

# Minutes



26 November 2007

DL 020 7711 6200

**To** Payments Council Board

*Our Reference* PC/068/07

**From** Anita Heaviside  
Board Secretary

## **DRAFT MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 5 NOVEMBER 2007**

---

**Present:** Brian Pomeroy Chairman

Professor Martin Cave Independent Director  
Michael Alexander Independent Director  
Stephen Locke Independent Director

Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes)

Colin Klipin Barclays Bank  
Paul Baker Lloyds TSB Bank  
Richard Hemsley The Royal Bank of Scotland  
Jim Large HSBC  
Geeta Gopalan HBOS

Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearing Volumes)

Gerry Lane Alliance & Leicester  
Juan Olaizola Abbey

Industry Directors (Nominated by Members with less than 1% of UK Clearing Volumes)

Ron Delnevo	Bank Machine
Gary Hockey-Morley	The Royal Mail Group
Joanna Place	Bank of England (Observer)
Kevin Gillett	HBOS (Observer)
Paul Smee	Chief Executive
Peter Finlayson	Payments Council
Hilary Plattern	Payments Council
Andrew Wallace	APACS (Agenda item 3b only)
Anita Heaviside	Payments Council Board Secretary
<b>Apologies:</b>	
Moira Black	Independent Director
Tony McLaughlin	Citigroup
John Hughes	Co-op
Andrew Bailey	Bank of England (Observer)

## 1. WELCOME AND MINUTES

**Action**

The Chairman welcomed Richard Hemsley (Royal Bank of Scotland) who is replacing Mark Fisher who has now formally resigned. The Chairman conveyed his thanks on behalf of the Board to Mark Fisher for his time as Chairman of APACS and as a Board Director for the Payments Council. A welcome was also extended to Kevin Gillett who will be taking up his post as the Director from HBOS later this year. Apologies and Proxies noted were:

Tony McLaughlin (Citigroup) – Nominated Proxy Gary Hockey Morley

Moira Black (Independent) – Nominated Proxy Stephen Locke

John Hughes (Co-operative) – Nominated Proxy Gerry Lane

Andrew Bailey (Bank of England Observer) – Joanna Place (Bank of England Observer)

The minutes from the previous meeting of the 27<sup>th</sup> September 2007 were APPROVED and will be posted to the website.

**Secretariat**

Actions from the previous meeting have been completed with the exception of the Scheme Quarterly Reports and Workplan where an update will be given to the December Board meeting.

## 2. FOR DECISION

### a) To APPROVE the draft public consultation on the National Payments Plan.

Paul Smee introduced the draft consultation document on the National Payments Plan. The Board has previously given a steer on the content of the consultation document and it has also been discussed in each of the Payments Council User Forums. Paul Smee invited the Chairs of the User Forums to outline the key points.

Michael Alexander reported that the key points from the Large Corporate Forums noted were:

- Standardisation of account numbers - although this had been discussed and rejected by the Payment System Task Force, some Members of the Forum challenged the view that there was no business case for full standardisation of account numbers. The savings were thought potentially significant: a figure of £30m potential cost savings per annum across the insurance industry was cited, and the Department of Work and Pensions (DWP) indicated that they would have potentially significant cost savings as well. The Forum would like this issue to be included in the consultation document.
- Contactless Standards – Some members of the forum thought that there was a need for improved standards for contactless cards as the current card scheme standards do not apparently accommodate the transaction times needed for successful use in the transport sector. The issue was also raised of the best way for the UK to influence international standards.
- One-off Direct Debits – It was suggested they could be a useful alternative to cheques and mention should be made of them.
- The consultation period, in particular for retailers was challenging and they might find it difficult to respond by the proposed date.

Stephen Locke reported that the key points from the SME and Consumer User Forums were:

- Both meetings were well attended and with a good level of discussion and input.
- Cheques – Although views were divided among the forums about including a target date for the end of cheques in the

consultation document there was a general understanding and acceptance that the decline should be managed.

- Pricing and Transparency – Although some attendees expressed concerns relating to pricing issues, in particular to the transparency of card costs and pricing, they understood that this was out of scope of the consultation paper. However they did think that these were issues that would affect the potential costs and benefits of options for future consideration.
- Research – The forums were keen for research to be carried out to understand how and why consumers use particular payments mechanisms and the barriers to moving to other payment mechanisms.

The Chairman recorded his thanks to those involved in the User Forums.

Peter Finlayson invited the Board to give their comments on the consultation document and said that he would also highlight the key points raised so far that were relevant to each section. During the discussion of this item the following substantive points were made:

#### Efficiency Section

- Foreword – It is worth mentioning that the Payments Council can play an important role in bringing together relevant experts – This was agreed.
- Whilst members of the User Forums were not unanimously agreed on whether to include a target date for the end of cheques, it was felt that the questions outlined in the consultation gave consultees scope to respond with their views.
- Feedback from the User Forums suggested that the document should recognise that the charges set for any alternatives to cheques will have an impact on how these alternatives are used and accepted – This was agreed.
- The User Forums suggested that the consultation should make reference to the lessons that might be learned from analogous processes to the managed phasing out of cheques, such as the introduction of direct payments for state benefits and pensions – This was agreed.
- The target date for the withdrawal of cheques refers essentially to the withdrawal of the central clearing

infrastructure rather than competitive product offerings; banks could continue to offer their own cheque service if this was in their competitive interest – This was agreed.

