

## 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 Draft strategy for consultation
<b>Name of respondent:</b>	
<b>Contact details/job title:</b>	
<b>Representing (self or organisation/s):</b>	Metro Bank
<b>Email:</b>	
<b>Address:</b>	

### 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want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly 'Not for publication'.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with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.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If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it.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?

Metro Bank agrees that the PSF draft strategy has captured the needs of end users that were identified as deterrents collated at the Payments Community Day in October 2015.

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

The financial capability principals are comprehensive and inclusive of all users.

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

There needs to be a collaborative approach to implementation with wide stakeholder engagement that is flexible to meet customer needs and open to all who want to participate. For these to be successful there needs to be a well-defined plan that takes into account all mandatory payment change driven by a central team with experience of delivering change in a payment environment to multiple organisations.

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

The implementation of these principals needs to be strongly managed with robust governance and realistic and achievable timelines. The Payment System Regulator should oversee the implementation. The Industry needs to publish realistic but not lengthy timelines with the customer needs considered at all times.

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

**All three solutions should be looked at from a customer perspective and the benefits it would give to them and all three add great value.**

**Request to Pay-** This gives the customer more control over their money and would be especially useful for retail customers and small enterprises where income is variable as it allows a payment to be processed when funds become available. It also allows the customer to pay the most important bills, such as rent, while deferring less critical payments to a time when there are sufficient funds in the account. Faster Payments have started to look at and develop a concept which should not be lost.

**Assurance Data** – This would greatly reduce the risk of payments being misdirected to a wrong beneficiary and would be greatly beneficial to a customer and a Payment Service Provider (PSP). This would reduce payment investigations for PSPs and give the customer reassurance with regards to the fate of their remitted payment. This could be achieved with a tool similar to PayM and an API proof of concept has been produced by the Open Banking Working Group to address this detriment.

**Enhanced Data-** This would be beneficial for SMEs and larger businesses as it would help with the reconciliation of payments with goods or services rendered. The DWP and other ministries could also benefit from this service as it could enable the payment of universal credits for example to be linked directly to a childcare costs or payment of a rent, which would make the process more efficient and could contribute towards a reduction in benefit fraud. It would give the customer a transparency and an efficient way to receive universal credits and would help money management.

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

**Yes agree the risks outlined. The risks can be overcome and these should be blockers for a rapid implementation as these really benefit the customer.**

**Request to Pay-** This needs to be developed and rolled out in a controlled way using industry standards (ISO20022) so customers get the same experience from whoever is requesting the payment. This enhancement should increase first time payment, therefore merchants could potentially be charged a fee to purchase and use this functionality. This could also include funds to maintain the standards/ governance. The standards / governance will ensure the customer is protected while having the ability to choose to pay the most important bills deferring others to when funds are available.

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**Assurance Data-** No risks have been identified by the Forum. Metro Bank believes that data protection needs to be considered and the possibility of tokenisation of data held should be investigated to ensure that end users details are not compromised.

**Enhanced Data-** Customer privacy needs to be maintained as they must have the ability and freedom to spend their money as they see fit and are not alienated by any organisations for using their right of choice.

**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?

**Yes there are strong customer benefit business cases for implementing these solutions. The industry with backing of the PSF/PSR should look to take these forward as these are not reliant on the SPP solution and there has already been work completed by the industry.**

**Request to Pay –** Metro Bank believes this would provide a better customer experience and will be very advantageous to vulnerable customers. As customer service is an integral part of the Metro Bank model, we strongly support this enhancement to the payment experience.

**Assurance Data-** This removes a significant amount of uncertainty for customers, reduces operational work, and could potentially reduce fraud. This would benefit a wide range of parties especially customers and a business case to support this should be an easy win.

**Enhanced Data –** As DWP and the Government would most likely benefit the most from this, they should help fund this initiative.

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

Metro Bank believes that these solutions meet and solve several detriments to the payment process and are beneficial to customers and there should be no delay in implementation.

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

Metro Bank believes that these enhancements to the payment process should be progressed as quickly as possible. This should not be delayed by any of the other solutions identified by the PSF. However the Forum has not considered who will deliver these changes and how they will be funded.

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**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?

There is a business case for the transitional solutions, as the new payments architecture may take another two years to design and a further five to seven years to implement. The payments industry and, more importantly, the end user, cannot wait for these enhancements.

