# Blueprint for the Future of UK Payments

RBS response

September 2017

RBS' responses are provided in good faith for the purposes of the 'Blueprint' consultation; as such nothing in this Response should be understood as formal or binding upon RBS.

## Introduction

The UK has highly developed payments systems, which have adapted over time to meet the needs of different users. Changing from liked and understood payment methods without careful communication and planning, could open the industry up to similar issues to those encountered with cheque replacement.

'Greenfield' developments tend to be simpler to implement, given their stand-alone nature. The Forum proposals combine a migration away from the existing high volume FPS and Bacs systems, alongside the introduction of the new architecture.

Whilst we are supportive of the direction of travel, there remain elements of the Blueprint that we believe need further consideration and assessment.

In summary these are:

i. **Timing** - NPSO stand-up is progressing but appears likely now only to be fully established sometime in 2018;

ii. **Capacity and capability** – the wide ranging regulatory changes underway, many supportive of the future architecture's proposals, need time for liability and service frameworks to bed-in and end users to adopt the solutions they introduce;

iii. **Security** - the proposed real-time nature of the new architecture means that more end-users will be exposed to scam threats. Time will be needed, alongside the introduction of the GDPR, to ensure effective introduction and adoption of account name verification services;

iv. **Bulk payments** - these are the systems 'workhorses', ensuring planned and regular payments are made and collected on dates expected. They are also, in particular Direct Debit, high volume payments. The timing of any changes to these, and the related impacts on the business community and solution provider community need considerably more evaluation than currently undertaken to ensure agreement to them and their adoption by an agreed end date;

v. **Cost: benefit analysis (CBA)** – this will require further work to consider discrete end-to-end CBAs of the aspects of the proposed changes e.g. Direct Debit migration

## 1. New Payments Architecture

### 1.1. Do you agree with our recommendation to move towards a 'push' payment mechanism for all payment types?

**No**

If not, please explain why.

We would like to agree this recommendation, as the principle of a new payments infrastructure based on 'push' payments only is attractive. However, we are unable to do so as the UK, like most developed payments markets, has both 'push' and 'pull' payments, and each product type meets different customer needs well.

To transition from an effectively performing 'pull' payment service, alongside the other major changes proposed (e.g. end-to-end ISO20022 adoption, all payments to move in real-time) represents very different challenges for UK consumers and businesses and all industry providers.

This is particularly so as the proposals are for tightly sequenced changes to the real-time architecture and the layers within this, at a time when other major regulatory changes such as PSD2/Open Banking, GDPR and structural reform are bedding in. Together they present major capability, transition and execution risks.

The stage reached by the Forum in its work, to which we have contributed, represents considerable collaborative work by many in the industry. Nevertheless it remains a 'blueprint' for a proposed direction of travel, which will need further detailed work, validation and engagement. This will also require further consideration of the economic cost: benefits, taking into account the wider impacts. It will we suggest, potentially require further consultation on elements of design /transition.

Thus we cannot fully agree this recommendation and suggest it will require further work by the Forum and NPSO to make the case more clearly and address the outstanding assumptions. It is also not yet clear to us when NPSO will be ready to take this work on, and Forum, NPSO/current PSOs, together with regulators potentially, will need to consider the optimum way forward.

Whilst we agree with the simplification and modernisation of the UK Payments environment, we also consider it important to address this major and radical change in a careful and measured fashion. In particular, although recognising that move to a 'push' only payments infrastructure could simplify UK payments and potentially offer improved customer propositions through overlay services, in our view the adoption of the proposed model will require far greater changes than have been identified, and unlikely to be achievable in the timescale outlined.

Forum will be aware that 'pull' payments in the form of Direct Debits are a highly efficient, scalable and low cost method of payment that works for millions of customers. Their volume - c4bn transactions a year, growing at around 3-5% pa - far outweighs those processed by existing push payment solutions and any future solution must be thoroughly scoped, tested and pre-proven to be capable as a minimum of offering the convenience of current Direct Debit (DD) for both consumers and billers. For many consumers/payers, the 'automatic' nature of DD gives confidence their bills will be paid on time with minimal intervention by them.

We also believe that this change needs its own cost: benefit evaluation given the extent of the impacts.

We recognise that DD is not suitable for all consumers and businesses and agree these proposition gaps need to be addressed. This could be through billers making greater use of the flexibility in the current Direct Debit proposition and continuing progress to design a Request to Pay (RtP) service which billers/PSPs could competitively develop and adopt. Together DD and RtP would offer consumers and businesses more choice to meet their needs.

