

PSF Consultation Questionnaire

Section 1

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

Need More Information

If not, please explain why.

Nationwide recognises that the movement to a push payments model would enable payers to have more control of their payments and is supportive of this and the modernisation of the UK payments systems to enable greater functionality and potential for innovation. We also agree that the heart of the matter - a push only mechanism, could support today's pull payments in such a way as to the change being invisible to end user consumers.

In saying this, we also recognise a payment type must work for both the payer and payee to ensure adoption, even ubiquity, consistency of customer experience and maximise the value of investment. Therefore, we believe that the impact of a push only infrastructure must be understood and articulated for all users and providers.

Nationwide would wish any New Payments Architecture (NPA) to ensure the Direct Debit customer experience and journey for payers and payees and their protections are largely unaffected by a migration, or impact minimised and outweighed by proven benefits. Direct Debits and Direct Credits work well for millions of users today who value the convenience of setting up a regular payment with a payee and letting this run until a time at which they would like to cancel it. This certainty of payment is relied on by many payers and payees and their ability to set up and receive a regular payment request must be maintained.

Therefore, Nationwide welcomes the PSF's commitment to make Direct Debits available on the NPA. We feel further analysis is needed to understand the impact, costs and advantages of a change from a pull to a batch push transaction for payees and what actions they, their suppliers and infrastructure providers, and PSPs, would need to undertake to migrate and achieve the wider benefits of the NPA. The input of payees – especially major billers and government but also charities – and providers is essential to inform this analysis and enable this question to be fully answered. An analysis of impacts on payers of a push only world is also necessary – for example, what would be the implication should the value of a regular payment change?

It is inevitable, when suggestions are made for change to a trusted and embedded payments method such as Direct Debit (accepting that the proposal here is around the execution method underneath the consumer interface) that users of all types will have questions and/or concerns. A business case – and a proof of concept – could answer some of these by articulating:

- A clear, precise, simple explanation of how Direct Debits will work (or be emulated) on the NPA and the impacts and advantage of this migration for parties in the payments journey.
- The advantages and implications for payees of Direct Debits of moving to the NPA rather than an ISO 20022 configured Bacs system and on their collection processes.
- What is expected from infrastructure providers to enable Direct Debits to be emulated on the PSF for payers and payees.
- The impact on PSP systems and volumes.
- The true cost of this migration for all parties.

We comment on this further in our response to the next question, but all parties, including providers will need to understand their business case for undertaking this change.

More generally:

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- The definition of a Direct Debit type of overlay service, fulfilled by a push payment, needs to be considered in the context of the European Banking Authority's Regulatory and Technical Standards on strong customer authentication and secure communication under the revised Payment Services Directive (PSD2). The convenience and viability of Direct Debits from a customer's perspective could be lost if there is no exemption or the use of strong customer authentication is mandatory.
- The NPA infrastructure transition phases should be in line with wider industry developments such as the competitive tendering of the FPS and Bacs system as required by the PSR's 'Market Review into the Ownership and Competitiveness of Infrastructure Provision' and should take note of wider industry capacity and capability issues e.g. PSD2, Ringfencing or on a more macro-basis, Brexit.
- The NPSO must be operationally ready to manage the specification and competitive tendering process and development of the push only model.
- An equitable funding model must be found; and
- Whatever is built must retain the reliability of the systems that exist today and have the resiliency and robustness to be capable of dealing with cyber-security risks etc.

Finally, while we recognise that this is not the intention of the Strategy, the discussion of Request to Pay alongside the introduction of a push only model has raised the possibility in some readers' minds that this will be a replacement for Direct Debits. Going forward, users should be clear on the different propositions of each and any differentiation in the protections offered.

- 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.

As above, Nationwide believes that, while the implications are quite extensively documented, the impacts of such a critical change as moving to a push payments only mechanism have not been sufficiently detailed at this moment in time and will depend on the features of the new service. We would welcome upcoming work addressing this.

Particular areas of focus include analysis of:

- The impact on originators of payments and the approximately 130,000 direct submitters to Bacs.
- The true costs of the movement to a push payment mechanism for all parties, which to our reading, are not examined in the Cost-Benefit Analysis.
- The advantages and disadvantages to parties including PSPs and TPPs.
- The potential increase in volumes and implications for the control of prioritisation and sequencing of payments in processing – including any unintended detriments which may result e.g. a debit being processed before a credit.
- The status of the cultural and business readiness to ensure a successful change in the payments industry and its users.
- The stakeholder education necessary for this transition must be considered and planned for (see our response to 1.3 below).

The impact of any required new contractual customer consent will need to be considered. Repapering has a financial implication for providers and billers. From a customer's perspective, this will follow other exercises required for regulatory changes (e.g. PSD2, GDPR, etc.).

- 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.

It can be seen in the consultation how the attributes of the NPA – such as the layered approach, overlay services and common messaging standards should drive competition and innovation.

We feel there are a number of areas in which further consideration could help end users.

- The New Payments Architecture is an ambitious and radical change. It must at least as stable and robust as the systems we have today. Therefore, there is a fundamental requirement for due diligence and a well-designed, clearly understood transition process, over an appropriate time scale, to be part of the end-to-end design/build to identify and mitigate risks and ensure a smooth transition with minimal/no end user impact. The requirements for each party should be detailed (e.g. will there be technical build requirements for PSPs during transition).
- When in operation, the Clearing and Settlement layers must not provide a single point of failure. Further design work is required to ensure a rigorous, resilient infrastructure is constructed. We expect this will be conducted with dialogue with the Bank of England as it develops the new RTGS.
- The PSF and NPSO in identifying and facilitating core interoperability between variances of solutions (e.g. Request to Pay) and prioritising true value added features such as the ability to trace, reconcile and later refer to a payment end-to-end industry wide through an available unique reference etc. – will maximise the ease with which competing solutions can be adopted and help to build business cases. It should additionally help to provide ubiquity to enable consistent customer experience for end-users.
- Data protection and privacy considerations are core to the new infrastructure and end-user needs solutions. Achieving clarity on relevant regulatory positions would help end-users and providers alike. Additionally, greater specificity will be necessary on what consumer data would need to be held, where and what permissions are needed for the End User Needs and Financial Crime solutions.
- It should be understood if there are any legal or liability implications of moving payments from a pull to a push payment model.
- From a wider societal point of view, the NPA will need to support critical controls against financial crime including sanctions screening, AML and anti-terrorist financing. For instance, we would wish to know if a payment had originated overseas.

There are also areas in which clearer communication could help over and above that necessary to create business readiness for change and explaining how Direct Debits would work on the NPA. The implications of the NPA on end users (including consumers) should be considered and any communications planned accordingly. We discuss in our responses in Section 2, the importance of considering how end-users will engage with solutions and raising their understanding of how to safely and responsibly use them. This will be equally as important given the plethora of solutions which may emerge from the development of Open Banking and NPA which have the potential to confuse customers.

Going forward, the NPSO will lead on the design of the NPA. The following are important in this design for end users:

- The NPSO should be able to support the development of future collaborative solutions where such a solution can be demonstrated to be most effective for the end user e.g. CASS, ISA Switching Service and enable continued innovation in cheques, Direct Debits and FPS going forward (as appropriate).
- The principles under which future overlay services would be accredited should be end-user driven – for example, these must be secure, specify core customer protections as appropriate, minimise threat of fraud, be compliant with regulations and have interoperability at their core where appropriate for end users, TPPs and PSPs.
- We welcome that Request to Pay could be used in paper form. We would encourage the NPSO to continue to have front of mind the needs of non-digitally active customers in a push payment world where they may lack the technical access, ability or interest.

- 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?

Ability to compete / Yes. Access / potentially over time

If not, please explain why?

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As an established provider of existing payments services, the effect of the layering the NPA to simplify access to the UK payments market, will be different to that of a new entrant. We can see the advantages offered by a well-executed layered model to increase innovation and agility of change in payment services – particularly when constrained to a particular layer supported by effective standards and controls of inter-layer interfaces. This, and the use of common messaging standards, should help to simplify participation in new services over time.

We would suggest that on the wider design:

- There is a need for greater clarity on how the scheduling of attended and unattended payments through clearing layer of the NPA would work;
- There is a need to understand any implications of PSPs indirectly accessing the NPA on services such as Confirmation of Payee, Payment Status Tracking etc.
- The more complex liability dimensions are understood between multiple parties which operate more independently than today; and
- Any service quality and financial crime risks are identified for management in the layered model.

We strongly support actions, within regulation, which can be taken to protect our members from experiencing financial crime. Therefore, the presence of Financial Crime Analytics within the layered model is supported.

It should be recognised that the layered model will necessitate PSPs batching and sending payments to other PSPs unlike today when these and other validation services are conducted by Bacs. The implications of replicating these services will need to be understood and a decision taken about where these should be most appropriately take place in the new architecture. Common operating standards will be required in instances where different players are performing a validation service. However, to conduct all validation services in-house will increase complexity, risk and require investment and operating costs for existing and new PSPs. Nationwide would encourage strong consideration that the centralised layer should provide appropriate validation services to simplify access for new entrants, minimise investment and risks.

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:

1.5. a We have reached the right conclusion in recommending this option?

Yes

If not please explain why?

