

Date: 13th September 2016

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Regulatory Strategy and Policy
Payment Systems Regulator

BEING RESPONSIVE TO USER NEEDS – PSR CONSULTATION – SAGE RESPONSE

Sage is pleased to respond to the Payment Strategy Forum consultation 'Being responsive to end user needs'.

Having reviewed the draft strategy, Sage would make a number of points we believe relevant to the payment services we provide as a payment service provider (PSP) and as an authorised Electronic Money Institution (EMI) licensee. We have not attempted to answer all the specific questions, as a number are not directly relevant to us.

For context, Sage's main line of business globally is the provision of Accounting and Payroll software and services to small and medium businesses. In the UK, our customer footprint extends to over 250,000 businesses who use our software to support accounting and payroll activity within their business. This customer footprint gives us a unique perspective on many of the issues facing smaller business. In the UK, more than 50% of all UK private sector businesses submit to HMRC through Sage Payroll. In total we submit around 9.6m employees monthly wage through Sage Payroll to HMRC. We believe this installed customer base could potentially help the PSR and Government agencies accelerate a digital payments agenda within small and medium businesses. We would be happy to discuss this further with the PSR.

Sage as a PSP provides payment services to approximately 60,000 SME organisations across the UK & Ireland and these services are mainly centred around the provision payment card gateway and related services for e-commerce and card present transactions. Our EMI payments entity leverages sponsored access to the Faster Payments network to enable SME's to initiate & manage payments to suppliers and employees from within accounting & payroll software.

The key points we would wish to make in response to the consultation are:

- I. In terms of end user needs, we believe the primary interests of small businesses in respect of payment systems to be speed of settlement of funds (a key driver of cash flow), the cost of accepting, collecting and making payments both domestic and international and the issue of late payment of invoices. We did not see sufficient specific references to these issues within the consultation that would materially improve them. The issue of 'richer data', whilst having some relevance to the smaller enterprise, we do not deem to be as prevalent an issue as the others we have referenced.
- II. We believe there to be significant potential costs and risk factors in augmenting transaction data with enhanced data. We would be concerned as to any negative impact in administering requirements in the capture and management of enhanced data on smaller businesses and smaller PSPs, who must be able to maintain their right to compete in the market place.
- III. We do believe that account number portability would significantly aid and encourage smaller businesses in being more inclined to shop around for the provision of payment and account services, and we are disappointed to note this matter is not being progressed as part of the proposed strategy.
- IV. We welcome proposals to enhance the KYC processes of businesses via a shared utility and similarly moves to enable common standards and applications to manage the burden of sanctions checking are welcome. We further support improved efficiencies in customer authentication and verification processes. We do not however support 'Big Data' analyses of PSP transactions - this activity and monitoring is well catered for within current PSP rules and we foresee additional costs being levied against PSPs, with disproportionate impact on smaller players. We are not supportive of the notion of 'centralised transaction databases' for similar reasons.
- V. We support proposals to allow improved access to sort codes and centralised settlement account activity
- VI. We are curious to learn of the proposal to amalgamate interbank PSO's (BACS, FPS, C&CCC) in to a single entity. We believe the recent announcement of MasterCard's intention to acquire a significant majority interest in Vocalink, the operator of FPS and BACS, makes this proposal redundant.
- VII. We are supportive of proposals to move to ISO20022 messaging standards
- VIII. We support proposals for the issuance of indirect access liability guidance, as we believe this would support smaller player participation within the payments ecosystem
- IX. In principle, we do not see the need for centralised rules in relation to the development and application of APIs, as we believe the impact of their use is governed across a number of other areas of governance and statute – for example PCI rules or Data Protection legislation. APIs by their nature, are primarily 'enabling' development tools. Making API development 'rules based' beyond those currently in practice we believe has the potential to stymie creativity.
- X. A simplified delivery mechanism would be welcome, again on the proviso that any costs associated with this are not prohibitive and disproportionate on smaller players.

Overall, we welcome the consultative approach by the PSR and the work of the strategy forum. However, we believe further specific consideration should be given to the needs and requirements of smaller businesses, which remain the economic 'engine room' of the UK economy. We are concerned that some aspects of the recommendations have the significant potential for increased costs and complexity for smaller payment providers and merchant end users which would be damaging. Many of the issues raised in the consultation are extremely complex, and will require further significant consultation with stakeholders before proposals are ratified and action taken.

Yours,

Seamus Smith

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