There is a need to address legal/regulatory issues too. Examples of this in the consultation are the suggestion that DD will remain the 'product' as this is a well trusted name.

PSD2/UK Payment Services Regulations define a direct debit as a 'payment initiated by or through the payee', which contrasts with the Forum proposal (P11) that "Direct debit payments will be initiated by the payer as a push payment . . . ".

The consultation also states that during transition customer DD mandates could remain in place. This is a bold assumption which appears to be based on a requested push payment, made against a mandate, being the same as a pull Direct Debit. Our view is that, in the absence of any formal legal assurance in the consultation, we are as yet unconvinced on its validity. If correct, the change would require a replacement mandate being authorised by every payer. We estimate the UK total conservatively to be around 300 million DD mandates.

We also consider the proposed new process would remove the need for the current DD guarantee, which gives comfort to payers that the biller only collects money when due and of the amount agreed/notified. This guarantee forms part of the mandatory text on the customer mandate, and thus reinforces the potential necessity to replace the mandate.

The liability model will also need to be considered as the payment becomes a push payment variant i.e. customer pre-authorised against mandate, but subject to a third party request for the payment.

Turning to businesses, DD is cost and process efficient, well understood and accepted by payers. It operates on a 'reconciliation by exception' model, limiting the reconciliation effort for payees as compared with a push credit payment. The costs of conversion for Corporates, Government agencies and PSPs to the proposed new 'requested payment' type will be significant, and if done without clear agreement, planning and communication will create issues of uncertainty for both acceptance and understanding of the new method with payers.

Changes to the end to end model will require considerable procedural and staff training updates for all these businesses.

There is also the risk of confusion during the proposed transition period. We saw this during the adoption of Faster Payments, and the Image Clearing System migration may also provide useful insights.

**1.2 In the proposed transition approach it is expected that Third Party Service Providers including current independent software providers, bureaux and gateway providers will update their systems to enable existing payment formats to continue to operate with no or limited negative impact on the current users of services such as Direct Debit.**

**As a PSP or TPSP, do you agree we have identified the implications of adopting a push model adequately?**

**No**

***If not, please set out any additional impacts that need to be considered.***

We are aware that there has been some engagement of the potential TPSPs referred to. However the consultation provides no clear assessment of whether the TPSP market agrees with the assertion.

We are aware that many solution providers may already offer a message translation service as such services are readily available between business applications. The wider potential requirements on TPSPs to manipulate files to ensure payments are ‘batched’ by receiving ASPSP is a new activity as this is currently part of the central infrastructure service.

The current service, with a well experienced provider, gives considerable comfort to both corporates and PSPs. All parties would need to be clear on what such a change would mean and to ensure the end to end proposition was fully clear on risk mitigation and liability responsibility.

It would be ironic were the move to greater competition, to see the opposite occur as providers assess the commercial viability for them to change.

We also believe it will be essential before full commitment can be given to the Blueprint that Forum/NPSO/industry will have ensured that available services (overlays potentially) will ensure continuity of service for existing DD instructions and payments. This could include for example providing an ongoing service to corporates whose internal processes may be designed around current payment types and who wish to continue to add new instructions until any migration. Aspects of service continuity may also impact Bacs Direct Credit users and should be considered in that transition path.

We have considerable experience of managing and encouraging corporate migrations. Payments for businesses are for most a discrete and low investment activity, where change is generally required to fit into a business investment cycle. Where the business derives no tangible benefit to the business for the expended outlay, there will be little appetite for change. Consideration thus needs to be given to the significant investments that will be required by businesses to update their systems/software, perhaps provided by third party service providers and internal procedures.

Our view is that even with transition services, corporate migration needs to be considered carefully to ensure buy in and agreement to an end period.

Sufficient time must be allowed for TPPs to update their solutions and consideration given to the downstream impacts on their customers. Corporate and financial institutions that use TPP services will also need to adapt their enterprise solutions in order to utilise the services and maximise benefits.

We also believe more work will be needed on the proposed Step 5/P87 where the payee’s ‘PSP’ (suggest this should be TPP) disaggregates the bulk collection file. This represents a potential contagion threat stage in the process, either maliciously or unintended e.g. wrong routing. Currently this takes place within the submitting business or the regulated infrastructure provider. To introduce this within a higher layer of the payment system needs careful thought and we anticipate more than simple accreditation of a TPP.