Nationwide believes a centralised Clearing and Settlement solution will provide the necessary settlement risk controls and associated financial security for all parties. Additionally, it reduces complexity by being beneficial for consistency and standardisation of process and minimises development and operating costs.

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

Yes

If not please explain why?

Nationwide believes that a centralised clearing and settlement option reflects a fundamental, pivotal purpose of this function - to manage associated risks for the health of society and end users.

However, we would encourage a new Clearing and Settlement layer not to introduce unnecessary constraints in its operation. For example, providing no unacceptable risk is introduced, the system should avoid the limitations in the settlement frequency and availability of today's payment systems.

In June 2017, the PSR, in its Infrastructure Review Final Remedies report, stated “we intend to take any further steps required to apply this remedy to the new consolidated entity [NPSO], as appropriate, having regard to the circumstances at

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the time, to ensure it competitively procures any future central infrastructure that is required.” With this in mind, the Clearing and Settlement layer should be developed in such a way that minimises any associated transition risk.

Strict performance, security, disaster recovery and resilience standards should be agreed for the provider to ensure the Clearing and Settlement service meets the resilience needs of end users - including to avoid becoming a single point of failure. A provider must keep up the standards of the Clearing and Settlement throughout the lifetime of their contract. Failure to do so will undermine the wider NPA.

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

Yes

Which is your preferred deployment approach?

Nationwide prefers the Single Vendor Deployment Approach although it can see some of the risk syndication opportunities of a multi-vendor model. It believes that the single vendor approach offers a greater level of control and risk management than could be obtained with multiple vendors. Strength will be offered by maintaining simplicity in this layer and managing a single settlement position across multiple solutions (and technologies) would add complexity and cost and in turn increase settlement risk. Any pursuit of a multi-vendor approach must be able to demonstrate equitable control and simplicity.

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.

Although aspects of the NPA such as layered models and API technology are proven, Nationwide believes:

- Users of Direct Debits would appreciate further engagement and a proof of concept/pilot exercise demonstrating the operation of Direct Debits as a push payment mechanism in the NPA. This should demonstrate the customer, technical and operational impacts, the steps and costs involved in this migration for different parties and how they could best be managed in any full migration.
- The level of complexity involved in moving FPS, Bacs and the ICS onto a new infrastructure and a new messaging standards should be understood. A working model of the NPA would enable a proper demonstration of the concept and enable lessons to be learnt for transition, including implications for stakeholder’s legacy systems and the timetable.
- Work is needed to determine the security arrangements, liability models and legal framework to ensure the concept of the NPA will work at a practical level – particularly in the more complex and multi-partied layered model where less clarity on failure may exist. A key learning from Open Banking has been not to underestimate the security and liability models that underpin participants interacting in such an ecosystem. Building on the Open Banking concepts around the use of an API ecosystem would benefit both of these issues.
- More assessment of the non-functional implications of the NPA, including expected performance of member systems, end to end security and data management is needed.

Nationwide’s responses above also document the additional work needed to understand customer impact, develop appropriate communication and to specify performance and design standards to avoid the centralised Clearing and Settlement layer becoming a single point of failure.

Identification of an effective and equitable funding model is crucial for the success of the NPA.

Section 2 End User Needs

2.1 As a payee,

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

Yes

For credit based products, the affordability controls we deploy mean that few customers experience problems paying regularly, usually by Direct Debit in line with our product terms and conditions, unless their circumstances change. Nationwide has processes in place to work with customers in these circumstances.

As a provider of current accounts, Nationwide does have a low proportion of payments returned unpaid due to insufficient funds (see 2.1.c below). To help tackle this it offers customers the opportunity to receive text messages to enable them to 'top up' their account for the Direct Debit to be 'retried' later in the day. Recently Nationwide has also introduced a cap on its overdraft fees.

It is worth bearing in mind that customers in vulnerable situations might experience difficulty paying regular bills due to accessibility or cognitive issues as well as financial difficulties.

2.1.b Does your organisation experience unpaid direct debits?

Yes

As above.

2.1.c Please comment on the extent to which you experience this and any trends you see in this area.

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

Yes

If so, how?

Before answering this question directly, Nationwide would like to say of Request to Pay that it is firmly supportive of services which improve the control and understanding its members have over their payments. Increasing visibility through Request to Pay will improve transparency and introduces the potential for unscrupulous payments to be interrupted (e.g. through the opportunity to receive more information about a payment request).

Nationwide further:

- Endorses the PSF's position that this is a messaging service and not a replacement for Direct Debits.
- Recognises the vital importance of the adoption of Request to Pay by payees in addressing the detriments identified by the original strategy and maximising the value of investment in solution development.
- Encourages the design of this service to reflect the needs of payees for certainty of payment, to tailor messaging and to potentially use Request to Pay for innovative purposes outside those necessary to address the original detriments. This will help to build implementation business cases.

When considering the increased visibility offered to payees, Nationwide believes that the increased communication may:

- Create back office efficiencies (reducing costs relating to debt management and potentially identifying billing or reconciliation errors); and

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- Present an opportunity to identify financially distressed customers at an earlier stage than, for instance, a declined Direct Debit payment. We believe it may encourage members to be more proactive in contacting us. There is a risk that payers could find it too easy to decline a payment or partially pay – thereby delaying a meaningful contact - when we would prefer a more personal one-to-one contact in cases of financial difficulty. Please see our response to the following question for a partial mitigation to this concern.

This ability to communicate could also give more information to PSPs on the transaction – for example where a payment is blocked – and information on the payer / payee which could be useful for financial crime prevention purposes.

2.3 Request to Pay will result in increased communication between the payee and the payer. As a payee:

2.3.a Would the increased communication present a challenge?

Yes

If so, in what way?

The challenges presented will depend on the final Request to Pay solution(s). If this communication needs to be delivered through a Nationwide channel this would have cost/capacity and scheduling implications to implement. An understanding of what the communication is and any consents would also need to be clarified.

Challenges for Nationwide as a payee would include:

- In the short term, changes to process and increased communication between the payee and payer may create uncertainty or confusion for Nationwide members and customer facing staff.
- The requirement to offer payer the ability to 'Request a Contact' or send other messages to the payee would need to be integrated into current systems and practices – which would incur costs not only for Nationwide but for other payments originators alike. The cost, implications and practicality of these would depend on the particular system.
- Although a payer can ignore a bill today, if Request to Pay results in more declined or delayed payments – or simply requests for contact - this could have result in a greater number of operational contacts and costs – including recruitment in call centres and the potentially further issuing of notifications etc. A delay in responding could in itself introduce a payment delay.
- The ability to decline a payment and offer the payer the option to initiate a dialogue with the payee may: (a) not be appropriate when it is a legitimate request or the reason for non-payment does not necessitate further contact, resulting in this (b) placing a burden on payees.

For the above we would encourage:

- Codification of the reason why 'Decline' or 'Request a Contact' is selected by the payer, on which the payee can make a decision on next steps.
- The payee should be able to provide messaging on the implications of declining or partially paying a request or requesting an extension to pay; and
- The payer be educated on this new payment messaging service and made aware of how to safely and responsibly engage with Request to Pay, for example:
 - Safely – not to pay Requests to Pay from unknown requestors and actions to take if such a request is received; and
 - Responsibly - that a Request to Pay message does not replace a contract or alter underlying indebtedness and penalties or other consequences may still apply if a valid payment is not met.

More widely, all requestors would need to consider the balance of communication from payees to payers. Care must be taken that payees do not send too many requests or follow up notifications which could introduce complacency, confusion, stress etc. Centralised guidance may help in this instance.

Nationwide would propose consideration is given to the ease with which a payer could swap from the need to authorise each payment to authorising payments on a continuing mandate or those up to a certain amount – this would offer payers an additional facility to manage ongoing communication or payments in times when they are unreachable. An example might be a mobile phone bill where the payer and user are different people, perhaps a parent and child – the payer may value an intervention when the monthly bill exceeds a threshold. If the monthly bill is below the threshold, the payer may be very happy for no intervention, effectively for the payment to be 'unattended'.

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

Nationwide believes the benefits described in terms of greater transparency and control for the payer are well documented in the consultation paper and we commented in our response to 2.2 on the potential benefits of understanding the intentions of the payer through Request to Pay.

Dependent on systems integration, there are other opportunities where payees could:

- Provide payers with greater / more up to date information on an account (e.g. a loan balance, a reference on which payment this is in a series e.g. 10 out of 12); or
- Depending on customer permissions communicate other items of interest to them e.g. product anniversaries, eligibility for different products or a change in product features; or
- Collect up-to-date personal details (e.g. contact details) or even if permissible customer's agreement to terms and conditions rather than asking for a signature.

The increased communication could enable payers to become more familiar with their spending behaviours through increased engagement (see response below).

However, as an originator of payments these opportunities would need to be considered as part of a business case for change from existing payments types.

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

Yes

If so, which ones?

Apart from the increased control and transparency referred to above, Request to Pay should drive down the amount of misdirected payments or payments held in suspense accounts through the provision of a Request to Pay ID. The use of a unique transaction reference that is then used throughout the payment end-to-end should also improve the traceability of a transaction and support reconciliation of payments.

