**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

# The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

## Respondents basic details

| | |
|---|---|
| **Consultation title:** | The Payments Strategy Forum – Being responsive to user needs<br><br>Draft strategy for consultation |
| **Representing (self or organisation/s):** | Centrica plc (including British Gas) |

**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parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly ''Not for publication'.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with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

# The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

## 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If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it.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 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.

Thank you in advance for your feedback.

### QUESTIONS IN RELATION TO SECTION | RESPONDING TO CONSUMER AND BUSINESS NEEDS

**Question 1:** Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing?

We agree that the strategy has identified the needs of end users. We would identify one possible addition for corporates which would be a need for greater ease and simplicity in switching between banks and other providers for the provision of cash management and payment and bank account services.

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

The principles are very consumer focused and appear to work well for those users. We believe it may be appropriate to consider some principles for the development of products and services intended for a corporate user base. We believe that payments systems working well for corporates can help the consumers that interact with those businesses, and could be as important as their direct interactions with the financial services industry. We would also note that the requirements for SME business users differ from the needs of either large corporates or consumers, so we would recommend that all three groups are considered.

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

We would like to see a well planned approach to implementation with both consumer groups and user groups part of the process. From a corporate user perspective, it is imperative that any changes also come with sufficient time and warning to allow internal systems to be changed (which can be both costly and time-consuming).

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

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

In order for consumer and business users to be consulted in the implementation process, it would seem that regulatory oversight would be required, presumably from the PSR.

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

We would hope to see more confidence in payment systems and payments, making this part of transactions easier. We would also hope that it would become easier for data to be exchanged between payments systems and other systems assisting internal processes and allowing for better communication between businesses, their customers and other counterparties.

For Request to Pay, we note the following potential benefits

For Consumers
•        The solution could enable a customer to manage their payments more effectively and potentially avoid additional cost, for example, through not having to worry about fees charged by their bank for failed Direct Debit.
•        Would suit customers without a regular income or payment cycle

For Businesses
•        Propensity to pay may increase if customers have a choice of when they can pay
•        Processes to manage failed direct debit would be reduced.

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

The biggest risks for all solutions is that costly changes are made without realising the hoped for benefits or reducing/eliminating the detriment.

For changes in the payment infrastructure and systems, these could push additional cost onto business users, so we would like to see the following for any changes to systems:

Solutions need to be easy/ low cost implementation, with the ability to interface across a number of systems as these also mature and grow.  The ability for faster payment reconciliation for the corporate end users and enhanced customer experience for consumers (e.g. send and receive receipts).

For Request to Pay, the danger is that the solution is costly to implement and that the range of consumers it helps is limited. If this were the case then it could be hard to persuade businesses to offer the additional payment mechanism

We note the following potential disadvantages

For Consumers
•        The Customer would require access to a bank account that enables this type of payment
•        There is a risk that customers may get into a debt position (or further increase debt) through not making the right payment at the right time. **( ✂)**

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

- This is costly to both Customers and the Corporate to manage. Individual business rules may be put in place to protect the Corporate however this could lead to the exclusion of some Customers (e.g. credit vetting may be used). In addition, some vulnerable customer types may find this difficult to manage.
- The majority of Direct Debit customers like the fact that they can choose the date of payment and not have to worry about doing anything else, their payment is automatically taken. From a corporate perspective it is seen as a secure payment method **( ✂)**

For Businesses
- Where a Customer does not pay on time, in the case of utilities, service continues to be provided. The service will continue to incur cost through use of service and where the customer continues to add debt which is costly to the corporate this could lead to issues in chasing non or part payments. New processes would be required to manage this which will add cost and would potentially be passed to the customer
- Cost of implementation as well as ongoing management limits the number of choices a corporate may make when making a decision
- Processes to manage different payment methods require resource and it can be difficult to know what methods to adopt.
- Working capital may be reduced through lower revenue than anticipated (where income is lower than expected through customers choosing not to make a payment)

**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?

The business case still needs to be made. There are benefits and costs but both are difficult to quantify.