In addition, as it may take a considerable time before these benefits flow into the real economy and the business case may not be fulfilled within a normal economic timeframe of 3-5 years. The NPA cost-benefit should be analysed over a longer timeframe more appropriate to infrastructure programmes.

**1.3 As a potential vendor, participant or user of the NPA, are there any other design considerations that should be included in the NPA, especially with regards to considering the needs of end-users?**

**Yes**

*If yes, please provide a description of those areas and why they are important to explore*.

In most respects, RBS believes the Blueprint offers a comprehensive review of current and likely future end user needs. However, as noted above, we consider the omission of a DD (pull) product ignores a very important and continuing end user need for a simple, convenient method for regular payments.

Other points to raise which arise from wider Open Banking considerations are the need to consider:

- the onward provisioning of data e.g. third and fourth parties
- Date traceability of data and non repudiation e.g. is each data block signed
- Dispute resolution framework for end users and entities in the eco-system
- Frameworks for considering non-payment API services e.g. sharing of consent data via CASS

**1.4 The nature of the layering approach enables new components to be added or updated with minimal impact on components in other layers.**

**We believe this will support greater levels of competition and innovation especially in the upper layers of the NPA.**

***In your view, as a vendor or service provider, will layering the NPA in this way simplify access and improve your ability to compete in the UK payments market?***

**Yes/No – mixed view**

We welcome the layered model approach and believe it will enhance competition in the market. It will be important to ensure clarity across and between the layers to ensure technical standards and APIs are interpreted consistently and that adequate controls are in place to accredit solutions without restricting access.

An observation is that with a multi-layered model there will be a greater requirement for inter-connectivity between the layers and providers than today. Each connection is a potential point of failure, and could add higher costs, and potentially risk, into the systems. This added complexity (when the principle is simplicity) will require greater focus on performance, and a need for defined performance metrics and monitoring of each party in each layer.

It may assist in providing quicker entry to market of new solutions, but conversely may increase the testing costs etc. of such new service/components, limiting the commercial viability of new ideas and solutions.

We are also unclear as to the role of standards in the layering process. While non-standard approaches may be quick to implement, should some of these layers become, over time, critical to the payments eco-system a purely proprietary approach risks creating new barriers to entry.

**1.5 With the recommended centralised clearing and settlement option, as a participant or vendor who is accessing or delivering the clearing and settlement service, do you think:**

***a. we have reached the right conclusion in recommending this option?***

**Yes**

We agree that a centralised model currently provides the best solution. It will be important to take into consideration the detailed output and blueprint of the BoE's RTGS infrastructure renewal, and ensure through appropriate liaison between NSPO and BoE, that these two major transitions maintain the necessary alignment on design and delivery of these critical activities.

The solution should be flexible so that if alternative solutions become available in the marketplace, including robust and scalable distributed or block chain technologies, it can be upgraded to this new architecture solution.

***b. The right balance of managing risk versus competition has been achieved?***

**Yes**

The operation of RTGS and the associated scheme settlement design is designed to eliminate settlement risk and protect the integrity of the system. The new solution must replicate these features. While competition is desirable, this must not introduce weaknesses or additional points of failure.

**1.6 Do you agree with our analysis of each of the clearing and settlement deployment approaches?**

**Yes**

***Which is your preferred deployment approach?***

Our preference is for a single vendor across linked infrastructure elements – for consistency, economy and resilience.

While agreeing that a multi-vendor approach offers some theoretical advantages in terms of dynamic cap management, we are extremely cautious about the NPSO managing overall cap positions and particularly any proposal to manage funds movement. The impact of doing so would grow with a significantly increased participant population.

New types of directly connected settling and non-settling participants will place varying requirements on settlement systems and require increasingly sophisticated cap management solutions.

Larger participants may wish for instance to manage a single liquidity pool and at the same time allocate, monitor and manage subsidiary caps for non-settling participants.

Smaller participants may however find it helpful for NPSO to provide support and with growing experience of smaller and non-bank PSPs, it may be possible for NPSO to provide an added-value and charged service for those that require it, subject to BoE agreement.

Further analysis needs to be undertaken to understand the interaction of participant, NPSO and RTGS requirements. We believe that final design decisions can not be made until the full details of the new RTGS are available.

**1.7 As a vendor of services in any layer of the NPA, do you think that more work is required to prove any of the main concepts of NPA before embarking on the procurement process?**

**Yes**

***If so, please explain which areas and why.***

While the concept of Open Banking and the API economy are well understood this is very much work in progress and standards are still being developed. A cautious approach to deployment should be adopted for what is critical national infrastructure.