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

There are several known solutions being developed or have already been developed to deliver these consumer benefits. The Open Banking Working Group have been working on a proof of concept which would deliver assurance data or confirmation of payee. This could be delivered within 12 months. The Faster Payment Scheme have been requested to pay for the application designed using similar technology as PayM, which also could be in use within 12 months. Neither of these solutions are a huge investment and would add great benefits to end users. UK organisation should look to implement these in a timely manner, as they would not have any detriment to the long term solutions.

## 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.

Metro Bank fully agrees with the proposal for customer awareness and education.

**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?

As the education is mainly focused around financial crime and the tools end users can use to protect themselves from fraud, the best Trade Association to deliver this communication is FFA UK.

**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.

Whilst a consistent approach is agreeable, the focus should be on a minimum requirement across PSPs, which will also continue to allow each PSP to determine their own additional Identity and Verification requirements in line with their appetite and risk based approach. There is no guidance on the digital approach at present so this would be most welcome.

**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?

Yes we do agree with the solution. However thought must be given to appropriate legislative, data protection and privacy requirements in order to avoid any legal implications.

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

Metro Bank agrees with the potential risks. In addition the integrity and robustness of such data would need to be made clear to provide organisation with reassurance on such data. Clear instruction is needed on how the data can be used, accessed, archived and shared. Incorrect and invalid data and how this can be removed should be addressed.

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

Yes. In the event that this may require legislative change, this must be addressed prior to any implementation of the solution. PSP's will require a clear steer so they are subjected to any legal challenges (e.g. Data Protection)

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

Yes, Metro Bank fully supports this solution for financial crime intelligence sharing subject to conclusive legal support and framework.

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

This intelligence could be used to reduce the risk of fraud in the system, therefore reducing costs to the sector and consumer. Limited data is available for vulnerable customers, so subject to specific criteria, this could support a change in behaviours by firms enabling the application of appropriate systems and controls to improve account opening requirements across the financial sector.

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

Yes, Metro Bank agrees with the potential risks. These can be reduced by the implementation of robust and consistent governance. An appropriate framework would need to be in place that is consistently applied to all firms, including consideration of penalties to firms for incorrect use of data, and a flagging mechanism for customers. A governance structure would need to be in place to address the ongoing due diligence of firms signed up to the solution / approach.

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

Yes, Metro Bank strongly agrees that the benefits of financial crime intelligence sharing outweigh the new potential risks created as long as these are suitably mitigated.

**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?

Metro Bank does not believe this will be able to operate without legislative change around information sharing purposes. Similar programmes are being piloted and learnings should be taken from these. The expected benefits to end users and PSPs would greatly improve visibility of both the activity and risk of financial crime. Therefore legislative changes will no doubt be proportionate to the benefits.

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

There needs to be clear guidelines on the type of data, who has access to this data and what this data can be used for. As a PSP we self-regulate with three lines of operational defence.

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

Yes, Metro Bank agrees with the proposal to develop a Central KYC but there needs to be a mandatory, consistency set of minimal data required. Excess data which may be required by individual PSPs that is not part of the mandatory set of data should be retained by the PSP as part of their own risk appetite and risk based approach. Not all data should be shared. A robust framework with data validation is needed and only organisations regulated by the FCA or who adhere to the Money Laundering Regulations should be able to access or add to the data subject to rigorous on boarding checks at sign on

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

Yes, Metro Bank agrees with the solution for enhancing the quality of sanctions data. This solution needs to include international regulatory bodies to make this robust. (E.g. OFAC)

## 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.

Metro Bank fully agrees with the proposal.

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

Metro Bank fully agrees with the proposal and support the BoE's announcement that it intends over time to extend direct access to accounts in RTGS to non-bank Payment Service Providers.

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

Metro Bank fully agrees with the proposal for aggregator access models and urge the other Payment System Operators to follow Faster Payments and speed up the publishing their requirements for the aggregator model. One retail entity would also help promote the aggregator model as the assurance process would be refined even if the technical requirements were different.

**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?

Being able to access multiple payments scheme through one gateway as a direct or indirect participant greatly reduces the complexity and cost as the technically accreditation is completed by the aggregator and the Payment Service Provider has one gateway for multiple payment types and messages.