Other benefits we see – which include benefits for payers - are:

- The many possible uses for Request to Pay such as charity donations, membership fees (in which the ability to reconcile a payment to a member may be particularly useful), 'person to person' payments and so forth.
- It could also potentially be used in different channels such as in Remote/Telephone Order scenarios, at Point Of Sale (POS) and in the Internet of Things (IoT).
- In scenarios where the customer is not present, Request to Pay could minimise the need to share card data and offer certainty over the amount authorised (in a telephone scenario) – both of which could have financial crime benefits.
- Dependent on the Request to Pay solution design, it could prevent the need to enter payment details with a payer 'just' authorising the payment. For example, where the Request to Pay service links directly to a customer's payment mechanism when a decision is made to 'pay all' or 'pay partial' the payment details would not need to be entered. Although Secure Customer Authorisation may apply.
- Payers could decide to pay for things earlier or make an overpayment.
- Members living with poor mental health can have poor impulse control, consumer organisations champion the need for more friction to be applied at the point of payment. While the proposed new system doesn't provide this, it appears to hold the potential for members to become more familiar with regular spending behaviours possibly resulting in irregular or more impulsive purchases not resonating as regular behaviour.

However, there could be Remote / POS / IoT and other transaction scenarios in which no partial payments or extension to payment term is possible therefore any rules surrounding this would need to consider how to enable single use transactions.

The realisation of volumes, value of investment and the benefits documented in the strategy and those above is dependent on payee take-up. Request to Pay is a proposition that strategically offers scope for innovative and interactive transactions

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with customers offering benefits of service and commercial opportunities that should be factored into the overall economic long term value of the solution.

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

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

Yes

At this stage is not completely clear how and where this data would appear before the payer, which could influence the provision of the information e.g. from a data protection perspective. Additionally, provision of data would need systems integration and the costs, impact and practicality of this would need to be considered.

It should be noted that the recipient of this data may also have to integrate this into their systems – particularly in a business to business context.

The value of the provision of a unique ID to enable the reconciliation of a payment is recognised. We would encourage consideration of how this ID to can continue to enable payers, payees and PSPs to have a common payment reference over time e.g. if the customer has a query.

Additionally, in implementing this requirement, payees will need to be clear about what is meant by payment period and how this relates to a due date. For example, is a payment to a mortgage due on 25th August or for the period 1-31st August? Payees may most appropriately consider this within the terms of their existing contracts but some guidance/examples would be useful. Consumer communication on this point may also be necessary.

2.4.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?

Yes

Generically, it is very likely that other information relevant to a Request is likely to need to be provided by payees to payers. For example, the need to quote a purchase order number (to show that the payer has internally committed to a budgeted amount under a contract), a customer number or invoice number is very common commercial practice.

Additionally, if there were opportunities for the payer to decline, partially pay or request a payment extension, we might want to, or indeed need to, send a message about the implications of a payer doing any of these (e.g. any implication on increase interest owed or provision of cover).

2.5 We envisage payees stipulating a payment period during which the payer will be required to make the payment. As a payee, how do you think this payment period might be applied within your organisation?

The use of a payment period would need to be assessed on a Nationwide product-by-product basis – prior to any detailed comment being made on the use of this. In general, credit and risk based products such as mortgages, loans, insurance and credit cards will be supported by contracts that specify payment parameters in terms of timing, and sometimes method. Any interaction with a customer about a Request to Pay would need to take the cost, service and risk elements into consideration – we would not, for example, want to create an unintended consequence of customers falling into arrears, or being uninsured etc.

2.6 Request to Pay will offer payers flexibility over payment time as well as amount and method. As a payee:

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

Yes – to spread their payments

If so, please provide more details as to how these plans are offered, their conditions and to which customers.

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As a provider of credit cards, loans and mortgages Nationwide does offer the ability to payers to spread their payments in some circumstances. Decisions on to whom this is offered are based on a number of factors including credit risk, personal circumstances, conditions laid down in regulations on affordability and others. Examples include 'payment holidays' on mortgage products (equally, some customers may make overpayments at some points). Nationwide also has processes to engage individually with customers who fall into arrears on these payments including payment plans. These are individually assessed and offered where it is considered to be an appropriate solution for both the member and Nationwide.

2.6.b Do you have a predominant payment method used by your payers?

Yes

If so, what percentage of customers use it?

As would be expected, for most regular payments, including investments, loans and mortgages the predominant payment method is Direct Debit. As a major provider of savings products we also see significant volumes of inbound Standing Orders as well as Single Immediate Payments and internal transfers. And initial lump sum investments are frequently made by cheque.

2.6.c Do you offer your payers a choice of payment methods?

Yes/No

If yes, what determines how much choice you offer? If not, what are the barriers preventing you from doing this?

The choice of payment methods offered varies across Nationwide's products and services and can differ where a service is provided directly or in partnership with a third party. However, Nationwide stipulates in its contracts that Direct Debit is the default payment mechanism for monthly loan and mortgage payments. These are seen to offer Nationwide the optimum balance of service, cost and risk with most certainty of payments being received and the customer certainty of payment being made. Overpayments or early settlement can be done via other methods, including cheque or internal transfer or external transfers of funds.

The service, cost and risk profile of Direct Debits is reflected in Nationwide's approach whereby products that carry a credit risk tend to be repaid by this method. Other payments such as fees and deposits tend to have a wider variety of payment types. Overall, this business model of optimising payment types by product can support our objective of benefitting our members.

2.6.d Are there any incentives to use one payment method over another?

No

If so, what is the rationale?

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:

2.7.a Do you currently offer your payers the capability to extend a payment period, request a payment holiday or make late payments?

Yes

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This varies by product type, and the circumstances within the contract we have with our customer. Examples may include a payment holiday, extension of a mortgage, or adjusting the amount and timing of payments in situations where we are actively helping customers in difficulties.

2.7.b What are the conditions and eligibility criteria under which this is offered?

Please see our response to question 2.6.a

2.7.c If you currently don't, what are the barriers preventing you from offering this capability?

Late payments and payments holidays can have implications on the term of a loan, the requirements for which are defined in the Consumer Credit Act. Furthermore, in some cases there may be implications the calculation and application of interest which Nationwide would wish to be visible and clear to a member. The pricing of products, and hence the value they generate for our members, is predicated on modelling behaviour which could also be sensitive to volatility in payment inflow.

In essence, the payment sensitivities around credit based personal financial products are likely to be more acute than with some other products and services offered within and beyond our sector. Payments to savings and investment products and other household payments may well be less sensitive to being paid fully by fixed deadlines.

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 in error or will be paid by other means. As a payee:

2.8.a Would you find this information useful?

Yes

Nationwide believes having this information might allow us to investigate if an error had been made. It could allow us to look elsewhere or try other means of payment. However, this could also create extra manual work with associated costs. We would prefer a more proactive and personal approach from customers.

As we have already said, codification of response could help in this regard, by allowing a customer to state why they are declining the request.

The ability to decline and then block a payment could be an indicator of fraud – the codified messaging around this e.g. 'unrecognised payee' - and the ability to link this to a Financial Crime solution should be considered.

2.8.b Do you have any concerns about providing this capability?

Yes

Nationwide understands the Request to Pay opportunity for those customers who today do not engage with Direct Debit and the communication, reconciliation and automation opportunities for payees. Today however, many of our regular payments are made by Direct Debit and therefore some of the concerns of offering a Decline function naturally stem from a comparison of the two services.

Concerns would be:

- A payer may not be clear about the implications of non-payment and experience detriment as a result.
- An option to decline could lead to additional work/cost from a payee to recover legitimately owed funds – although it may give more information on the payer's intention to begin this process.
- There could be a business risk of an increase in write-offs which could have a knock-on effect on the wider commercial model.
- The implication on payees' financial planning and cash flow if this level of optionality is introduced in a mass market environment - though we appreciate payees will make their own market based decisions on which payments to offer.
- If a payment is made outside of the Request to Pay it may be difficult to match to the right account/Request.

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- Depending on channel, that a ASPSP may become involved in the disputes process on Request to Pay 'decline', and other, messages – which to date would not have touched the PSPs.

However, Nationwide would be concerned if there was no way to decline a payment – which had been sent in error, or was from an unrecognised payee (and could be fraudulent). To avoid unintended consequences or placing additional burdens on payees, payers should be made aware of the consequences of declining a payment when the request covers a valid unpaid debt.

It should be noted that going forward, bulk Request to Pay would need to be monitored for Financial Crime to detect and prevent any orchestrated attacks by payees seeking to draw funds by deception, scams etc.

2.9 Does the Request to Pay service as described address:

2.9.a The detriments identified in our Strategy?

Yes

Yes, we believe it has the potential to offer those on variable incomes the control and flexibility over their regular payments to balance their budgets. Therefore, Request to Pay could increase consumers' confidence to use electronic payments for regular commitments. If properly designed, the request and any linked data should give additional assurance that the payment is going to the correct recipient and help with reconciliation via the provision of Request to Pay ID and payment reference information.

It also has other potential benefits for payees in managing arrears and receiving some funds rather than none.

The provision of additional contextual data – e.g. its purpose - with a payment request could help to reduce Financial Crime. However, consideration should be given to fraudsters setting themselves up as a payee or controlling a legitimate payee's Request to Pay messages then using social engineering etc. to give customers a level of assurance to make a fraudulent payment. The requirements and rules supporting a Request to Pay service should be designed to minimise the risks of bad actors trying to scam payees, particularly vulnerable ones, out of funds.