Likewise migration to ISO20022 needs to proceed at a measured pace. Some payment schemes have undertaken mapping exercises however significant testing and live proving will be required before migration can take place.

We also believe that it is essential for the push-only concept to be tested thoroughly before procurement begins. This should extend to overlay services that might potentially mimic Direct Debit to ensure that they will exist, be fit for purpose and cost-effective. This testing would need to include robust assessment of the migration path for end users.

## 2.0 Collaborative Requirements and Rules for three End User Solutions

## Request to Pay

### 2.1 A*s a payee*

***a. Does your organisation serve customers who experience challenges paying regular bills?***

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity

***b. Does your organisation experience unpaid direct debits?***

As an organisation that collects payment by Direct Debit, we expect to experience some unpaid direct debits and because of the early non-payment notification, have procedures in place to deal with these.

**2.2 Request to Pay provides visibility to payees on the intentions of a payer. Would the increased visibility benefit your business?**

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity

**2.3 Request to Pay will result in increased communication between the payee and the payer.**

**As a payee:**

***a. Would the increased communication present a challenge?***

We anticipate that any business would need to assess any increase in, or change to communications and other business processes, as part of their business decisioning on whether to adopt a request to pay solution

***b. What benefits could you envisage from this increased communication?***

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity

**c. Do you see any additional potential benefits resulting from Request to Pay other than those described?**

**If so, which ones?**

This may be tangential but the UK is generally regarded as having low financial capability and consumers are increasingly being asked to take on more responsibility for sophisticated financial life planning. RtP may in small way help consumers feel more in control.

Conversely, if not done well, it may add to their challenges. Care will need to be taken with design to ensure that 'cognitive load' does not impact the user experience.

**2.4 We have recommended the minimum information that should be contained in a Request to Pay message**.

**As a payee:**

***a. With the exception of reference ID, are you able to provide other items of information with every payment request?***

We suggest that some items of information may not need to be provided by all billers, and indeed may be more complex than is perhaps needed or potentially inappropriate for e.g. small club or society annual fees currently paid by cash/cheque.

***b. Is there additional information, specific to your business that you would have to provide to payers as part of the Request to Pay message?***

There could be an option to include e.g. notification of first request, follow up/reminder where the non-payment has contractual/default implications

**2.5 We envisage payees stipulating a payment period during which the payer will be required to make the payment.**

We have opted not to respond to this question as whilst we act in some cases as a corporate, this is not our main activity.

**2.6 Request to Pay will offer payers flexibility over payment time as well as amount and method.**

***As a payee:***

*a.* ***Does your business model support offering payment plans and the ability for payers to spread their payments?***

*b.* ***Do you have a predominant payment method used by your payers?***
*c.* ***Do you offer your payers a choice of payment methods?***
*d.* ***Are there any incentives to use one payment method over another?***

We have opted not to respond to this question as whilst we act in some cases as a corporate, this is not our main activity.

**2.7 A minority of payers may not be able to pay within the payment period. Through Request to Pay they will be able to request an extension to the payment period.**

**As a payee:**

*a.* ***Do you currently offer your payers the capability to extend a payment period, request a payment holiday or make late payments?***
*b.* ***What are the conditions and eligibility criteria under which this is offered?***
*c.* ***If you currently don't, what are the barriers preventing you from offering this capability?***

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity.

**2.8 Request to Pay will offer payers the option to decline a request. The purpose of this option is to provide an immediate alert in case the request was received as an error or will be paid by other means.**

**As a payee:**

*a.* ***Would you find this information useful***
*b.* ***Do you have any concerns about providing this capability***

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity.

**2.9 Does the Request to Pay service as described address:**

**a. The detriments identified in our Strategy?**
We agree that this more flexible solution provides benefit to a growing minority of end users particularly low income customers, the self employed and freelancers who may not have regular and stable sources of income.

However the market sizing for this minority is unclear and it will be important to clarify this before the scale of the solution can be determined. We also think that there may be merit in interim options, such as billers testing out demand by offering wider notification options/payment choices/ service contact without requiring the full payment request message to be sent to the payer's account provider. The RtP term has, because of its association with the NPA design, perhaps become overly focussed on biller interaction always needing to trigger a payment request. Short term this should not be assumed.