- The comment was made that it was important to have clarity on what constitutes the industry responsibilities as opposed to what would fall into the competitive space – This was agreed.
- No additional comments were received from the User Forums in respect of the Cheque Guarantee Scheme, Credit Clearing Cash, Direct Credits, and the Credit and Debits cards sections of the document.
- The User Forums suggested that one-off Direct Debits should be included in the document in the context of a potential alternative to cheques - This was agreed.
- The Board was made aware that a separate parallel consultation exercise was being undertaken on wholesale markets.

#### Innovation Section

- The User Forums requested that a question be included about the potential role the Payments Council could play in influencing international standards development – This was agreed.
- A reference to vouchers and tokens as alternatives to cash and cheques should be added – This was agreed.
- No significant additional points from the User Forums had been raised on mobile payments and the supply chain.

#### Other Issues

- With respect to the section on education a generic question asking for the potential gaps would be added to the document – This was agreed.
- Fraud and Security section should be amended to include a reference to financial inclusion and the potential lobbying role for the Payments Council – This was agreed.
- Standardisation of account numbers – The Board discussed the issue raised by the Large Corporate User Forum. There were mixed views as to whether the consultation document should include this as an issue because it had been recently

investigated and rejected by the Payments Systems Task Force. Some Board members thought that this should not be included and that it was important to articulate the underlying problem, rather than focusing on one particular solution. The contrary view was also expressed, namely that we should include a reference to this in the consultation document as a way to seek clarity on the issue since a User Forum had raised it as a potential concern. The point was also made that any potential recommendation to consider an innovation would be subject to a cost–benefit analysis. It was agreed that a draft paragraph that covered the points made by the Large Corporate User Forum should be prepared.

**Peter  
Finlayson**

- In discussion about the section on payments costs the Board agreed that Question 47 and 48 were no longer required.

### **National Payments Plan Timetable**

In response to the concerns raised by retailers in the User Forums about the timescales for responding to the consultation document the Board agreed that the Payments Council would help out as much as possible to facilitate responses. It was accepted that the timescales were very tight but that the Board should still strive to publish the National Payments Plan by the end of March if possible. It was also noted that the public commitment was to publish the Plan “in the Spring”. To ease the critical path for delivery the Board agreed that an additional Board meeting should be scheduled. The Board noted the potential project risk that a larger than expected number of detailed responses would be received. This might have a material impact on the delivery date and that divergent views might be raised on key issues that were difficult and time-consuming to reconcile.

**Secretariat**

The immediate next steps for agreeing the final consultation document were outlined as:

- A tracked version of the document taking into account the views of the Board would be circulated to the Board within a week.
- The Member Strategy Group who are meeting on the 16<sup>th</sup> November would review the document (for quality control).
- The Chairman would have delegated authority to sign off the final version of the consultation document.
- Communication plans are in place for when the consultation document is published.

**Peter  
Finlayson**

The Chairman extended his thanks on behalf of the Board to all those involved in NPP project.

**2b FOR DECISION**

**To APPROVE the membership proposition for a new category of membership.**

The Board ENDORSED the proposal for establishing a new category of membership called Associate members.

**3. FOR DISCUSSION**

**A) FASTER PAYMENTS**

Paul Smee referred the Board to the Faster Payments status report that had been circulated to them. It was intended that the Board will continue to receive a regular status report, albeit in a slightly amended format every month. This will help all Board Directors, particularly those who are not directly involved in the project to keep up with developments.

**B) CASH – DRAFT CODE OF CONDUCT**

Andrew Wallace joined the meeting for this item. He gave a brief overview of work that was currently in hand in strengthening the industry's plans for handling cash during a pandemic. He drew the Board's attention to three particular points in the plans:

- the industry would encourage the use of debit cards and cash back since electronic systems are a very resilient alternative;
- there would potentially be an impact on the commercial agreements that banks have in place with their CIT suppliers;
- in dealing with a pandemic there would have to be robust arrangements in place to share limited resources.

The Board welcomed the initiative and confirmed that they were content with the direction of current plans. It was suggested that arrangements put in place would also need to be tested. One director asked whether the public authorities and Bank of England were sufficiently engaged with this exercise and that their respective roles and responsibilities should be included. Mr Wallace also confirmed he would be discussing the plans amongst a wider group of stakeholders, including the User Forums.

**4. FOR INFORMATION**

**Innovations Proposal**

The Board noted the innovation proposal that had been received and confirmed that they were content with the decision to reject the innovation on the grounds that it, or something with similar benefits, is already being developed.

**5. AOB**

The Board was informed that DANSKE Bank had recently joined the Payments Council.

It was AGREED that the rules regarding the use of proxy votes would be slightly amended to allow Director to give their proxy to another Director in their constituency, if possible, but not to the Chairman.

The Chairman advised the Board that he and Paul Smee had recently had a positive meeting with the Economic Secretary to HM Treasury, Kitty Ussher who was taking a particular interest in the debate on cheques and payments generally. The OFT had also recently met with all the Independent Directors. The OFT had reiterated at that meeting their intention to start their two-year review process, around October 2008.

With no further business, the meeting was closed at 3.55pm