

FINANCIAL
INCLUSION
TASKFORCE

Financial Inclusion Taskforce
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

financial.inclusion.taskforce@hm-treasury.gov.uk
www.financialinclusion-taskforce.org.uk

National Payments Plan Consultation Response
Payments Council
5th Floor
Mercury House
Triton Court
14 Finsbury Square
LONDON EC2A 1LQ

4 February 2008

Dear Sir

Please find enclosed the response of the Financial Inclusion Taskforce to the Payments Council Consultation – National Payments Plan – Consulting on change in UK payments.

The Taskforce would like to take this opportunity to thank the Payments Council for the opportunity to comment upon the consultation. The Taskforce is keen to work with the Payments Council on issues of Financial Inclusion and the National Payments Plan, and is encouraged that the Payments Council has included Financial Inclusion as part of the Consultation.

Yours faithfully

Sarah Hatcher
Financial Inclusion Taskforce Secretariat

Encl: *Financial Inclusion Taskforce Response to Payments Council – National Payments Plan – Consulting on change in UK payments*

FINANCIAL INCLUSION TASKFORCE

Financial Inclusion Taskforce Response to Payments Council – National Payments Plan – Consulting on change in UK payments

Questions 1-6 Cheques

Response: The Financial Inclusion Taskforce acknowledges the decline in the usage of cheques, and recognises the increase in unit cost per cheque that the decline creates. However, the Taskforce would have serious concerns if cheques were withdrawn completely without an assurance from the payments industry that viable alternatives had been found for all the situations in which cheques are currently used. Additionally, the Taskforce stresses the importance of ensuring that all members of UK society, especially those who are financially excluded or are at risk of being financially excluded, are confident in using the alternatives.

It is clear that considerably more work, together with consultation as necessary, would need to be undertaken before the viability or otherwise of closing the cheque clearing could be established. This would have to include thorough investigation of all customers' abilities to use alternatives. The Taskforce believes that, in the meantime, any firm date for the closure of cheque clearing would be untenable and any target or provisional date could only be set if it were clearly conditional upon the above conditions being demonstrably met.

Questions 11-13 Direct Debits

Response: The Financial Inclusion Taskforce is currently working with BACS in order to understand how the financially excluded may be encouraged to use Direct Debits, and supports BACS' work in trying to influence originators to be more flexible in dealing with customers. To that end the Taskforce believes that increasing flexibility from originators in allowing customers to choose payment dates and payment frequencies would greatly encourage the take-up of Direct Debits. In addition the Taskforce supports BACS' efforts to pilot schemes to increase take-up amongst the excluded and also supports their promotional campaign to increase education around Direct Debits.

FINANCIAL INCLUSION TASKFORCE

The Taskforce would see the removal of the Direct Debit guarantee (which is also a commitment in the Banking Code) as having a detrimental effect on promoting Direct Debits to the financially excluded and would therefore not support its withdrawal.

Questions 23 –30 Innovation

Response: Whilst having the potential to encourage customers to take the first steps towards financial inclusion, the Financial Inclusion Taskforce believes new technologies such as prepaid and contactless cards and mobile phone banking products should not in themselves be seen as making customers financially included unless they are able to offer the same transactional facilities as a current or basic bank account. Also many older people are unwilling to use them.

To make sure that those who are vulnerable are not exploited, the Taskforce believes that there should be an industry Code of Conduct for all providers to ensure customers' interests are taken into account. Ideally such products should be brought within the Banking Code. It is often in the early stages of development of new products in financial services that customers are most vulnerable.

Q37 What role can the Payments Council play in promoting financial inclusion?

Response: The Financial Inclusion Taskforce believes that the work of the Payments Council should investigate and take into consideration the potential impacts of new payment services on financial inclusion in the development of the National Payments Strategy. The Taskforce believes the Payments Council should monitor the positive and negative impacts as part of their remit.

The Taskforce will continue to monitor developments in the way banking services are delivered and distributed.

Q38 What other bodies should it work with to deliver this role?

Response: The Financial Inclusion Taskforce believes that the Payments Council should work in partnership with the Taskforce to achieve further progress in combating financial exclusion.