There are business benefits from facilitating payments and making transactions more streamlined. In the case of Request to Pay, for those consumers who struggle with direct debit, there are benefits for both consumer and corporate provider of the Request to Pay solution that will reduce costs to both sides, but this could be limited if the affected group is small.

We would recommend looking at whether Request to Pay can be provided as part of a structure delivering Direct Debit (or equivalent). This might allow companies to operate existing processes for a large part of their customer base whether that system is working well for both payer and payee and make the addition of Request to Pay a low cost incremental addition.

Some of the justification could come from making banks and banking services more competitive, and from increasing social inclusion and providing alternatives for the growing portion of the population with irregular incomes.

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

We are aware of solutions currently being developed by banks and Faster Payments with functionality similar to Request to pay. The timescale for full delivery of these is not yet clear.

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

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

We would like to see some consideration given to the ability for corporates to switch cash management provider. We note that Account Number Portability could have been helpful to this. While we understand the difficulty in implementation, we are disappointed that this solution has been dropped without further analysis.

We would also note that any intraday or instantaneous payment system such as Faster Payments can present some challenges in terms of identifying cash flows and managing cash. If these systems become more widespread, it would be important for banks and corporate customers to exchange information at the earliest opportunity to allow corporates enough opportunity to manage cash. This is particularly important in considering the possible structures for delivering Request to Pay.

We set out below what we would like to see from changes to the exchange of data:

•        Data should contain information of value and be easily interpretable.
•        While individual companies will have different requirements a common set of principals should be set out to deliver the most suitable requirements.
•        Customers like to know the payments made have reached the desired recipient. Equally a corporate should be able to see if any payments made to Customers have also been received. Data should be available, in a usable format, to enable the corporate to manage this.
•        Any data provided should enable both corporate and customer the ability to trace payments in situations where the wrong payment has been made **( ✂)**

A single reference number attached to the payment would alleviate this
•        Security of data should enable risk to corporate to be minimised to protect both parties. **( ✂)**

| **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? |
|---|---|

If there are to major changes to the payments infrastructure requiring large changes within businesses, then how the transition is managed would be critically important. This may mean it is appropriate to put transitional arrangements in place in order to prevent sudden and major changes required in corporate systems. However, transitional arrangements which require changes from corporates which are then followed by new solutions requiring yet more changes would be extremely costly and unwelcome.

| **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? |
|---|---|

 We recommend looking at whether Request to Pay could be delivered through existing systems, such as Direct Debit as this could allow costs to be kept to a minimum as well as potential early implementation.

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

## QUESTIONS IN RELATION TO SECTION 6 | IMPROVING TRUST IN PAYMENTS

**Question 5a:** Do you agree with our proposal regarding customer awareness and education? If not, please provide evidence to support your response.

No response

**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?

No response

**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.

No response

**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?

No response

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

No response

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

No response

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

No response

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

No response

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

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

No response

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

No response

| 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? |
|---|---|

No response

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

No response

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

We would support any initiative that leads to a common approach from banks to KYC processes as we find KYC to be time consuming and costly and varies a great deal between institutions. If the solution is implemented it would be important for banks to recognise the validity of data from such a shared utility. If banks were also to add their own stages of verification to that from the centralised utility, no benefit would accrue and it could make the process more costly and cumbersome.

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

It is not easy for us as corporates to see what processes take place in the institutions to monitor sanctions data. However, it is our experience that transactions which no not breach any sanctions regulations can be delayed or blocked by banking institutions. We understand that the institutions, rather than verifying against sanctions lists would prefer not to transact with certain regions at all. We understand that this is driven primarily by concerns about liability in the US. While we welcome any attempt to improve consistency in the approach by banks, we are sceptical of any UK-only approach achieving these objectives.

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

## QUESTIONS IN RELATION TO SECTION 7 | SIMPLIFYING ACCESS TO PROMOTE COMPETITION

**Question 11:** Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response.

No response

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

No response

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

No response

**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?

No response

**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.

No response

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

No response

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

No response

**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.

We believe that any standardisation in message types and formatting would be beneficial in the long run, although we note that there may be some cost in implementation so would like to see a transition whereby existing payment messages and formats can be translated easily to the new standard by the financial institutions. We believe it will be important to establish a common set of principles for the standard as we already see different banks indicating different requirements in messages that should be standard.

