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Note to: Payments Council

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From: Brian Cunnington
Chairman
Cheque Card Management Committee

NATIONAL PAYMENTS PLAN – CONSULTATION DOCUMENT

Further to initial dialogue, the UK Domestic Cheque Guarantee Card Scheme (“the Scheme”) welcomes the opportunity to provide comments to the Payments Council as part of the formal consultation process to develop a National Payments Plan.

This response has been produced following consultation with Scheme Members and reflects a Scheme-level view. Given the range of products and facilities offered by individual institutions, I would also expect Scheme members to respond to the consultation directly detailing their own organisation’s views.

The Scheme recognises that the National Payments Plan encompasses a number of payment channels and addresses both efficiency and innovation in addition to acknowledging the existence of a number of ‘other issues’. However, given the nature and remit of the Scheme, feedback is limited to section 3 of the consultation.

Rather than duplicate the comments made in our previous submission, I would refer the Payments Council to the Scheme’s submission as part of the informal process in mid-2007 for background information on the Scheme and its status.

Before addressing the questions raised within the consultation paper, the Scheme believe it would be useful to highlight several points which, I hope, will provide further background and clarification of our position:

- the Scheme recognises the importance of promoting secure and effective payment mechanisms for the benefit of all stakeholders and in order to maintain the integrity of the UK payments infrastructure;
- in recognition that cheque volumes peaked in the early 1990s and have shown a continued year-on-year decline since then, the Scheme has adopted a strategy

whereby no actions have been taken to enhance, develop or promote the guarantee facility at Scheme level¹;

- there are a few financial organisations that issue proprietary cheque guarantee cards and these are outside of the remit of the Scheme and its Membership. Where reference is made either in this submission or within the Plan to the Cheque Guarantee Scheme this, and any subsequent actions or decisions, would not encompass any proprietary guarantee cards (without further action and dialogue)²;
- while it is not appropriate for the Scheme to comment on the Plan in respect of the general cheques strategy, the Cheque Card Scheme and the more general cheque strategy are inextricably linked.

As highlighted above, the Scheme does not feel it appropriate to comment on all of the questions raised within the consultation paper. Nevertheless, there are one or two that are particularly pertinent to the Scheme and these are addressed below.

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

As part of our on-going work, the Scheme conducts market research on an annual basis to assess attitudes to the guarantee facility. More recently, this research has encompassed questions that have attempted to understand where customers feel they would be most disadvantaged in the event that the guarantee were not available.

Unsurprisingly, the main areas where difficulties are perceived are those where person-to-person (P2P) and person to small business (P2b) payments are made. In addition, payments to clubs, for school activities and where tradesmen come to the home are seen as situations where the most problems may be encountered. The Scheme believes that it is in these areas where most activity should be focussed.

Whatever alternatives are encouraged and/or developed must enable payments to be made and received securely and easily.

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

We believe that any educational activity should be two-fold, focussing not only on the consumer but also the recipient of the payment.

For consumers, the focus of messages should be on the availability, security and convenience of other payment methods and should target all age-groups (our market research does not indicate any strong age-bias in the use of guaranteed cheques).

¹ Except where specifically required by regulation/legislation or to ensure integrity of the Scheme

² Although where details of issuers are known, the Scheme would be happy to share such information with the Payments Council

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?

Recognising the continued decline in cheque volumes and technological developments in the payments environment, the Scheme believes the time is appropriate for an objective review of the Cheque Card Scheme. Without commitment to such a review within a reasonable timeframe, it is highly likely that individual providers will consider taking commercial/strategic decisions, which risk a degree of confusion for customers on the status of the guarantee.

The Scheme would therefore welcome the opportunity to work with the Payments Council and other key stakeholders on the requirements of such a piece of work.

Should you require any further input from the Scheme at this stage, I, or a member of the APACS Card Payments team, would be happy to meet to discuss the Scheme's position and views.

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