Much of its success, as we have already said, depends on take up by payees. It could introduce costs and complexity to their models. Although we support this implied position on this in the Request to Pay rules and requirements, we would encourage a clear statement in the requirements that the payee, does not have to permit a payment extension, and examples of how Request to Pay can be used to support the contract existing between the payer and payee. Please also see our answer to 2.3.c above for a discussion of the need for payees to consider wider opportunities in developing their business cases.

2.9.b The challenges experienced by your customers? Does it introduce any new challenges?

Yes

Our responses above discuss some challenges. However, the precise nature of any challenges are likely to become more evident as final solutions emerge.

It is difficult to know how customers would behave with Request to Pay. For example, what would a customer do if they receive several requests at the same time. Would they not look at them? Be confused? Switch them off? Pay one and not have the funds for others? Safeguards should be built into solution design to ensure messages are received and solutions may need to evolve based on learnings from customer behaviour.

Request to Pay requires customers to be engaged with their regular payments. Although, this is a messaging system and essentially provides a bill – which many consumers successfully prioritise today, customer education on how to safely and responsibly respond to Request to Pay will be necessary – especially for those who lack financial capability. Education might cover for example, unrecognised payments, the implications of not paying bills on time, potentially even advice on how to prioritise payments e.g. for housing.

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Additionally, the payee must be aware of their responsibility to operate Request to Pay in such a fashion as to minimise customer's falling into debt. This is particularly important for vulnerable consumers.

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

2.10.a What is the extent of change you think you will need to carry out internally to offer Request to Pay?

Again, this is dependent on the eventual solution(s) and would need to be the subject of a thorough impact analysis.

If to be adopted by Nationwide as a payment originator we would need to have the ability to support the rules and requirements – including:

- The ability to attach Request to Pay ID to a Nationwide transaction;
- The ability to respond to additional communication or requests for communication from the payer;
- The ability to provide any data which would need to go onto a request;
- Need to consider any impacts on T&Cs and Nationwide's Fair Processing Notice; and
- Supporting members in its use.

To utilise Request to Pay could involve large scale changes to:

- Business processes;
- Financial risk models;
- Customer contact details;
- Run costs;
- Fraud models;
- Contact centres;
- Mediated channels;
- General payment processing; and involve
- Systems integration, testing and compliance (e.g. with GDPR).

This would be especially true if enhanced data were to be added to the request.

2.10.b What challenges do you see that might prevent your organisation adopting Request to Pay?

We anticipate some of the challenges listed will be common to other payments originators. However, challenges which could impact Nationwide's adoption of Request to Pay as an originator – and which would need to be considered in a business case - would include:

- Capacity – especially given the level of ongoing regulatory change.
- Cost and ability to establish and integrate into our systems and operate thereafter.
- Confidence in wider payee take up to ensure consistency of consumer experience and demand (i.e. is it going to reach market penetration to be a fully viable proposition with a positive service, cost and risk balance).
- Confidence it does not introduce any customer detriment.
- Compliance with business and regulatory requirements (e.g. GDPR).
- Complexity to deliver or use.
- Commercial challenges offered by Request to Pay - in terms of:
 - Certainty of payment receipt, and
 - Operating costs involved in any additional chasing of payments.
- Consents - what consents would be needed from our payers to use this service, how would these be stored and how would these be obtained from existing and new customers.

However, these commercial challenges would need to be weighed against the convenience of receiving payments in an electronic form which enable efficient reconciliation and increased communication opportunities.

Capacity, costs and regulatory compliance (including with AML, sanction screening and anti-terrorist financing regulations and legislation) would also be challenges for Nationwide when offering Request to Pay as a provider of payment services.

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And, we would want to know that Request to Pay offers a simple service which effectively manages fraud risk for our customers.

2.10.c What is the timeframe you think you will need to be able to offer Request to Pay?

This question very much depends on the final Request to Pay solution and certainty of design principles.

Further analysis would be necessary – to understand what changes would be needed to back office systems to enable Nationwide to accept Request to Pay and an impact assessment conducted as per our response to 2.10.b. However, we would anticipate it being an 18-24 month project to offer Request to Pay to our customers.

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 already discussed some features in our responses above. However, to summarise:

- Ability for a payer to choose to set up a regular payment on a Request (for the full amount or up to a certain amount).
- Ability to innovate for immediate payments via the development of a subset of rules covering this eventuality – excluding the requirement to offer partial payments or a payment extension option.
- Ability to understand if there are ways in which to use the additional data attached to the payment to reduce financial crime, within regulatory requirements.
- Codified responses on a Decline of a payment, Request a Contact or Request for Payment Extension options to improve communication to payee and inform their response
- Ability for a payee to provide messaging on the implications of declining, partially paying or extending a payment.
- Clear standardised customer communications on the benefits of Request to Pay but also their responsibilities to successfully engage with this.
- As a payments originator, steps which would increase the certainty of payment being made within the payment period.
- Bulk Request to Pay will need to be monitored to prevent fraud, mitigating the risk of orchestrated scams, potentially sent en masse and using it as a preferred payment option for unsuspecting payers.

As a payee organisation, it would be also useful to be able to identify when an underlying Request to Pay payment originates overseas or is fulfilled by a third party. This would support our risk profiling of the customer and the relationship, and enable us to apply appropriate controls to the Request to Pay service.

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:

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

Yes

Some risks have already been identified above but particular risks would be:

- Non-delivery risk – if all PSPs have a full transformation agenda, a decision would need to be taken of the best time to deliver.
- The risk of non-adoption by a critical mass of payees - Request to Pay will need a wide acceptance base to address the detriments and offer customers a consistent customer experience to grow usage. Therefore, it must work for both the payer and payee by enabling sufficient control to meet the needs of the payer and provide the requestor with assurance of receipt of funds owed (or at least nothing to make this less likely) and improve reconciliation. For payees, the Request to Pay standard rules must be clear enough to enable interoperability and but allow requestors the ability to tailor the requests for their circumstances.
- The risk that to realise the full benefits of Request to Pay will be cost prohibitive or possible only for larger organisations.
- The risk that the full benefits stated in the business case are not realised. For example, the assumption that a Request to Pay would substitute an existing bill should be tested as this is not necessarily the case for payees.

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- The risk that a customer pays a Request to Pay which is fraudulent. Customers will need to understand that there is the same level of need to be aware of getting a bill in this form as through the post e.g. 'If you don't think you owe it/don't recognise the payee – decline the transaction.' However, safeguards must be put in place to minimise fraudulent requests.
- Risk to vulnerable customers or those lacking technical or financial capability of needing to engage with communication and monitor payments with requests.
- Dependent on design and its role, that Nationwide as a provider of services would become embroiled in payer / payee disputes relating to non-response to a Request to Pay which leads to customer detriment (fees, impact on credit rating etc.). Situations such as bereavement or holiday could affect a payer's ability to deal with Request to Pay. Again, allowing the setting up of a regular payment could cut this risk. However, disputes and liabilities processes for eventual solutions must be created.
- The risk that customers aren't sufficiently engaged with it or don't behave as anticipated in product design.
- The implication of ability to make multiple partial payments – by various means - could also incur additional operational and transaction costs within the payments value chain.
- There is a need to assess any data privacy risks associated with the sending of requests.
- Similarly, the money laundering, sanctions screening and terrorist funding risks of Request to Pay would need to be understood and mitigations put in place. We would be happy to work with the Forum to help identify.
- The risk that payees introduce new fees relating to a Request to Pay for example, failure to respond to a Request.

The ability to decline, make partial payments or request a payment extension on a Request to Pay, could be perceived to enable customers to not make payments owed and necessitate payees engaging in increased debt recovery activities and potentially having negative effects on payers (e.g. increased indebtedness, penalties, withdrawal of service etc.). Although these risks exist under today's paper billing world, this product brings this into new light. Communication is necessary for payees to allay these fears and highlight the advantages of Request to Pay in reconciling payments etc. However, safeguards should be built into the design of any Request to Pay service and effective communication conducted to increase certainty of payment.

Nevertheless, in scenarios which Direct Debits are almost exclusively used today, if there is an increase in losses and potentially increased transaction costs – this could present the risk of increased costs to the payer and payee.

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

Yes

Generally, there will need to be a significant culture/business readiness element to the Request to Pay which is not currently reflected in the strategy. It will be necessary to communicate the change and why it's happening, beyond the audience that has been directly involved in the strategy so far.

Potential other unintended consequences Nationwide has identified would be:

- Will vulnerable consumers want numerous requests for payment - should a limit be set of the amount of times requests are sent?
- Will organisations assess the credit worthiness of their customers according to their behaviour with Request to Pay? For example, could there be a scenario where people fear rejecting / delaying a payment with the reason that they can't afford it, as it could affect their credit rating.

This leads into the next question – the need for a liability model(s) for Request to Pay.

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:

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

Request to Pay is a messaging service. Parties are unlikely to want to assume responsibility for actions outside of their control and which today are the responsibility of the biller e.g. making sure the bill is correctly addressed to the payer.

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Nationwide would encourage the design of Request to Pay to encompass safeguards to minimise customer harm and any new liabilities.