**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.

Metro Bank fully supports the proposal on Common Payment System Operator, as this will simplify joining multiple schemes and help to promote a level playing field. This should not be delayed to wait for SPP.

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

Metro Bank fully supports the consolidation of Bacs, C&CC and Faster Payments schemes into one retail scheme this will benefit all PSP's and reduce the time it takes to undergo accreditation, as well as the time and resources it takes to manage supporting schemes.

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

N/A as fully support the consolidation of Bacs, C&CC and Faster Payments schemes into one Retail scheme

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**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.

Yes, Metro Bank fully agrees with moving to a modern payments message standard to this will reduce complexity in understanding and technical development. ISO20022 has been already mapped to the faster payment message and this work should continue.

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

Yes, Metro Bank agrees with the proposal to develop indirect access liability guidance but the problem will persist until the relevant authority agrees that the liability sits with the remitter of the payment not the supplier of the pipes (sponsor bank)

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

The liability model needs to be completely reviewed with the model changing as articulated in the question above. Until this happens there will be no change in the behaviour of the sponsor banks with effect indirect participants.

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

HMT should mandate a change in the liability model and this should be governed through the FCA.

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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?

Yes we agree the development of APIs must be co-ordinated. Currently both the Open Banking Working Group and the CMA requirements are being developed these need to have a recognised Standard which can also be used for PSD2.

**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?

Without a governed standard for APIs the whole industry will be fragmented. The benefits of having a Standard will reduce technical complexity, ensure all Payment Service Providers can access the APIs and will ensure the industry works in a collaborate manner for the good of UK payments and customers.

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

There needs to be a gradual approach with any new initiative moved to ISO 20022 and period of dual running of the schemes of old format messages and the new ISO20022. The gradual approach will benefit commercial customers but there must be an end date.

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

Yes Metro Bank agrees the proposal to create a Simplified Delivery Mechanism

**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?

The new consolidated entity should have responsibility for leading, maintaining and enforcing rules, standards, innovation and future development.

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

The opportunity to use an existing scheme should be investigated and all options including risks and issues and cost benefits analysis made available to the payments community.

**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?

There could be a transition from a centralised infrastructure to a distributed ledger or there could be a mixture of architecture with some centralised but look up and consuming distributed.

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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?

Metro Bank believes that it is feasible to begin work on design, but development and implementation would need to be carefully planned taking into account mandatory changes for the UK and internationally, as well as other activities already in plan.

**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?

Metro Bank agrees that the existing arrangements are out of date, complex, time consuming and constrict competition. Moving to one retail entity would be a great start to simplify the landscape and should be perused at the earliest opportunity.

**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 package of proposals deliver some really strong benefits for customers and the focus should not be solely on the Simplified Payments Platform. There are some proposals that are currently in their early stages and we look forward to seeing how they progress, such as request to pay and confirmation of payee.

## 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?

No the proposed sequence of solution does not give the greatest customer benefit and there is too much focus on the SPP which could be 7 years away. The sequence for the solutions should be completed once the cost benefit analysis has been finalised. The sequencing in the draft does not allow for some 'quick wins' to be implemented in the collaborative and competitive space and should be reviewed. There are a number of 'quick wins', such as request to pay, assurance data and enhanced data, which could add some really beneficial functionality to customers. These should be moved into the one to three year sequencing.

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

The sequencing should deliver some really strong benefits for customers and the focus should not be solely on the Simplified Payments Platform. There are some proposals that are currently being investigated and developed and we look forward to seeing this work progress.

## 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 implementation needs to be centrally controlled with strong governance and, if possible, with an entity that has experience of delivering complex change at an industry level.

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

If the single retail payment operator is formed this could incorporate a design and delivery body who could manage the implementation of these incentives for the Forum. The Forum and the PSR should have oversight of these changes, along with the Bank of England, to ensure systemic risk is closely controlled.

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

Metro Bank believes that each solution should be reviewed closely to analyse whether it sits in the competitive space or the collaborative space, as this will drive the economic model.

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**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?

Yes, Metro Bank agrees with the proposed approach for quantifying the potential costs and benefits and understands that for some solutions this will be complex as the concepts need to be revised and defined.

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

Yes, Metro Bank agrees with the costs and benefits drivers.

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

Metro Bank is unable to share the information at present, however would be happy to participate in any workshops to progress this work.