



Payment Strategy Forum Blueprint for the Future of UK Payments techUK Response

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Details of Consultation Response

Consultation Title: Blueprint for the Future of UK Payments

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Declaration

I confirm that our response is a formal consultation response that the Forum can publish unless it is clearly marked 'confidential'

Signed: Ruth Milligan

Introduction

techUK welcomes the opportunity to comment on the Blueprint for the Future of UK Payments. We find that the framework put forward represents a step change in the organization of payments infrastructures in the UK and applaud the excellent work done by members of the Forum and all those who took part in the numerous working groups. techUK members have agreed that the comments we have to make do not fit helpfully into the specific questions set out in the consultation document. We therefore propose not to use the questionnaire supplied, but to lay out our comments in this document under headings which follow the format of the consultation itself.

Overall Comments

techUK is concerned that the PSF Blueprint will not in fact go far enough in bringing the UK's payment infrastructures to a point where they can fulfill the needs of consumers and enable the potential of technology. Technology and regulation (PSD2, Open Banking, GDPR) are all looking to a future where products, business models and solutions, as yet impossible or not thought of, may become possible. Yet the PSF Forum has taken the current system as its starting point and focused on fixing current perceived detriments. This gives rise to the danger that the new system will not prove far-sighted or flexible enough to cater for new technological developments. It may require expenditure on fixes for problems, which in a couple of years, can be solved simply and better through new technologies.

We are also concerned at what is not addressed in the document:

- **Card payments:** If we are to have a joined-up payment structure in the UK, it is difficult to see how that can be done without including card payments.
- **Account number portability:** One of the biggest hurdles for account switching, especially for SMEs, is the inability to take the account number with you. It is also clearly something that will be required in a future where all financial services and payments are 'joined up' and can interoperate easily.
- **Digital ID:** This is very much linked to the above point. Much work is being done on this at present and a digital ID could solve the problem of account number portability, yet it is not mentioned in the Blueprint.

The New Payments Architecture

1. Push Payments

The Forum proposes the use of 'push payments for all payment models', yet we find this statement confusing in terms of direct debit. We understand that, technically, the messaging systems used within a direct debit may be regarded as resulting in a 'push' payment and that this can simplify procedures within the technical infrastructure. However, we find that the language used and the explanations provided give rise to a lack of clarity on how the system is intended to function. In particular, how the concepts of 'push' payments, request to pay and direct debits will work in practice is not clear and could give rise to confusion amongst the general public.

As we understand it the situation is this: direct debits will continue to function much as they do now, except that they will be treated as 'push' payments within the technical

architecture of the NPA. However, in legal terms, direct debits will continue to be 'pull' payments, as each transaction – the exact date and the amount – will be initiated by the payee (e.g. the utility company), acting by virtue of a mandate given by the payer to the payee. This mandate will still be retained by the payee. This will not change and this fact should be plainly clarified.

2. New Payment System Operator (NPSO)

The Blueprint throughout refers to the NPSO as the body, which will be given the power to further define the strategy and to put it in place, making myriad decisions on specifics along the way. The NPSO is to be a consolidation of the three main existing UK payments systems operators Bacs, Faster Payments and the Cheque and Credit Card Clearing Company. This body is to have significant powers therefore to govern UK payments, under of course, the oversight of the regulators.

However, techUK is not convinced that this is the best governance structure. For the following reasons:

- Representivity: The NPSO will be made up of those bodies and individuals who represent the existing system and will not include any of the new providers. techUK members are strongly of the view that such a governance body should be open, transparent and made up of representative elements of the industry.
- Governance rules: No discussion has been had about its make-up, procedures, its duties to consult, its structure etc. These issues have to be aired openly in advance of such a body being given such wide powers. Open and public discussion of the future governance structures is urgently required before any decisions can be taken on going ahead with this Blueprint.
- It has also been mooted that this body is to take on the continued operation of the Open Banking initiative. Although not a subject for this consultation necessarily, techUK does not agree that this would be suitable. The tasks to be undertaken for Open Banking are far wider than those required for payments systems and could not adequately be undertaken by the same body.

End-User Needs Solutions

1. Request to Pay

techUK fully supports all initiatives towards financial inclusion. We fully support the idea that individual consumers who have uncertain and low incomes should be given tools to help in paying their regular bills. Direct debit products are not suitable for everyone. The Request to Pay (RtP) is intended to remedy this problem and we are fully in line with the need to provide new products to suit the needs of the wider public. However we have some concerns:

- Clarity of communication: There is room for confusion as to whether RtP sits on top of a direct debit or is intended to be an entirely separate product or both. As we understand it, the intention is for RtP to be a separate product aimed at those who currently pay utility bills etc. by push payments (credit transfer, card, cash). Yet, as it is explained in the Blueprint, RtP could be offered as an add-on service to direct debit users. This may be the intention but further clarification is needed as to the intended scope of RtP.

- Possible fees for RtP: this is the most worrying issue. To achieve its aim, the RtP system must ensure that payers/and or ASPSPs do not impose extra fees for using this product, which then outweigh the benefits of using RtP for the intended constituency. If fees are not regulated or monitored, the danger is that the poverty trap created by direct debit is not eradicated, but merely shifted.

2. Data supplied to payers

There are two areas, where, in our view, consumers would greatly benefit from more/better data which have not been addressed:

- The updating of online banking information in real time. This is currently not even done by all banks where account holders make transfers between their own accounts.
- Bank statement information: Banks should be required to give all details of all payments made to help customers identify payments (i.e. what was bought; at which shop/service etc.). This should be made mandatory for all banks/ASPSPs.

Improving trust in payments

techUK members have concerns about this section as the discussion is very much from the point of view of long-used technologies – it does not adequately take into account the possibilities of emerging technologies.

- Digital ID: The discussion on KYC does not look into the possibilities of digital ID, which is a strange oversight. Digital ID has the potential to overcome many of the issues faced by the private and public sector in properly identifying individuals; much work is being done on this at the moment and there are systems in other EU jurisdictions which function very well.
- Distributed ledger: the blueprint proposes a data-sharing framework – again digital ID could render such a new framework unnecessary. Could distributed ledger technology do the job more efficiently? – this possibility is not mentioned.

Conclusion

The members of techUK are not convinced that the Blueprint and the investment it entails would provide value for money over the longer term. Exactly how the initiative is to be funded is as yet unclear.

Moreover, the NPA and the NPSO as planned would not increase competition at the heart of payment systems in the UK. We agree that it would increase the access for new players into the infrastructure itself – and we welcome this. However, the proposed structure in fact embeds and extends the control of the infrastructures themselves in the hands of the current existing players rather than opening and extending it to the wider market.