***b. The challenges experienced by your customers?***

**Does it introduce any new challenges? Explain what, if any, new challenges**

Any new proposition may lead to issues for customers and providers. Examples could include – communication not read/understood; customers/staff intuitively feel more comfortable with what they know. The challenge will be how to ensure the proposed major changes (even where we talk about replicating as far as possible current solutions for customers) are phased in ways that customers and providers can adapt and assimilate them in 'customer journey' phases, at the same time as introducing system and process change.

The danger of major technology renewal programmes is that the need to deliver these quickly can place pressure on the end user impact / outcomes, as insufficient time is given to assess and mitigate customer impact changes.

This must be guarded against by clear phasing and embedding of each implementation stage and, as raised before, allowing current regulatory change, which will assist both technological development capability and user adoption/awareness to bed in.

We also think that the NPSO broader remit needs specifically to ensure the end user perspective is clearly factored in and engaged on (its End User Advisory Council may assist here).

**2.10 As a payee, considering the information provided in this document,**

- ***a. What is the extent of change you think you will need to carry out internally to offer Request to Pay?***
- ***b. What challenges do you see that might prevent your organisation adopting Request to Pay?***
- ***c. What is the timeframe you think you will need to be able to offer Request to Pay***

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity.

**2.11 What are the features or rules that could be built into Request to Pay that would make it more valuable to your organisation, or more likely for you to adopt it?**

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity.

**2.12 We have highlighted several risks and considerations relevant to the delivery of Request to Pay. As an end-user of Request to Pay:**

**a. Are there any risks that we have not addressed or highlighted that would like to add?**

RtP is essentially a Biller solution and thus dependent on billers/utility companies adopting it. Given that neither the NPSO (nor the PSR) have any power to mandate adoption by billers, this represents a significant risk that the cost of developing the solution ultimately falls to participants.

***b. Are there additional unintended consequences that we should consider?***

RtP potentially increases payments volume and this will need to be factored in to infrastructure and capacity decisions, which in itself may have cost implications.

The development of RtP will increase messaging between Payer and Payee. It is unclear as to how this will be deployed and delivered. The majority of Billers already have online and mobile apps and RtP would ideally be part of an integrated biller service, regardless of the channel used by the customer. Without this, there is the risk of customer confusion, particularly where s/he opts to use the RtP of different billers.

PSPs will of course process the payments resulting from any more flexible payment solution. However we do not see NPSO having a role to intervene in the dialogue between billers and their customers.

**2.13 We recognise that additional work needs to be done in identifying potential safeguards including liability considerations associated with Request to Pay.**

***As an end-user of Request to Pay***:

***a. What are some of the potential liability concerns that you may have?***

i) For bank to bank payments made on the basis of an RtP message, the rules and liability model will need to be carefully developed, using emerging best practice for e.g. PISP standards and existing practices such as those for misdirected payments. Fraud needs to be considered in each leg of the request/payment given the potential for fraudulent requests /interference with payments (e.g. to redirect them).
ii) If Third Party Payment Providers are involved, the rule set will grow because of PSD2 requirements (gaps in these still notably on infrastructure and rules to enable easy and timely communication between parties and ultimate recovery of funds where applicable).

In both points, given the potential for a large volume of payments and the parties involved (and hence disputes), there is a need for a clear rules-based process that provides all parties with clarity and confidence, rather than one based on voluntarism and best practice.

We see no reason why existing liability models should not continue. PSPs should have no additional liability and should not be party to any contractual arrangements between billers and end users.

## Assurance Data

**2.14 As a PSP:**

***Do you currently offer real-time balance information to your clients?***

**What information do you offer them? If not, what are the constraints?**

Although we offer this wherever the payment type permits, there are gaps currently with e.g. debit card payments (propositional) and paper cheques (clearing cycle), where we cannot provide a true real time balance. We make customers aware of the funds they have available to spend based on transactions advised to us, as well as their uncleared balance.

**2.15 We have presented two Confirmation of Payee (CoP) response approaches (Approach 1 and Approach 2).**

**As a PSP:**

***b. What would be your preferred approach? Why?***

We strongly support the adoption of Confirmation of Payee to provide greater assurance to end users, as this will aid better payment routing and help avoid payments going to wrong /fraudulent beneficiaries.

We think the approach could be either depending on customer type or competitive solution.

For consumers, we believe **Approach 1** may be more suitable as it provides an easy signposting to a customer online/on mobile setting up/making a payment. Agreement would be needed on the bandings of the response and acceptable, easy to understand visual/audible indicators. We see them spanning Yes/Check/No.

