the market. In this context, we have commented from our own experience as a payee and we repeat our earlier feedback which highlighted the strategic potential for Request to Pay as a key innovation in various customer interactions beyond the original detriments it aims to resolve.
- In terms of implementation, Nationwide agrees with the sequencing proposed in the Blueprint. We feel the timing does need further detailed analysis and we are actively engaged in the risk assessment work that supports this. Whilst there are challenges ahead, including the capacity and capability of the NPSO in its early stages, there are also opportunities such as the emerging early solutions around Confirmation of Payee and Request to Pay.
- We understand the importance of a robust Cost Benefit Analysis for the PSF solutions. We also appreciate this is potentially quite unlike traditional business cases the payments industry has formulated in the past in that many of the benefits are societal in nature. The social, and macro economic, opportunities could be very significant for the UK which has the potential to extend its lead in transaction services and global payments innovation.

- We also recognise, at this stage, the analysis of commercial models for funding the delivery and development of payments is necessarily relatively abstract. Developing theoretical commercial models into sustainable reality will be a key focus for the NPSO and it will be helped by improving the clarity and assurance the market perceives around the feasibility and value of the PSF's solutions.
- We are supportive of all the solutions proposed in the 'Improving Trust in Payments' section of the Blueprint. Although we operate as a retail only provider of financial services, we see the value of the Trusted KYC proposal and endorse the approach to the data sharing elements.

Nationwide has valued its engagement with the PSF process and our own strategic aims and values align with the ambitions of the Blueprint. Naturally, there are elements of detail and planning that are important to resolve, and a close and continuous risk assessment is a welcome element in the ongoing work. The Payments Community as a whole now needs to support the PSF and NPSO in the necessary analysis and communication to ensure the fuller understanding of the solutions, as well as their feasibility and value to end users.

Yours faithfully



PAUL HORLOCK
Director of Payments
Nationwide Building Society