However, there is a need for a clear liability model reflecting roles and responsibilities between the payer, payee, PSP and Request to Pay service provider. This would need to be consistent with current legislation e.g. Payment Services Regulations.

We note, that Request to Pay would utilise the liability arrangements of the underlying payment mechanism. It would be necessary to understand if any of the features of Request to Pay impact the protections offered by existing payment mechanisms. And going forward to understand and communicate how protections would work under the NPA featuring push only interbank payments - particularly for payers authorising each push payment where liability could sit with them.

Additionally, a PSP could be exposed to legal or regulatory censure by failing to adequately identify and prevent Money Laundering, Terrorist Financing or Sanctions breaches through its accounts. The PSP would need to take action but we would want any service triggering a payment to make this as straight-forward as possible – building mitigations into the design as much as possible.

2.13.b Would you be interested in working with the Forum to define, at a high level, the liability considerations for Request to Pay? If so, please contact us as soon as convenient through the Forum website so we can get you involved.

Yes

2.14 As a PSP

2.14.a Do you currently offer real-time balance information to your clients?

Yes

2.14.b What information do you offer them?

Nationwide makes account balances available to customers in real-time through ATMs, online, mobile and telephone banking and in branch. These balances include account balance and available balance information which would take into account authorised card payments awaiting settlement.

The available balance does not incorporate any agreed overdraft facility.

2.14.c If not, what are the constraints?

Items which would not be reflected in the real-time balance would be cheques which are written and not presented (the PSP has no visibility of these) and off-line/unauthorised card transactions until we receive these for settlement.

The available balance does not incorporate any agreed overdraft facility.

2.15 We have presented two CoP response approaches (Approach 1 and Approach 2)

2.15.a As a payer, what would be your preferred approach? Why?

This is a very difficult decision as each approach has its merits and a full exploration of each has not been completed.

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As a payer, Nationwide would welcome either approach if they could provide confidence that a payment (e.g. a loan) had reached its intended destination. For us and paying members, as ubiquitous a service as possible is necessary.

2.15.b As a PSP, what would be your preferred approach? Why?

At this stage, we would not state a preference until there is further analysis of the implications. It is worth considering that in the short to medium term we may be able to develop and extend solutions that are in, or emerging into, the market. These will already have a design for the response that is presented to the payer and might enable some proving of the approach. For example, a Paym type of name validation would return a name to the payer. There will of course be issues to resolve such as the accuracy, consistency and security of the information as well as the data privacy and liability angles.

However, in general as a PSP Nationwide strongly supports a solution in this area to:

- Offer payers the opportunity to verify the payee in advance of authorising a payment to increase their confidence to use online electronic payments and help to minimise misdirected payments.
- Help address the risk of being scammed into making a payment to a maliciously misdirected payee as highlighted by the Which? super-complaint.

Even for those who utilise these payments today, this facility could increase confidence and convenience as Confirmation of Payee could reduce the amount of checking and re-confirming details with payees in the customer journey.

Both approaches suggested in the consultation have merit. We would support the one which offers the customer the greatest clarity of who they are paying. We would wish this solution to be ubiquitous (with allowances for exceptional cases) and to be compliant with GDPR and other data protection regulations.

However, we recognise that Approach 1 presents fewer data protection (especially on joint accounts) and potential fraud issues as no data will be made available that is not already known by the payer. Payees may prefer this approach. We are aware though that this could present false negatives if the data entered is not as expected on the account and may be less simple and clear for payers to understand. The onus will also be on the solution provider to determine the affirmative or negative message, which could have liability implications.

Alternatively, Approach 2 could be simpler to implement and clearer for the payer to understand. A permutation on Approach 2, would be to enable a payee to approve the confirmation of his name back to a payer prior to this taking place. Doing this validation could make achieving a response within 5 seconds difficult however and may compromise the near real-time convenience of such payments.

Whichever approach is adopted, Nationwide would wish a payer to be aware of what is being assured in the scope of this service. For example, that the account is held by the intended recipient rather than any further assurance on the quality of any goods to be supplied.

On a separate topic, Nationwide is supportive of the inclusion in scope of this solution of products that are identified by reference numbers aligned to a holding account and sort code. These include large numbers of savings, credit cards and loan products across the industry and should be included to maximise the benefit for consumers. We would welcome the opportunity to work with the NPSO to understand how a solution can be developed for these.

A fundamental element to be addressed is compliance with data protection and GDPR principles. If payees are presented with new information there needs to be control to protect payees from illegitimate Confirmation of Payee enquiries and their use. The ongoing engagement the Forum has with the Information Commissioner's Office is key to building a compliant proposition for legitimate use.

2.15.c As a regulator

a) What applicable considerations must be made for each approach?

Nationwide would encourage the regulator to provide its thoughts on the data protection and privacy considerations of the two solutions.

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b) What safeguards must be put in place for each approach?

2.16. As a PSP

2.16.a Would you be able to offer CoP as described to your customers?

Yes/No

It is hard to say if we would offer Confirmation of Payee 'as described' on the basis of the description in the strategy. Nationwide would need to be confident that the solution complies with GDPR (including on the issue of consent), is as ubiquitous as possible and fulfils a payer's need for clear confirmation of payee and the payee's need for protection against phishing etc.

Offering Confirmation of Payee would require significant development in our channels and further clarity of solution would be necessary to understand how the proposition might be adapted for mediated channels and back office processes. Additionally, operational processes would need to be reviewed to support queries from payers and payees.

To ensure a consistent customer experience and outcome, greater specificity would be welcomed on:

- Data protection treatment
- Data quality standards
- Interfaces
- Security
- Liabilities
- Account holder participation rules
- Operating Rules and sanctions

We appreciate there may be competitive enhancement beyond the baseline standards, for example in some cases PSPs may suggest Confirmation for the first time a payment is set up (perhaps a single immediate payment, a new Standing Order, a payer identification for a Direct Debit originator to use etc.). Others may choose to apply Confirmation of Payee each time, or offer the option.

We would also encourage, payments which have been 'assured' by this service should be identifiable for fraud and risk analysis thereby supporting a possible mapping of safe payees.

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

As above.

This is dependent on the final Confirmation of Payment solution and a detailed impact assessment necessary to answer this question. The extent of the change could be more considerable than first appearance, however:

- As mentioned above, Nationwide's digital channels would need to be updated to enable a payer to receive back the confirmation response. The change plan for these channels is often set far in advance and is highly demanding on resource;
- Data held on customers' accounts would need to be considered in addition. For example, if a payer wishes to pay an account which has a registered name of the payee's maiden name – this could cause confusion and false negatives - whichever solution is adopted.

To comply with data protection law and other legislation we may need to amend and notify customers of changes to our customer T&Cs and Fair Processing Notice. Member education and awareness would need to be understood.

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A key determinant of the implications here will be whether the service can be offered on an 'opt out' basis, which is likely to be essential if Confirmation of Payee is to succeed in addressing the detriments of fraud and error. If customers are able to opt out, a supporting process and audit trail compliant with GDPR needs to be designed and built.

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

2.17.a Would you participate in a CoP service?

Yes

Yes, we would wish to participate in the Confirmation of Payee service to offer our members greater confidence in who they are paying and help to prevent malicious payee scams. In turn we see benefits for our members as the operational impact, including the cost, of misdirected payments inbound and outbound could be reduced.

2.17.b Are there any constraints that would hinder you providing this service? If so what?

Yes

The exact nature of any constraints would be fully understood on the identification of a final solution but the following would all be considerations:

- Customer experience (payer and payee),
- Cost,
- Capacity,
- Ease with which solution could be implemented into existing systems (including capturing any consents in accordance with GDPR requirements),
- Confidence in compliance with data protection regulations and in ubiquity of solution (with appropriate safeguards),
- How Confirmation of Payee would work for non-addressable accounts and
- Liabilities and sanctions.

See also our response to question 2.16a above.

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

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

Nationwide questions the need for this solution in relation to some real-time payments (individually initiated 'attended' payments for example). There is complexity in building the functionality envisaged in the payee element of this solution. To enable a payee to have awareness and visibility of a payment from initiation through to receipt would require considerable change – including to channels. There are security and data protection implications when it comes to 'payee' attempting to access transactional data in a payer's account. It is also unclear how this would work in a bulk payment scenario.

Nationwide can track certain payment types today for the payer – which could be used to help track a lost payment - and would promote this to continue. However, the payee's options would need to be understood if the payment has accidentally gone to another beneficiary.

We would expect any risk of 'tipping off' a customer to be strictly managed in the design of any Payment Status Tracking service. This is particularly important in the construction of messaging.

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

Nationwide would encourage that the scope of payer element of the Payments Status Tracking be extended to cover CHAPS payments – or that a similar functionality be built into the new High Value Payment System.

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Factors which may impact our adoption would be assessing the real demand in a real-time payments world as well as cost, capacity, complexity and data protection implications of the ability for a payee to view the movements in a payer's bank account – and potentially seeing too much information.

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

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

Yes

To summarise, we have identified the following risks in considering these solutions:

- The absence of card transactions and agreed overdraft limits in the real-time balance could cause customer confusion – including on the exact funds available. Customer education may be needed on this point.
- The need to provide a payee with visibility of an incoming payment in payments tracking service complicates the provision of this service – i.e. how would the payee be able to see into the systems of the payers' PSP - and the need is less clear cut, especially in an instant payment scenario. The ability to track a payment may be more effectively done through a unique transaction IDs.

