

22 September 2017

Ruth Evans
Payments Strategy Forum
Forum Secretariat
25 The North Colonnade
London
E14 5HS

Dear Ruth,

In response to the Payments Strategy Forum's (the Forum) consultation launched on 28 July 2017, I am writing to highlight the key aspects raised from the consultation document, entitled Blueprint for the Future of UK Payments, by CBI members.

We welcome the opportunity to respond to this consultation and we look forward to working closely with the Forum, and subsequently the New Payment System Operator (NPSO), on the finalisation and implementation of the proposals.

Throughout our extensive member engagement during this consultation period, as well as throughout the last year since the Forum's Strategy was announced in November 2016, the distinct area of focus within the Forum's proposals for CBI members has been the Request to Pay (RtP) capability and the New Payments Architecture (NPA). As a result, this response will focus on the benefits and implications of RtP for business users, of all sectors, across our membership.

In this response, we highlight that:

- The Forum should create a corporate steering group to bolster the corporate end-user perspective throughout the Strategy's implementation under the NPSO
- Corporates would value the ability to offer customers the choice between push and pull payments in the future, and are concerned by any move to remove pull payments entirely
- Clarity is required as soon as possible on the legal and regulatory ramifications for businesses looking to adopt Request to Pay before long-term business decisions can be made
- The Forum must provide certainty to businesses on whether the choice of Request to Pay will negatively affect a customer's credit rating
- By striking a balance between increased flexibility for individuals, and a coherent business case for adoption, Request to Pay will be well-placed to provide tangible benefits to all users of the UK's payment systems.

Evaluating payments policy at the CBI

The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the private sector workforce. With offices across the UK as well as representation in Brussels, Washington, Beijing and Delhi the CBI communicates the British business voice around the world.

The CBI's financial services policy work is rooted in two priorities; assessing the potential impact of Brexit on the UK's financial services sector and highlighting the sector's role within the Government's Industrial Strategy for the benefit of wider economy.

As part of the Industrial Strategy, the CBI sees the UK's payment system as one of the central pillars of the UK's infrastructure, enabling growth in the wider economy. Our position as a global leader and innovator in payments is also a critical pillar of the UK's status as a leading global financial services hub. The CBI recognises the detriments identified by the Forum in 2015 and the Forum's attempts to 'reinforce the position of the UK as a global leader, and address those weaknesses in payments that are holding us back'¹.

The UK's payments infrastructure has achieved world-leading status through market-led research and innovation, founded on evidence-based change coupled with strong, pragmatic business cases for implementation. Nonetheless, our members recognise that payment systems can always be better and agree that the best source of innovation is market-led. It is important to note that innovation can only thrive when certainty is provided about the future direction of payments policy. Sudden policy or regulatory change instils uncertainty and has the potential to curb current innovations and damage the progress that has been made to date.

Businesses are primary users of payment systems and must hold a majority stake in the future success of the industry. They are confident in the stability and quality of our current payments infrastructure and if anything, take it for granted. As the Forum and the Payment Systems Regulator look for new ways to promote innovation and competition in payment systems, businesses play a key collaborative role in ensuring that all consumers – both individuals and businesses – receive cutting-edge services at a low cost.

Assessing the business impact of the Payments Strategy Forum

Unlocking more competition and more innovation in payments is essential to retaining the UK's world-leading status. This can only be achieved when the pace of change is manageable and the volume of change is proportionate for businesses in order to mitigate the risk of unintended consequences.

CBI members are encouraged by the overarching direction of travel that the Forum is pursuing and praise the work of the Forum and its Payments Community for a broad and comprehensive plan of action.

Providing clarity on the New Payments Architecture (NPA)

The CBI supports the Forum's NPA design for looking to enhance user experiences, address detriments identified in the Strategy and provide a platform for the UK to continue to be a global payments leader. However, corporates value the ability to offer a choice between push and pull payments in order to service the differing needs of their customers, and they are concerned by any move to remove pull payments from the infrastructure. The CBI urges the Forum to consult further on the final architecture, so that it will fulfil the current and future needs of all users.

More corporates need to be engaged in the implementation process as soon as possible. As the Forum hands over to the NPSO to implement the NPA, the CBI call on the Forum to create a corporate steering group to bolster the corporate end-user perspective throughout the Strategy's implementation. We are encouraged by the proposal of an *End-User Council* by the NPSO, in which corporates will be included, but CBI members want to see this go one step further with a corporate steering group, to ensure that the implementation of the Forum's proposals is smooth and proportionate, giving businesses the best chance of implementing Request to Pay (RtP) successfully.

Making a success of Request to Pay

The Forum have rightly acknowledged that a number of individual end-users' needs are not completely met by the UK's current payment systems, and have rightly identified RtP as a capability to provide for individuals with fluctuating incomes to pay their bills. The control and transparency provided by RtP will be a valuable additional service to the UK's payment systems in addressing the needs of some consumers.