For bill/tax payments, where the biller account name is the key customer identifier, it may be appropriate to show this in response to the confirmation request. This would require corporate payees and their PSPs to make clear their account names to assist payer clarity.

For businesses, **Approach 2** may be more appropriate.

This approach replicates for example solutions such as those deployed in mobile banking applications, like Paym. This service provides confirmation of a Payee's account details and can be extended into online banking. It relies on customers placing account details into a database.

While the existing Paym service works well for current volumes and we are aware can be scaled further, it is unclear that its centralised database approach is the most applicable option for medium-long term architecture. This is particularly so given the requirements of the GDPR and use of customer data. Customer confidentiality concerns will need to be fully addressed as well as explicit opt-in considerations

**2.16**

**a. As a PSP:**

***Would you be able to offer CoP as described to your customers?***

We already offer a self-registering CoP service though the industry Paym service and this could be extended to other mobile and online channels. It is not clear how easily accessible this would be to telephone or in-branch payments, however both options are decreasing in popularity.

Our current development focus is on other programmes, and any such development would require scoping against clear requirements.

We consider that PSF/industry design focus should be given to an API-based CoP standard, alongside a potentially slower transition to NPA.

**b. As a PSP**:

***What is the extent of change that you would need to carry out internally to offer CoP?***

We will undertake the necessary evaluation once we have a clear design proposal to assess. Clearly there will be a requirement for technology/ customer facing channels and related process/service/ customer terms changes.

**2.17 The successful delivery of CoP is largely dependent on universal acceptance by all PSPs to provide payee information.**

We believe that a critical mass of request message receiving participants will need to be ready, along with sufficient initiating participant customers to use the CoP service.

The NPSO will need to assess the level of participation needed to make the initial service a success.

***a. Would you participate in a CoP service?***

We both wish and expect to provide a CoP service as the industry continues to define the framework rules and standards.

**b*. Are there any constraints that would hinder you providing this service?***

Key current constraints are the differing views on GDPR adherence and a customer's right to privacy.

Any development will be subject to normal resource and prioritisation requirements.

**2.18 The NPA will fully support the functionality for PSPs to provide payment status and tracking**

***a. As a PSP, what is the extent of change you think you will need to carry out internally to offer Payments Status Tracking?***

The Blueprint sets out an example of tracking and where messages may need to be sent. More thought will need to be given on what messages are shared and which are simply for payment tracking.

We are aware that Faster Payments status will be externally available post delivery of Open Banking and similar mechanisms could be leveraged for other payment types. We anticipate this will be simpler post-NPA than on legacy systems.

Depending on what is agreed on, we will need to update/implement payment status tracking in internal systems and customer channels.

***b. What challenges do you see that might prevent your organisation adopting Payments Status Tracking?***

If payments become overwhelmingly real time the need for status and tracking will become more limited, and customer feedback is that they do not want other than essential payment confirmation messages.

We understand the impacts for a customer when a payment goes astray, and the challenge will be how to ensure there is a joined up view of payment status tracking messages for each end to end payment journey. This may be work that individual PSPs need to undertake.

Much already exists with current services, but this will be an additional element of the NPA work. This feels more an aspirational development, and the need for it should be reviewed through future architecture / customer experience design work.

**2.19 We have highlighted several considerations relevant to the delivery of Assurance Data. As an end-user of Assurance Data:**

***a. Are there any risks that we have not addressed or highlighted that you would like to add?***

COP requests may not result in any payment, instead be ‘white data’ phishing attempt, possibly for fraud reasons.

There will need to be an ability to have data errors corrected/data deleted.

***b. Are there any unintended consequences that we should consider?***

If the COP service was unavailable or had delays, this may impact a customer’s ability /confidence to set up or make a payment. This will need to be considered as part of COP stand up/ process design and testing.  Thought will also need to be given to avoid ‘tipping off’.

## Enhanced Data

**2.0 As a payer:**

**a*. How would you use Enhanced Data?***

Once this capability is in place, we anticipate a requirement to transmit it in line with NPSO requirements.

***b. What Enhanced Data would you add to payments?***

As a PSP, we do not currently expect to add data to a customer payment that is not mandated as a payment message field, or permitted as part of the future enhanced data rules/guidance

**2.21 As a payee:**

***a. How would you use Enhanced Data?***

***b. What Enhanced Data would you add to payments?***

We have opted not to respond to this section as whilst we act in some cases as a corporate, this is not our main activity

**2.22 Does the Enhanced Data capability as described address the detriments identified in our Strategy?**

In terms of business detriments, our experience is that increasingly there are accounts payable/receivable/e-invoicing options which could support the information/ reconciliation detriments and businesses may simply benefit from additional referencing capability.