Please see our response to the questions on Confirmation of Payee for a discussion of data protection, fraud and data quality risks.

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

Yes

End-users should understand the limits of the information that they are being provided with under the Assurance data. For example, with:

- Confirmation of Payee this will be additional information provided to a payer to give them assurance when making a payment. It will not give further accreditation of the payee e.g. that they are supplying goods of serviceable quality.
- Real-time balance will provide status of interbank payments but not necessarily all card and cheque transactions.
- The circumstances in which users may opt out, as suggested in the consultation, would need to be defined and comply with GDPR requirements.

2.20 As a payer:

2.20.a How would you use Enhanced Data?

A payer could use contextual data to show the payee a breakdown of what an individual payment covers. For instance, when one transaction covers numerous invoices or where one payment covers numerous underlying benefit payments. Government payments such as DWP Universal Credit and HMRC payments can clearly be broken down and better communicated.

However, we would need to assess this capacity as it takes shape and how this data could be provided in compliance with regulations such as GDPR.

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

There are many potential items which could be added to personalise a member experience. We would need to assess the solution as it develops. In general terms, Enhanced Data can bring integration of payments and information for which there are many applications. In Nationwide, these will relate to the financial products and services we provide (examples may be receipts, account balance information, membership rewards etc.). Other applications across retail, industry, government, charities and other sectors can be developed in the market as well.

2.21 As a payee:

2.21.a How would you use Enhanced Data?

As a payee, Enhanced Data could be used to provide contextual information on a Request to Pay or indeed direct credits from submitters such as government departments such as DWP where the make up of composite payments like Universal Credit can be presented in a clear way to our customers.

A payee could also use enhanced data to evidence indebtedness from the payer e.g. that they had incurred an expense and were now entitled to restitution. Enhanced Data enables customers' payments to be more easily reconciled with invoices which is especially useful for major corporates / government.

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

There are many potential items which could be added to personalise a member experience. We would need to assess the solution as it develops. See 2.20b.

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

Yes

As mentioned above Enhanced Data will help a corporate to effect reconciliation of payments and increase transparency on what payments relate to by enabling contextual data to be linked to a payment transaction. Enhanced data should improve customers digital experience. And should maximise the effectiveness of Request to Pay and Confirmation of Payee and potentially other overlay services in the future.

However, we have concerns about the need to provide the data on all channels in which the customer can see the payment as:

- This would place an onerous cost on PSPs and TPPs. Care should be taken that the technical ability or cost of implementing a solution does not deter adoption.
- Not all customers use digital channels and this would be difficult to provide in an analogue or ATM channel.
- This could lead to:
 - Data being shared more widely than permitted for a customer. For instance, how would controls be managed on a joint account?
 - Data being stored unnecessarily. For instance, would a customer wish to have all enhanced data stored for all transactions?
 - Issues about IP protection. For instance, who owns the data/intellectual property e.g. contract terms or a warranty.

Please see our response to 2.24b regarding the need for Data Storage Standards.

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2.23 Some changes will be required to enable the loading and retrieval of Enhanced Data. For example, corporates will need to modify their internal systems.

2.23.a As an end-user, what internal change will be needed to allow you to add and receive Enhanced Data through the NPA?

This would very much depend in the design of Enhanced Data solution/solutions. However, to display Enhanced Data on every channel through which a payment can be viewed could incur channel, systems, process change. This will require significant change to capture, store and display the additional data for all the participants in the payment journey.

2.24 We have highlighted several considerations relevant to the delivery of Enhanced Data. As an end-user of Enhanced Data:

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

Yes

Nationwide believes that the consultation document draws out the risks relating to the need to comply with data protection law and not to allow data being inadvertently shared with a third party. This is particularly important in terms of joint account holders and would be a consideration not only from the perspective of payments out but also payments in. For example, if salary payments were made into a joint account, any attendant data should only be visible to the intended recipient.

Other risks to call out are:

- Lack of data structure - without structure standardisation of the data transmitted with payments parties not know what to do with it or how to handle it.
- Cyber-security risks - If this extra data included links to external data sources we would need security standards to ensure that the payments couldn't be used to transmit malicious software (e.g. as a Trojan Horse for viruses) to the receiver of the data and potentially other parties. Responsibility for screening would need to be agreed.
- The risk that data was transmitted which was illegal, breached sanctions legislation etc. would need to be considered. A mechanism would be needed to detect where Enhanced Data may indicate AML, terrorist financing or sanction breaches.

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

Yes

In addition to the risks identified in our response to 2.22-2.24a above other data storage implications listed in our response to of Enhanced Data need to be further understood. For example:

- Legally how long would the data need to be stored? For example, Money Laundering Regulations require transactional data to be stored for a minimum of 5 years after the transaction and other standards apply. This will have an impact, as it will require large amounts of data to be stored.
- Would this have implications on CASS?

Data storage standards will be needed to cover:

- Where the data should be displayed in compliance with data protection and privacy regulations
- How long would the data be stored (both practically and legally).
- In what format (this would need to be static to avoid cyber-security risks).
- How would it be managed, accessed, stored, protected etc. etc.
- Data and IP ownership.
- How GDPR, AML, sanctions or anti-terrorist risks are managed.

The extra quantity of material being passed around the networks between participants and the need to store what could be large volumes of extraneous information could put a burden on all parties involved in the payment journey and the design of

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this service should carefully consider this. Additionally, the impact of extra data on robustness of performance of financial transaction processing should be understood.

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:

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

Please see our answers above which highlight some of the operational, risk and compliance challenges. For Enhanced Data, the spread of these across the end to end payments supply chain needs to be worked out so that a workable risk and control model, with appropriate standards, can be developed. At this stage, the data management responsibilities are not clear and these will have implications for liability, therefore we support more analysis leading to the definition of this particular PSF solution.

2.25.b Would you be interested in working with the Forum to define, at a high-level, the various liability considerations required for Enhanced Data? If so, please contact us as soon as convenient through the Forum website so we can get you involved.

Yes

Section 3 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?

Yes

Please add any additional comment here:

Nationwide would agree with the key planning principles used by the Payments Strategy Forum.

A slight amendment would be the inclusion of the word 'resilient' in the sentence "The plan must maintain, and where possible, improve the existing security, integrity and fraud resistance of all aspects of the end-to-end payment transaction." Although resilience is implied – it is so fundamental that its specific inclusion can be justified.

In implementing these principles, Nationwide would welcome that in:

- **Ensuring customer considerations are at the heart of any solution development plans:** The needs of payees and payers are considered as being key to addressing the detriments identified;
- **Recognising wider industry developments when developing the plan:** Solutions build upon the infrastructure being put in place for wider industry development, any capacity issues these present and consideration is given to learnings which can emerge from the implementation and opportunities offered by these;
- **Providing optimum benefit for stakeholders:** A clear robust business case is developed which describes the costs, impacts and advantages for different stakeholders of the NPA. This should balance the need for evolution to address detriments with the need for stability, resilience and confidence of users in their payment systems. For cultural, business readiness, internal business case and adoption reasons this business case is vital.

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

Yes

Please add any additional comment here:

Nationwide supports the key planning assumptions but:

- Thinks the definition of end-users should be expanded to include charities and membership organisations and given the nature of the NPA - PSPs, TPPs and Fintechs be included as users.
- Would like to mention CHAPS is in scope for Confirmation of Payee.
- Would assume that the NPA will build in Privacy by Design in accordance with the GDPR. Also, that the NPA will be compliant with other appropriate regulations.

Please see our comments in Section 1, on the need to demonstrate clearly how Direct Debits will operate as an overlay service on the NPA as assumed here and the need for a very clear transition plan to ensure each party is aware of what they need to do.

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

Yes

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If not, what approach to sequencing would you suggest?

We agree the sequence looks logical based on what we know today. A phased approach is also preferred. We would like to see a carefully managed transition to maintain customer confidence and deliver stability, resilience etc. But the early achievement of benefit should be an objective.

We would also wish that any End-User need solution developed in advance of the new infrastructure to be capable of working on the New Payments Architecture. There must be no question of wasted investment or disruption to acceptance or customer experience as the usage of these solutions grows.

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

Nationwide believe more analysis is needed in this area.

If not, what timing would you suggest?

Nationwide very much encourage the timing of the transition to any NPA to be aligned with the requirement for Bacs and FPS to undergo a competitive tendering process for their systems and move to ISO 20022. If the NPA is built, it would be preferable to only need to update Nationwide systems to support this once rather than do this twice for Bacs and FPS.

We understand that this is a strawman implementation timeline, for what would be a major change to systems which are literally the heartbeat of every business and UK household. Any timetabled replacement must be informed, robust and minimise risks. The implementation plan time frames are ambitious - particularly in light of the size and complexity of the change and the number of stakeholders.

We would encourage and support more the development of a business case (as discussed in our response to question 1.1) proof of concept (as discussed in our response to question 1.7) impact analysis and detailed planning to take place to validate the timeframes.

