

National Payments Council –
Consultation Paper Proposals for a National Payments Plan

Response from Belfast Bankers' Clearing Company Ltd

INTRODUCTION

This response from Belfast Bankers' Clearing Company Ltd (BBCCL) relates to those questions that align to the remit of the company. This response therefore relates, only, to questions regarding credit and debit paper systems. Where appropriate other general comments have been made.

Section 3.1 CHEQUES AND THE CHEQUE GUARANTEE CARD SCHEME

Q1. The Payments Council is minded to develop a proactive industry plan to manage what it sees as the irreversible decline in cheques. Do you agree that a plan for cheques should be developed?

A1. The BBCCL agrees that a plan for cheques should be developed. It will be important to ensure that all encompassing engagement takes place e.g. Government, Corporate and SME sectors, Consumer bodies, even schools. The plan, which should have clear milestones, needs to be communicated early and often to all stakeholders.

Q2. For which types of payment currently made by cheque do new alternatives need to be introduced?

A2. The key area for new alternatives is that of micro payments in the SME sector i.e. person to person payments including self employed tradesmen, geographic locations where point of sale facilities are not available and organisations such as schools, clubs, societies and associations.

Q3. Would it be acceptable for the National Payments Plan to include a target date of 2018 for the closure of the cheque clearing (on the assumption that acceptable alternatives to cheques have been developed)?

A3. A target date of 2018 for the closure of the cheque clearing is acceptable to BBCCL.

Q4. What sort of education of users is needed to support the migration away from cheques?

A4. Education and persuasion to positively encourage users to migrate to the cheque alternatives is absolutely critical to success. It must be communicated clearly at the outset that closure of the cheque clearing means that action, to a greater or lesser degree, is required by the vast majority of bank customers. Therefore customers need to be informed early and often of the actions that they need to take to migrate from their cheque transactions to an appropriate alternative. The benefits of the alternatives need to be clearly articulated and migration plans supported by incentive schemes. The success of the migration needs to be carefully monitored and measured to ensure completion by target date. Where plan slippage occurs remedial action needs to be taken.

Q5. Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the Cheque Guarantee Card Scheme?

A5. BBCCL agrees that an objective review of the future of the Cheque Guarantee Card Scheme should be carried out as part of the National Payments Plan. This needs to be co-ordinated with all member banks of the scheme.

Q6. What other actions, if any, should there be in the National Payments Plan in relation to cheques?

Options for disincentivising cheque usage should be considered as part of the Payments Plan and off set by incentives associated with the replacement payment methods. Close liaison with and endorsement from consumer bodies will reduce opposition to the removal of the cheque clearing. The learnings from those countries that have successfully removed the use of cheques should be captured at an early date.

Section 3.2 THE CREDIT CLEARING

Q7. Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the paper credit clearing?

A7. BBCCL agrees that an objective review of the future of the paper credit clearing should be carried out as part of the National Payments Plan.

Section 3.4 DIRECT DEBITS

Section 3.8 SEPA and CROSS BORDER PAYMENTS

General comment only – BBCCL understands that it is proposed that under new European rules a time limited guarantee for direct debits will be introduced in SEPA. Care should be taken with wider introduction to ensure that there is no negative impact on the main priority i.e. removal of the cheque clearing. The operation of the direct debit scheme should be transparent and further support provided to major originators with incentive schemes for consumer take up.

Section 4.1 CONTACTLESS AND PREPAID CARDS

General comment only – BBCCL fully supports these new innovations. It will be important to educate and persuade customers to adopt these new payment tools.

Section 4.4 OTHER INNOVATIONS

General comment only - It is vital that a co-ordinated approach across the whole industry is taken.

Section 5.1 EDUCATION IN PAYMENT MATTERS

Q35. What gaps are there in current financial educational initiatives in regard to payment matters?

A35. If customers are to move away from cheques to alternative payment methods their fears and objections must be overcome and they must see clear benefit in making the change. It will be necessary to have extensive and prolonged education programmes to achieve this goal. Given that the target for the closure of the cheque clearing is ten years away education at all levels is essential including school programmes.

BBCCL would hold the view that National Payments Plan should be shared openly with the other financial institutions on the island of Ireland as all the main banks operate in both Northern Ireland and the Republic of Ireland.

Q36. What role can the Payments Council play in promoting the education of consumers about the choice of payment methods available to them? What other bodies should it work with to deliver this role?

A36. The Payments Council should engage with bodies such as Consumer Council, Credit Unions, the Voluntary Sector, schools, industry bodies (e.g. British Retail Consortium) Chambers of Commerce, and national and local Government bodies and agencies in developing education action plans. The Payments Council should co-ordinate the payments industry towards a single consistent message.

Section 5.2 FINANCIAL INCLUSION

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

A37. Financial inclusion is a key consideration and the plan must ensure that the payment solutions provide access for all.

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

A38. The Payments Council should engage with bodies such as the Consumer Council, Credit Unions and the Voluntary Sector.

Section 5.3 PAYMENT SYSTEM INTEGRITY AND CONTINGENCY

Q39. What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?

A39. The speed of transition is a major challenge. The run down of the cheque clearing and the ramping up of the alternative payment systems needs very careful planning and sequencing to ensure a smooth transition. The additional challenge of managing out the inevitable tail end of cheque usage and recalcitrant cheque users should not be underestimated.

Section 5.4 FRAUD AND SECURITY

General comment - There is extensive fraud mitigation activities carried out at present, much of it cross - sectoral and co-ordinated with government and law enforcement agencies. This intellectual property should not be lost in the change process but enhanced through reviewing the use of emerging technologies e.g. biometrics.