¹ A *Payments Strategy for the 21st Century: Putting the needs of users first*, Payments Strategy Forum, 2016

The CBI wants to make a success of RtP and looks forward to working with the Forum on its successful implementation. There is indisputable merit in moving customers - who may not be signed up to Direct Debit (DD) schemes – away from sporadic payments towards a clear and flexible form of electronic payment.

Highlighting the business case for Request to Pay

The successful implementation of RtP lies in its adoption by business users of the payments system. In order to make RtP a success, there is a collective responsibility to spell out the business case for adopting it – without one, RtP will be unable to fulfil its potential. The consultation document states that ‘there will be a clear need for any functionality being implemented’², and this is why the CBI urges the Forum to do even more to make the case to businesses on the need for RtP to be implemented and how it will be beneficial to firms in doing so.

The consultation document goes some way to making this case. However, from our consultation with members, many corporates remain unconvinced, and the Forum has a duty to build on these arguments and better promote RtP from a business perspective. Without the take-up of RtP by businesses, we will be unable to realise the benefits that it could bring to millions of consumers across the UK.

Some members have argued that the Forum’s solution of RtP places too much focus on the individual end-user, whilst equal attention should be given to the potential unintended consequences for corporate end-users, which by volume are the most substantially affected stakeholder by any subsequent change.

In the Forum’s Strategy document published in November 2016, the Forum stated that ‘Request to Pay could create risks for businesses by reducing certainty of payment. Facilitating the deferral of payments could make cash flow management more challenging and could increase non-payment. It could also increase individuals’ debt problems if multiple payments were to be deferred for an extended period. The desire for control must be balanced with the need for certainty of payment’³. Businesses continue to be concerned by these very points, and more must be done to provide clarity to businesses so they can manage the risks associated with RtP in potentially reducing the certainty of payment.

By striking a balance between increased flexibility for individuals, and a coherent business case for adoption, RtP will be well-placed to provide tangible benefits to all users of the UK’s payment systems.

Many CBI members consistently praise the reliability and dependability of the DD scheme to manage their cashflows, and are concerned that it could be completely replaced in the long-term by push payments such as RtP. The CBI want to see the benefits of RtP come to fruition as a complementary capability to DD for businesses to adopt in order to cater for an underserved proportion of their customers. In the current ecosystem, RtP has a role to accommodate the needs of a niche set of individuals, and should be offered alongside DDs on which businesses have come to rely in order to serve a large proportion of their existing customers.

Assessing the implications of adopting Request to Pay

Businesses are calling for more clarity on the costs associated with RtP’s implementation, so they are able to assess the costs and benefits of adopting the capability more thoroughly. In relation to this point, as stated in the consultation document itself, the Forum’s proposals are ‘subject to legal and regulatory consideration’ before the services will be commonly available to both end-users and payment service providers. Clarity around legal and regulatory ramifications for businesses looking to adopt RtP is essential before long-term business decisions can be made.

Some CBI members have raised the issue of credit ratings. They have stated that they would not want to offer a payment capability such as RtP to customers with fluctuating and unreliable incomes if

² *Blueprint for the Future of UK Payments*, Payments Strategy Forum, 2017

³ *A Payments Strategy for the 21st Century: Putting the needs of users first*, Payments Strategy Forum, 2016

it would, in any way, be detrimental to an individual's credit rating in the future. Clarity is required on this point to avoid a situation where the RtP facility could increase financial exclusion rather than offer a new payment method for previously excluded consumers.

The points raised above illustrate that whilst the successful implementation of RtP is a manageable ambition, many questions remain unanswered and businesses require more time for implementation. CBI members are quick to point out that the current timescales around RtP's implementation are unrealistic if the industry wants to see it firing on all cylinders, and would encourage the Forum to adopt a long-term expectation of when businesses can be in a position to offer RtP to their customers.

Working with businesses going forward

The Forum must ensure that business users of payments systems are front and centre of this debate going forward as the Forum is succeeded by the NPSO. The CBI wants to make a success of RtP and in order to do so, businesses must be at the heart of the Strategy's implementation. We encourage innovation, but only steady, proportionate and market-led change will enable firms to reap the rewards of innovation for the benefit of all consumers.

The CBI fully supports the Forum's statement that customer considerations must be at the heart of any solution development plans, and that requirements are 'driven and aligned to end-user needs'⁴. Therefore, we stress once again that RtP requirements must be driven and aligned by corporate end-user needs, as well as those of individual end-users.

As proposed above, and building on the proposal of an *End-User Council*, the CBI call on the Forum to create a corporate steering group, to bolster the corporate end-user perspective throughout the Strategy's implementation as it is transitioned to the NPSO. This improved engagement with corporates will go a long way in ensuring the implementation of the Forum's proposals is smooth and proportionate, and will give businesses the best chance of implementing RtP successfully.

The CBI looks forward to our continued relationship with the Forum in the coming months to enable individual and corporate end-users to shape the future landscape of the UK's payments industry, and help the UK build on its world-leading status.

Yours sincerely,



Flora Hamilton
Head of financial services
CBI

⁴ *Blueprint for the Future of UK Payments*, Payments Strategy Forum, 2017