This should consider:

- Current and upcoming industry change – such as those in figure 3.1 - which present resource and capacity challenges.
- The cost, effort and time recent industry initiatives have taken and compare the timescales against these.
- Factor in CASS, Electronic ISA transfers, Paym.
- Milestones in other industry developments such as the implementation of the RTS on SCA, the learnings from Open Banking and PSD2 (which may have implications for the drivers to build the NPA).
- The impact of replacing Bacs, FPS and ICS not just for PSPs but for the wider industry. Will parties be ready to move together? For instance, what will be the challenges of migrating a varied set of PSPs with different customer bases and technical infrastructures?
- The ability of the NPSO to deliver change when it is forming itself and beginning management of the combined PSOs in 2018; and
- The funding and resourcing solution and availability.

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.

Most payment initiatives are delivered by a relatively small number of players. Sometimes, these have been covered by the same regulator. This implementation plan will need to understand how to deliver what could be costly changes – such as a

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move from a pull to a push payment based Direct Debit or Request to Pay - in a much wider group of participants from different industries. This will make the plan more difficult to organise and implement and threatens the time frame for which the existing schemes would need to run in parallel with the NPA.

Understanding when major corporates and government could support some of the changes in the plan is imperative to ensure that the building of the infrastructure is not mis-timed.

We would recommend that the PSF and NPSO consider the risks encountered in current major Infrastructure projects such as the Image Clearing System. We would wish to see some recognition that lessons have been learnt from these previous programmes.

The NPA envisages that TPPs will step in to provide significant parts of the end to end service. The implications of the risk that there are insufficient commercial opportunities to encourage the right level of participation from these third parties would need to be assessed.

The possibility that an appropriate funding model has not been secured is a major potential risk to progressing the implementation of the Blueprint.

Another risk is that as solutions are technically and operationally defined, their economic viability in terms of supply and demand falls short of expectation – in which case the commercial support for development and implementation will falter.

The plan has to recognise the scale of the challenge to progress in 2018 when a newly formed NPSO faces the demand of sustaining business as usual with uncompromising resilience as well as shepherding the crucial Open Banking implementations and developing the solutions of the PSF. The capacity and capability of the NPSO to undertake this scale and nature of work, at a time of its own early transition, must be a key risk factor. Nationwide would support the risk assessment and remediation effort here – including risk management expertise and sustaining close engagement with the PSF process in the coming months.

3.6 Do you agree with our proposed transition approach?

Yes

If not, please provide your reasoning.

The approach is logical although as above we would encourage consideration of the timeframes.

We would also encourage careful consideration to ensure that once parallel run is started there is sufficient incentives to ensure the migration takes place.

Section 4 NPA Costs

General comments

Nationwide appreciates the limitations of a cost-benefit analysis of the NPA at this early stage of its conceptual design before more detailed technical solution definition is worked out. The core costs of the build, their distribution across stakeholders and the commercial challenge for end users, such as corporates, are unknown at this stage.

Similarly, the benefits cannot be precisely measured and perhaps need to be considered with a societal and macroeconomic perspective in mind. There are broad benefits in terms of access to the market and therefore increased competition, which in turn may lead to more innovation and better payment services. There may also be more specific benefits derived through the end user solutions which have not featured so far in the PSF's analysis. Examples might include the potential avoidance of unpaid item fees yielded by customer perhaps having more control around payments where Request to Pay is a viable alternative for them.

Furthermore, the cost benefit analysis to date has not featured the potentially valuable market development of solutions beyond their initial intention around addressing detriments. Request to Pay and Enhanced Data could, for example, provide highly attractive propositions for payees and payers in modern retailing. These elements could prove important in formulating a holistic case for long term investment and financing as commercial benefits are realised in the payments supply chain.

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

Yes

If so, please provide details

Nationwide would naturally want an overall industry spend of this £1.3bn magnitude to offer good value for our customers. With this in mind, we need to maximise the potential for simpler and short term measures to help end users. That said, we recognise there are macro-economic and societal benefits that reach beyond individual organisations and their customers, not least the fundamental objective to create a more accessible and competitive payments ecosystem.

The PSF does need to recognise this tension between the cost pressures on some established stakeholders against the universal benefits across all. Nationwide appreciates the PSF's thinking has recognised this in the work that has gone into the funding models for developing and delivering payments in the future. However, there is a risk that any perception of unfair distribution of costs and benefits could impede progress.

Although we recognise the Forum's decision to be conservative in the initial proposal with many dimensions being initially unclear, areas where more quantifiable benefits could be considered include:

- Increased competition in the payments supply chain leading to cost savings and innovation
- The potential value added beyond addressing detriments such as data capabilities that unleash new and highly marketable services.
- The potential to sustain, or extend, the UK's lead among global payment systems which provides an export opportunity.

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, and Assurance Data)?

No

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

The cost analysis needs to extend to more accurately recognise the technical and operational change implications. These include changes to all channels, employee training and customer communication. There is learning from previous and

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ongoing major cross industry payment investments such as Image Clearing System and CASS and in each case the costs have turned out far greater than anticipated – centrally and where distributed among stakeholders.

Indeed, there are elements within today's cross industry payment services that need to be examined in the context of the transition to the NPA – these include CASS and ISA Switching which would require redevelopment at additional cost. Conversely, there may be viable usage from elements of the Image Clearing System in the NPA – again this will need to be included in a cost analysis.

Other areas where more assessment is needed include:

- The costs faced by payees, such as billers, in developing and implementing Request to Pay which needs technical and operational process change. Whilst the Blueprint predicts there may be existing and new enablers in the market to support corporates in adopting these changes, more analysis is needed on how this would work and how expensive it could be, as highlighted in the Forum's event of 5 September.
- The implications for costs and benefits if consumer demand diverts towards Request to Pay where, for example, current models have a commercial basis around Direct Debit – we would not want to create pressures in the market that could prompt transaction fees or any lessening of consumer protection.
- The likely duration of building the NPA and adoption of end user services is a key determinant of the true Cost Benefit Analysis – it is important that these projections are realistic as prolonged and expensive development without timely realisation of the benefits will undermine the strategic aims of the PSF. Again, some analysis and evidence from earlier developments may be useful here.
- Optimising the central, collaborative effort to promote solutions and, again, learning from the past in terms of gaining traction in the market. Dispersing the efforts around elements such as branding and marketing may be counterproductive in some cases and the cost benefit position may benefit the rates of adoption of new services.

4.3 Do you agree with our description of the alternative industry minimum approach?

Yes

If not, please explain your reasoning.

Nationwide supports the industry minimum approach that has been described. Broken down into a lower level of detail, it could be argued that elements of the existing payment systems could be developed on a more evolutionary path. Direct Debit would be an example here whereby the technical and operational challenge of a switch to push payment might be avoided and at the same time, the service enhancements proposed in Bacs' recent market consultation could be applied in order to enable more customer control and assurance.

Another aspect to consider is whether the ongoing development of solutions for Confirmation of Payee and Request to Pay, for example, could reach the PSF's objectives for end user needs without the NPA. The advent of Open Banking capabilities may enable further exploitation of the existing payments architecture.

However, overall, Nationwide recognises there are functional and market limitations in today's payments infrastructure which have already, to a degree, been subject to regulatory development so that these limitations are addressed. In the round, Nationwide would suggest this makes the service, cost and risk position favourable for the UK as a whole to progress towards the NPA.

Section 5 NPA Commercial Approach and Economic Models

General comments

From an economic modelling perspective, there has not been an independent and deeply analytical review of the ‘failures’ in the UK’s payments market which have, in part, caused a long running concentration in the supply chain with ownership and governance being concentrated among a few major players. With this in mind, Nationwide recognises the analysis around commercial approaches and economic modelling is, necessarily, both new and highly theoretical.

Whilst we can draw on international comparisons and can, to some extent, look at our own experience of some large-scale payments developments such as Chip and PIN, Paym, CASS etc., the scale and nature of this Blueprint is quite different to anything that has gone before. One of the key differences will be in the financing of development and the long term sustainable funding in a way that avoids the concentration and control of the past, but is nonetheless viable and supportive of a more plural payments supply chain.

Nationwide supports the theory and has contributed to its development so far in the Blueprint. However, the practical challenge, especially for the NPSO, is significant and its capacity and capability to marshal the financial resources will be a key factor in addition to the technical and operational challenges we have commented on in earlier sections.

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

Yes

Please explain

The competition framework and its categories provide a helpful theoretical framework for exploring the commercial and economic models.

5.2 Do you agree with the NPA competition categories described?

Yes

If not, please explain why.

As above.

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

Yes

A central NPSO approach to cover the non-competitive elements either by procurement or setting standards is vital to ensure an effective system and ensure one competitive player does not dominate the market (as could be seen in telecoms). It may also mitigate the risks of one player being disadvantaged due to requirement to maintain all elements of a central system (as could be seen in postal infrastructure where is obligation to supply unprofitable areas while new competitors can cherry pick profitable elements).

The NPSO’s role in industry risk management is vital to ensure that minimum requirements are met through a consistent and fair assurance model. While the standard setting role is often cited as a barrier to entry for challengers, in fact it provides a significant cost saving for industry as assurance provided centrally can be relied on by all other system participants thus reducing need for each organisation to gain assurance against each other.

