
Ruth Evans
Chair
Payments Strategy Forum
25 The North Colonnade
Canary Wharf
London E14 5HS

22 September 2017

RE: BLUEPRINT FOR THE FUTURE OF UK PAYMENTS

Dear Ruth

Bacs welcomes the opportunity to contribute to the Payment Strategy Forum (PSF) consultation on its blueprint for the future of UK payments. We recognise the achievements made by the Forum's two-year programme of work and what it has contributed to delivering the Blueprint.

Bacs has a proud and distinguished history stretching back nearly 50 years of delivering high quality, secure, customer focussed payment products and services. We welcome the Forum's comments on the strength and robustness of the current payments infrastructure look forward, together with the other consolidating PSOs, to maintaining the security, stability and resilience of payment processing as we transition into the New Payments Services Operator (NPSO) and implement the PSF's vision for the future.

Over the last two years we have sought to contribute our deep knowledge and experience of the payments market to the work of the Forum. We recognise that the strategy contains many forward looking proposals that have the potential to benefit end users of payments. However, three key issues will need careful consideration as the NPSO takes forward the design and implementation of the new payments environment.

First, we are already working on a strategy to competitively procure our payments infrastructure, as required by Specific Direction on us from the Payment Systems Regulator. Careful thought will be needed to ensure that that process aligns effectively with the design, timing and implementation of the NPA.

Secondly, it will be critical that the NPSO ensures the integrity of the payments environment through that transition. It will be essential that the knowledge and skills within Bacs are retained and utilised effectively through that process, and our Board will require a clear understanding of how its obligations as a systemically important market infrastructure provider will be met before it is able relinquish its responsibilities. Specifically, our experience of product development and risk management can help to ensure that the right solutions are built and risks are rigorously defined, evaluated and managed.

Finally, while the PSF proposals focus on end user needs currently not effectively met, its process has not looked at the full range of end user requirements. In developing the new payments environment it will be critical for the NPSO to ensure all end user requirements are identified, captured and future design solutions are developed to meet them.

During the transition it will be necessary to guard against unforeseen consequences of change that might inadvertently undermine the strengths of existing products and services. This risk can be mitigated through a rigorous requirements gathering and product development process, supported by effective research to inform our decisions. It will also be essential to ensure that the potentially conflicting requirements of Second Payment Services Directive (PSD2) and General Data Protection Regulation (GDPR) are resolved effectively.

As part of the NPSO, Bacs is well placed to address these three issues. It has extensive experience of enabling competition in end user markets, managing and continuing to improve wider industry products such as the Current Account Switch Service (CASS) and the Cash ISA switching service. We believe our knowledge in design, development, marketing and ongoing promotion of products can help ensure that the wider benefits to the economy identified in the cost benefit analysis are delivered.

Bacs is already providing relevant expert input on the highly efficient, bulk batch payment products that we currently deliver, the Direct Debit and Bacs Direct Credit, and how they can support the aims of the PSF proposals. In gathering requirements, there is also a need to focus on the end product, which should reflect market demands and commercial requirements, most notably ensuring a robust liability model.

In particular, we believe that there needs to be a detailed analysis of any potential unforeseen, hidden and under-estimated costs to the remedies the NPA has identified so that all unforeseen consequences can be captured and assessed before implementation. For example, our research suggests that there may be unexpected behavioural consequences from offering consumers choice in what to pay and when, which may lead to adverse social implications.

The proposed governance and financing model for the NPSO will enable effective independence to develop and deliver payment solutions for end users. We believe that recognition that end user needs can only be delivered effectively through an independent NPSO working to meet the needs of all users of payments represents a major achievement for the PSF.

Separately Bacs has responded to the consultation. Although most of the questions are directed at PSPs and other users rather than PSOs we have commented on a number of questions where our extensive market knowledge and engagement with such organisations equips us to do so. We have for example drawn on our own public consultation on the Direct Debit product conducted last year. We look forward to bringing all that knowledge and expertise to bear on the real challenge of translating the PSF's vision into practical reality.

We hope the evidence and support Bacs is providing is helpful and insightful. We look forward to making a major contribution to delivering the Blueprint.

Yours sincerely



Michael Chambers
Chief Executive Officer

DD 020 3217 8361

Email Michael.Chambers@bacs.co.uk