**2.23** N/A

**2.24 We have highlighted several considerations relevant to the delivery of Enhanced Data.**

**a.** N/A

***b. Are there any unintended consequences that we should consider?***

Adding extra /enhanced data to a payment makes the data packet larger to process. This could either slow the process or require greater system capacity (and potentially cost) to process in the same timescale as a ‘clean’ payment.

Validation rules may need to be implemented on the data packet to protect against illegal, sensitive or fraudulent data being carried with a payment.

Consideration may also need to be given to protection to ensure that the payment system does not become a message carrier for fraud and terrorist activity.  This may drive a requirement for more sophisticated filtering which, on a larger data set for each payment, may further slow the payment process or require significant capacity.

**2.25 We recognise that additional work needs to be done in identifying safeguards including liability considerations associated with Enhanced Data.**

***As an end-user of Enhanced Data**:*

***a. What are some of the liability concerns that you may have?***

Depending on the type of data included, compliance with the General Data Protection Regulation may be an issue and open up payments to claims based on the Regulation.

## 3.0 Implementation Plan

### 3.1 Are there any additional principles you think we should add or significant amendments that should be made to those already stated?

**No**

### 3.2 Are there any additional assumptions you think we should add or significant amendments that should be made to those already stated?

We remain sceptical that bullet 3 is a wholly valid assumption for Direct Debits.

### 3.3 Do you agree with the sequence of events laid out in the implementation plan?

**If not, what approach to sequencing would you suggest?**

The order of events seems sensible, although we consider that Direct Debit should be separated out from the Bulk Credit migration given the particular issues with this payment types.

Equally, the timescales, based on current design progress, other mandatory programmes such as PSD2 needing to deliver and bed in, plus the NPSO to stand up fully and be able to progress the end to end design, make sequence elements and timing appear very stretching.

In addition, given the emerging strong industry desire to see CoP implemented early, we would separate this fully from the NPA delivery.

### 3.4 Do you agree with the high-level timetable laid out in the implementation plan?

**No**

***If not, what timing would you suggest?***

Our view is that further work needs to be undertaken on key design elements to refine them into more coherent requirements for infrastructure tender invitations.

We suggest that NPSO (or existing PSOs  as timing requires) consider deferring the start of competitive NPA tendering by seeking agreement to extend their obligations to undertake competitive infrastructure tender processes, and where required to progress  these contract extension discussions with the PSR.

It is unclear, as there is as yet no clear and detailed industry plan for current delivery, how much longer might be needed, but the Forum's continuing work should assist industry and PSOs reaching a degree of clarity. Currently, we envisage a minimum of two years as the appropriate extension.

We also anticipate that elements of the design will need further consultation, in particular bulk payment changes and the vendor/supplier/corporate market capacity and capability to change. This, as we have said before, is particularly relevant for Direct Debit.

If timescales are unrealistic for transition / migration, this will inevitably lead to additional costs from a more protracted implementation and prolonged dual running.

**3.5 Are there any significant potential risks that you think the implementation plan does not consider?**

**Yes**

***If the answer is yes, then please provide input about what they are and how we can best address them***

As reflected earlier, we believe that the capability for PSPs and Corporates to make the multiple changes and the IT/vendor market's ability to support these major changes needs to be considered. Technical capacity will be stretched as has been experienced in less complex industry change.

Our experience in Corporate Bacstel-IP and SHA2 migrations provide evidence that these tend to take longer than initially considered. Funding and timing of these changes within PSPs and Corporates may be dependent upon their IT development strategy and plans.

Equally with Corporate SEPA migration and the mandatory transition deadline, there was a considerable push-back. The UK needs to avoid this by early engagement and clear planning.

We remain conscious too of the current uncertainties of Brexit and the impacts this may have on PSPs and also the business community. This is only likely to make discretionary change appear less essential.

**3.6 Do you agree with our proposed transition approach?**

No further comment

## 4.0 Cost Benefit Analysis

**4.1 Are there any material quantifiable benefits that have not been included?**

We have none to raise.

**4.2 Do you agree with the cost assumptions with regards to the NPA and each of the overlay services (Request to Pay, Enhanced Data, Assurance Data)?**

***If not, please state your reasons and, if possible, suggest alternatives analysis***

These seem very large 'benefits' which for Request to Pay in particular cannot be substantiated until the full IT design and process design activity has been undertaken.