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

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

No response

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

No response

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

No response

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

## QUESTIONS IN RELATION TO SECTION 8 | A NEW ARCHITECTURE FOR PAYMENTS

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

| | |
|---|---|
| **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? |

No response

| | |
|---|---|
| **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? |

No response

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

The implementation for an API infrastructure will be challenging as it represents a radical change to the payments infrastructure. Changes need to be considered carefully and the impact of change for all users in the system needs to be thought through. In particular, the potential time and cost to businesses outside of the financial services industry needs to be considered.

From our perspective we would look for the following  technical requirements:

Solutions need to be easy/ low cost implementation, with the ability to interface across a number of systems as these also mature and grow.  The ability for faster payment reconciliation for the corporate end users and enhanced customer experience for consumers (e.g. send and receive receipts).
In terms of integration as long as the system provides either "RestFul" or "SOAP" API's this would enable the likes of SAP and WMIS and any other modern system to be integrated to it.

The solution must be scalable and have the performance capability to handle the millions of transactions we process on daily basis.

Additionally, for an organisation like ours, our preference is for Software as service (SaaS) solutions where the solution is pre-accredited. Accreditation can be timely and add cost to any implementation. Responsibility for PCI compliance is shifted more onto the provider with the relevant data being secure but easily interpreted.
The SaaS solution could provide hosted payment page, where this needs to be incorporated into the systems like digital (using WebService, HTML iFrame) or WMIS (Oracle Form and HTML) or AWB (WebService, HTML iFrame).
Any solution should be interoperable i.e. giving the corporate the ability to change PSP with minimal effort required form all parties.

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

No response

| | |
|---|---|
| **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? |

No response

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

No response

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

| **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? |
|---|---|

| No response |
|---|

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

| **Question 19e:** | Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding? |
|---|---|

No response

| **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? |
|---|---|

We would like to see the UK payments system updated to meet the new requirements of the digital age. We believe that in our industry, as in many others, interactions with customers will change dramatically as a result of technological innovation. If no change is made in payment systems, it is possible that the mechanisms for payment will be the key feature that holds us back from delivering a fully modernised service and interaction with our customers. We believe that change will be challenging and needs to be carefully managed, but we support modernisation.

| **Question 20b:** | Will the package of proposals we suggest, the Simplified Payments Platform, deliver the benefits we have outlined?  What alternatives could there be? |
|---|---|

No response

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

## QUESTIONS IN RELATION TO SECTION 9 | OUR STRATEGY IN SEQUENCE

**Question 21a:** Do you agree with this proposed sequence of solutions and approach outlined to further clarify this?

We find it difficult to comment without a much more detailed plan for implementation. However, we are concerned that the key user needs focused benefits are all in the longer dated category. We would particularly like to see more urgency to a centralised KYC resource, and enhanced data

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

No response

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

## QUESTIONS IN RELATION TO SECTION 10 | IMPLEMENTATION APPROACH

**Question 22a:**     What approach should be taken to deliver the implementation of the Forum's Strategy?

We would like to see leadership from the PSR in order to ensure that all interests are taken into account. We would like to see a much more detailed plan that takes into account the interests of all users and prioritises those most likely to deliver benefits to the widest possible user groups.

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

The PSR

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

No response

**The Payments Strategy Forum – Being responsive to user needs**
Draft strategy for consultation
Response template

## QUESTIONS IN RELATION TO SECTION 11 | COST BENEFIT ANALYSIS APPROACH

**Question 23a:** Do you agree with the proposed approach for quantifying the potential costs and benefits of the proposed solutions?

The approach seems sensible, although we would like to note that the costs of change go wider than those within the industry so would like to ensure that these are taken into account.

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

We believe that significant further work is required in order to properly evaluate the costs and benefits.

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

We would be willing to discuss further the anticipated costs and benefits to our business, although we note that we may need to preserve commercial confidentiality. We may also find it difficult to evaluate some costs and benefits without more detail.