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TSB welcomes the opportunity to respond to the Payments Strategy Forum's – Blueprint for the future of the UK Payments (Consultation paper – July 2017). TSB has decided not to provide answers to all questions, but to provide general comments on specific areas that it agrees with or is concerned by in the proposed blueprint document.

TSB was created to bring more competition to UK banking and ultimately make banking better for all UK consumers. An important step on our journey to delivering the kind of banking consumers want and deserve has recently become a "direct" member of a number of payments schemes.

Our journey to accessing the payments schemes has already been well documented as much of our experiences are covered in the PSF's strategy document, where the issues of different standards, gateways and rules have been just a few of the issues faced. So TSB is generally supportive of the Blueprint document that will hopefully lead to greater opportunities to standardise and to offer customers different and varied payment solutions in the payments market.

Joining the schemes currently requires a significant investment (operational as well as financial) but for little, or no, competitive gain. No challenger bank that joins today's schemes is able to differentiate its offering and win customers purely through joining the payments schemes. Joining the schemes is a necessity for a PSP if it wants to be in control of managing its own service to its customers, where it can differentiate. Therefore, TSB welcomes any proposal that will achieve simpler access, greater competition and innovation, increased adaptability and better security to meet the needs of current and future customers and payment service users.

Having already invested significantly in a payment infrastructure for today's world, TSB will be keen to see how the development and implementation of a New Payments Architecture will introduce effective competition that will enable TSB to challenge on a level playing field with larger PSP's and smaller PISP's alike. TSB is also keen, to make a return on its investment for the benefit of customers and end users, therefore there is an expectation that there will be check-points throughout the process to see that the proposed development not only delivers for end-users but that the solution remains cost effective for those who will pay for the solution.

The challenge for a smaller bank in managing its own service to its customers is to also manage the industry responsibilities attached to being a PSP. These come in a number of forms but the most

prevalent is the need in the industry to manage the risk to the payments service itself. This currently carries significant overhead for smaller PSP's, who currently have to discharge the same duties in the management of money flow, settlement, rule/standard changes, operational management etc. as a larger PSP would. So TSB supports the move to consolidate the 3 PSO's into a single NPSO and will look to see that the NPA delivers a more effective way of managing the risk and ongoing change from a cost perspective. The NPA should be built in a way so that the lack of ability to change in some PSP's does not hinder/prevent the central development of the NPA. We would also like to see a fair and equitable distribution of costs to set up the NPA that is shared throughout the market and also in its ongoing running costs.

TSB is supportive of any new solutions that will offer end-users other opportunities to manage their payments and so 'Request to Pay' is supported as a development. However, we do have concerns about how Direct Debits will be impacted and we believe that it is essential that this is given due consideration in the design phase. Consolidation may be better here than running two similar solutions side by side. Running two similar services is likely to create more confusion for customers, who are already confused by some of today's payments products. However, the size of the task in moving away from DD will not be small as it is embedded in all of today's systems (PSP's and Bacs Originator's) some of whom will not wish to change the status quo. Additionally, key risks need to be addressed, one being moving the control of the payment away from an originator and putting greater control into the hands of the end-user, this could lead to greater credit requirements, late payment or even non-payment, which could fundamentally change today's banking model.

The implementation of such a substantial project requires careful cross-industry co-ordination and input. This will not only include PSP's, TPSP's, PISP's, NPSO and Suppliers, but it must consider the impact on all the different types of end-user (Consumers, Small Business, Corporates etc.). Clear and precise communication is key to success, as is engagement with all the parties both before and during the project, in order to manage one of the most radical changes in ever seen in payments, which, in itself, is a risk that needs to be managed.

A particular area that TSB has learned from during its migration project, that initially looks like it will compliment, but then disrupts, is other Industry or Regulatory development e.g. Open Banking, PSD2, CMA etc. Change provides a great opportunity to incorporate and plan for industry or regulatory change, however, slippage in dates and lack of clarity in requirements can have a real detriment to the implementation of your project.

We believe that Certainty of Payment will benefit customers. However, whichever model is used it will have to draw upon data held in the intended Payees bank. A concern here is that this data may not always be up to date i.e. input incorrectly or name changes not undertaken. This brings a risk that significantly more payments are rejected due to not matching the data held than are misdirected i.e. in solving one problem another is created. It may be that all banks have to go through a significant data refresh to ensure success.

We look forward to the output of this consultation and how further work, which is necessary to understand and address impacts highlighted, will be managed for such a radically changing project.

In summary:

- TSB is supportive of the work being undertaken and acknowledges how this will significantly change the way we do things today.
- TSB is running a migration project which has meant investing heavily in joining some of the UK payment schemes, if we have to invest in NPA we would like to see clearly defined benefits.
- Changes in the central infrastructure do not always bring opportunities for greater competition; any new development must seek to consider addressing this to provide cost benefit.
- Other change projects, particularly regulatory, can have significant impacts on central change.
- We support for Request to Pay, but we do have concerns over how Direct Debit will be impacted and the social responsibility issues this facility may present.
- We have emphasised the need for great involvement and excellent communication across those affected by the project.
- Data solutions will help customers, but for data to be interoperable it needs to be standardised and up to date or else discrepancies will cause more problems than the solutions they are trying to solve.
- This project will radically change payments, a lot more work is necessary including a clearly defined business case and funding model.