We do not agree with the statement that parallel running during any migration period will not cause an increase in costs.

**4.3 Do you agree with our description of the alternative minimum upgrade?**

**If not, please explain your reasoning.**

We think it was an easy option to consider only the mandatory obligations on Bacs and FPS as the alternative to the NPA proposals. Given the additional and known Open Banking / PSD2 / GDPR changes, further counterfactual options could be considered. Indeed, as part of transition/delivery, it may be appropriate to consider further the impacts on bulk payments and how these could be changed to a different timetable.

Canada's similar payments infrastructure modernisation is taking progressive steps (including ISO20022 adoption) but for bulk payments intends to leave these as separate to the real time rail (to be adopted later).

Whilst the UK is perhaps a more advanced market, with a well-established real-time payments system, it still seems appropriate to ensure validation of whether this remains the views of large bulk payers and billers.

We are also unclear on the justification for equating the benefits of the minimum upgrade infrastructure to the current costs. We anticipate that the move to ISO20022, although a large change of itself, would itself alone bring additional future benefits from e.g. ease of competitive tendering and interoperability.

## 5.0 Funding Options - Commercial Approach and Economic Model

### 5.1 Does our competition framework adequately capture the types of competition that may exist in payments?

**Yes** - the competition framework captures the types of competition that may exist.

### 5.2 Do you agree with the NPA competition categories described?

**Yes** - the competition categories are correctly described. However the primary focus should be on accredited 'in the market' service providers to encourage more entrants and stimulate competition.

The use of 'market catalysts' should be rare, and ideally via the use of sandbox and/or external funding.

### 5.3 Does our framework capture the dynamic roles the NPSO may play in the market?

**Yes -** the competition categories are correctly described. However the primary focus should be on accredited 'in the market' service providers to encourage more entrants and stimulate competition.

We consider that the use of 'market catalysts' should be rare, and ideally via the use of sandbox and/or external funding.

### 5.4 Are there any other important criteria that we should use to assess the funding options we have identified?

Care will need to be taken to ensure that where external investors are involved the need to pay them a return does not unduly inflate costs which are ultimately borne by end users, directly or indirectly.

### 5.5 Do you agree with our NPA competition assessment?

**Yes** broadly speaking.

Where NPSO procures a solution, there are a variety of options for funding, including vendor finance and licencing arrangements. The ownership of Intellectual Property and the ability to leverage in other markets is a valuable asset.

Fees to participants must cover the cost of delivery however it would be unrealistic to expect smaller PSPs to be able to fully fund infrastructure development costs. Conversely it would be incorrect to assume that the larger PSPs will be willing to under-pin the bulk of development and run costs, thereby effectively subsidising other PSPs and participants disproportionally.

The ‘market catalyst’ role should be considered as an investment in future competition and diversity of supply. As such, NPSO should be prepared to see failures in this area as well as successes, most likely not in equal proportions.

NPSO should also consider, where its Board considers this appropriate, taking a financial stake in this category of competition.

**5.6 Do you agree with our assessment of End-User Needs Solutions?**

**Yes** - with the introduction of Open Banking, our expectation is however that TPPs will increasingly provide innovative solutions, possibly more quickly than NPSO making the market catalyst role less of a requirement

**5.7 Do you agree with our list of funding stakeholders?**

**Yes** - however careful consideration to funding needs should be given on a case by case basis. The widely varying rates of return required by different funding options may have a significant impact on the economic viability of each initiative making the business case process of vital importance.

The potential downstream impact of higher funding costs translating into higher end-user pricing should not be discounted.

**5.8 Are there other significant sources of funding or types of funding instruments the NSPO could secure that have not been described?**

Full consideration should be given to the costs and lifecycle of different funding instruments particularly those involving the establishment of debt instruments of equity.

Funding types should be aligned to delivery risk and longevity

# 6.0 Improving Trust in Payments

## 6.2 Payments Transaction Data Sharing & Data Analytics

We support the principles of this solution and have been actively involved in the development of both the tactical and the emerging strategic solutions. Our comments to the questions have contributed to the UK Finance response, which can be read as representative of our views.

## 6.3 KYC Data Sharing Framework

We recognise the potential benefits to the SME community of an improved data sharing framework to support better access to services where identity and information require to be provided.

We support the transition of this to UK Finance and also its response to these questions.