In further opening the payments market, there is value in guarding against unintended consequences that could jeopardise end user outcomes – again there are lessons that can be learned from other sectors such as telecoms, transport and utilities

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where pricing and service differentials emerge that are not always good for customers. The NPSO's discrete influence and intervention can help in avoiding these risks.

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

Yes

As the analysis progresses the detail within funding options should be considered and any threats to the model we have for free in credit banking in the UK may merit particular attention. The tax implications of funding may be relevant too as some payment services have VAT exclusions that has impact on service operators who have to pay VAT on IT services.

5.5 Do you agree with our NPA competition assessment?

Yes

If not please explain why?

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

Yes

If not, please explain why.

However, as noted in previous answers, it is important to understand the potential for ongoing developments emerging from the existing architecture to address detriments. The extent to which they can meet the needs of end users, and the timing and cost of their implementation as well as their cost and congruency with long term architecture all merit a deeper understanding. The PSF process, leading into the NPSO's involvement, is now looking into these issues and Nationwide is keen to support that activity.

The assessment of end-user solutions in the PSF process has, rightly, recognised the threshold beyond which core, collaborative development turns into dispersed and competitive development. This is an important principle to balance the NPSO's market catalyst role appropriately.

5.7 Do you agree with our list of funding stakeholders?

Yes

If not, please explain why.

As above, in a theoretical context the list is reasonable and supported by international comparisons as well as the experience of other sectors. Naturally, there are inherent risks in aiming to make the funding model come to practical reality, especially as this will need to happen rapidly to meet the implementation expectations in the Blueprint.

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

No

If not, please explain why.

Section 6 Improving Trust in Payments

6.1 Do you agree with the outlined participant categories identified for the Payments Transaction Data Sharing and Data Analytics Strategic Solution?

Yes

Are there other categories that should be considered for inclusion?

Yes

Please explain your response.

The categories outlined appear to cover those relevant to solution aspects – including data build, provision and usage. We would encourage:

- Inclusion of existing financial crime prevention agencies, credit reference agencies and commercial software vendors within these categories.
- The solution to consider inclusion of any relevant linkages and participants from the cards world.
- That the Information Commissioners Office, whilst not an active participant, should be liaised with in the development of the solution, particularly in light of GDPR implementation.

6.2 What is your opinion on the role non-payments industry participants should have as part of the Payments Transaction Data Sharing and Data Analytics Strategic Solution (this could include Government, Law Enforcement, or others)? If appropriate, please outline your views on the usage of the system, provision of data to the system, and legal considerations for participation.

The increased level of sharing introduced by Open Banking, PSD2 and the PSF introduces additional risk which will require new standards and ethical considerations etc. Data provisioning needs to consider closed, shared and open data standards and any relevant necessary legislative changes.

Nationwide recognises the important role which government and law enforcement has in fighting financial crime. Controlled access under a clear legal basis and proportional access rights, like that of existing data sharing arrangements between government agencies and the payments sector (e.g. the Counter Fraud Defence Alliance pilot) would be necessary prior to any data being shared.

Such data sharing arrangements should set clear boundaries about what information would be shared to ensure that financial institutions comply with money laundering regulations and legislation, and GDPR and have regard to other customer conduct issues.

Expansion or clarification of 'safe harbour' provisions within the Proceeds of Crime Act would be required to ensure that any data shared with law enforcement through the service would not expose financial institutions to the 'tipping off' offence, or cause breaches relating to suspicions reporting.

We would be more cautious however, about sharing customer data with other non-payments industry participants. As well as the considerations above, we would also require confirmation that the data would not be used by third parties (analytics firms) for any purpose other than fighting financial crime to comply with Data Protection laws.

Therefore, we believe the regulatory implications of the strategic solution and resulting actions need to be thoroughly understood and factored into the solution business case, design and timeline.

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6.3 Do you agree with the potential use cases outlined for the Payments Transaction Data Sharing and Data Analytics Strategic Solution?

Yes

If not, please provide your reasoning. Please indicate if there are other potential uses for the system that should be considered.

6.4 Do you agree with key principles that we have outlined for the implementation of the Payments Transaction Data Sharing and Data Analytics Solutions?

Yes

We believe that a mid-2020 implementation feels optimistic considering the amount of other ongoing mandatory changes which financial institutions are currently undergoing. In addition, this deliverable is contingent on development of agreed, legally compliant, secure data sharing arrangements, detailed solution specification and build and integration with PSPs systems, identification of funding arrangements and the learnings of the tactical solution. As the consultation mentions and we discuss above, legal clarity may be needed on some aspects.

Furthermore, PSPs would need to consider the impact of this solution for implementation in their own businesses.

The lead times on these should be factored into the delivery of the 'first instance' of this solution.

Nationwide would encourage development of a business case to understand what would be involved in the development and delivery of such a capability. This should consider:

- The fraud, AML and KYC implications and benefits and their proportionality against the costs of creating and managing a secure central data repository, including costs necessary to overcome risks.
- The governance and the key issues of 'who' would be involved and 'how' data management would be approached, including consideration of existing PSP and industry solutions (e.g. cards).
- Whether legislative change is necessary and, if so, if this is proportionate to the benefits anticipated.
- Customer attitudes to the sharing of their data for these purposes, any impact on their usage of the system plus any approvals and consumer education necessary to enable the solution.
- What the content of the data to be shared is, how it is protected and what rules will exist about who can legitimately interrogate it and by what means.
- How investment and operational costs for this solution would be shared, now and in the future.

Further, Nationwide proposes that financial transactional data (i.e. facts) be shared and an indicator be added to this 'master record' of the respective PSPs to denote that a completed transaction, or if possible attempted transaction, has been reported as fraud (through putting a marker on the transaction and passing it through the payments scheme). In this scenario, there should not be a separate database of fraudulent transactions.

6.5 Other than those already listed, what stakeholders should be consulted and engaged during the design and implementation of the Payments Transaction Data Sharing and Data Analytics Strategic Solution?

Nationwide would encourage the involvement of relevant bodies that can give an insight of global payment service providers and how they could be part of a future service.

6.6 Do you agree with the high-level timeline for the Payments Transaction Data Sharing and Data Analytics Strategic Solution?

No

If not, what timing would you suggest and why?

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Nationwide believes that to complete the systems build and testing during 2019 is ambitious and that based on existing descriptions, a potential implementation in 2021 would be more realistic. We mentioned some challenges above – to this we would add the need for the NPSO to commence work on this in addition to the NPA and continue business as usual.

We appreciate as this solution progresses it will be possible to give greater certainty of timelines.

6.7 Do you agree with the establishment of the recommended framework for the sharing and exchanging of a core set of SME customer data overseen by a governance body?

Yes

If not, please explain your reasoning.

Nationwide does not provide SME accounts. We have included some ancillary thoughts below however - recognising the wider potential for this solution.

6.8 We are keen to get your input on the benefits provided by the framework.

6.8.a Do you agree that the focus on sharing a core set of SME customer data is beneficial for the KYC processes in your organisation?

Yes

If not, please explain your reasoning.

6.8.b Which other business activities could be supported by / benefit from the described sharing and exchanging a core set of SME customer data?

6.9 Do you agree that the topics covered by the standards will provide sufficient guidance in order to implement the data sharing framework without being too prescriptive?

Yes

Are there additional topics you believe should be included?

We would agree that the topics seem adequate at this stage. Implementation of the framework will be dependent on maximised PSP collaboration etc.

6.10 To engender trust in the sharing and exchanging of a core set of SME customer data, are there other responsibilities you would expect the governance body to have oversight over?

We would additionally expect a governance body to have oversight of user education and regulatory compliance (e.g. for GDPR).

6.11 In your view, do any existing bodies (industry or other), already perform this oversight role?

No

If not, is there an existing body you believe should perform this role, or would you expect a new body to be established?

This is an unprecedented level of collaboration across the industry and as such a new body to govern the service with new standards etc. would appear on the surface potentially the best approach.

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6.12 Do you think a temporary testing environment as described is the right approach?

Yes

If not, please explain your reasoning.

6.13 Are there any other key features you would expect in the temporary testing environment?

No

6.14 Do you agree that value-added service providers would benefit from the data sharing environment enabled by the framework?

Yes

Yes, however the 'conduct' of value-added service providers will need to be closely monitored.

As with the Payments Transaction Data Sharing and Analysis solution – this solution must carefully consider the implications of GDPR and Money Laundering Legislation in determining data sharing arrangements. Issues such as ownership of data and any risk of tipping off must be carefully managed.

6.15 Are the arguments put forward compelling enough to encourage net data providers to engage?

Yes

If not, please provide examples of what else would be required to make them participate.

As mentioned previously, Nationwide does not provide SME accounts and cannot therefore express a view here.

6.16 Do you see other advantages or challenges for net data consumers that were not listed above?

Yes

Please explain your response.

Any challenges regarding risk and reliance on provided data would need to be thought through for net data consumers.

6.17 Do you agree with the high-level implementation timeline for the Trusted KYC Data Sharing solution?

Yes

If not, what timing would you suggest and why?

The timeline will be dependent on the final solution design including regulatory considerations.

6.18 Are there other initiatives with a similar focus that should be considered in order to deliver the Trusted KYC Data Sharing solution?

Yes

Nationwide would recommend building a strategic plan to consider future technologies (e.g. Distributed Ledger) that may become pertinent to a Data Sharing solution in the near future.