

Welcome >>

The Payments Council sets strategy for payments in the UK. Set up in 2007, we ensure that payment systems and services meet the needs of customers, providers and the wider economy. This newsletter provides an update on our work. In this issue:

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Payments Council board endorses plans to make account switching easier >>

This September the Payments Council gave plans to put a new system in place to help customers switch between different current account providers the final go-ahead.

The Payments Council has been working with its members to design and cost a system for switching current accounts which is easier, faster and safer for customers than ever before. The Payments Council's Board has officially endorsed the plans, committing to the £650-£850 million investment required to deliver the new enhanced service.

The new account switching service will benefit all personal and small business customers, and will become fully operational in September 2013.

The Payments Council proposals meet the recommendations made by the Independent Commission on Banking's major report on 12 September. The report suggested that to increase the freedom of customers who want to switch their current account to a new bank or building society, “a current account redirection service should be established, to smooth the process of switching current accounts for individuals and small businesses”.

As well as committing to cover the cost of the project, the Payments Council Board's approval of the plans means that for the first time, a service guarantee will be introduced for customers switching their account. The guarantee will ensure that the account switching process will take just seven working days, with the customer using the new account from day eight for all payments they make and receive.

The guarantee will also ensure that all of the customer's regular incoming and outgoing

payments will be moved to their new account automatically. There will be a redirection service for customers' payments into and out of their account, including direct credits, Direct Debits, standing orders and regular card payments. The guarantee will continue to apply after the new account is fully operational – so any payments accidentally made to the old account will still be redirected to the new one.

Gary Hocking, Acting Chief Executive of the Payments Council, said the aim of the project was to deliver benefits for all individuals, small businesses and small charities as soon as possible. “Customers will be able to move their account, lock stock and barrel in seven working days”, he said. “On top of this, they will have the added safety net that should a business they regularly deal with fail to update their records, both debits and credits will be automatically redirected to their new account.”

Customers will also benefit from visible and positive changes to the current switching process before the new system becomes fully operational in 2013. Throughout 2012, the Payments Council will be working with Bacs to improve organisations' response to updating records when customers move bank accounts, and encouraging best practice across banks and building societies to provide a better and more consistent service for customers. We will also make sure that customers are kept up to date with the changes being made, and the progress of the new switching service, in the run up to its launch in September 2013.



Payments Council to launch updated **National Payments Plan and annual review** >>

This October, the Payments Council launches its revised and updated National Payments Plan – the first since the Plan was launched in 2008.

The National Payments Plan (NPP) is a ten-year plan for payments in the UK, and sets out a rolling programme of activity to ensure that we have available to us the types of payments that we need now and in the future. It also promotes efficiency, encourages innovation, and ensures that we maintain the integrity and reliability that is so vital in the nation's payment systems.

We know, from the discussions we had with a wide range of stakeholders on the future of cheques, and from the responses we received to our consultation on updating the NPP, that current payment methods can still be improved. We also recognise that helping people make the most of their options, including both existing and emerging methods of payment, must be one of the Payments Council's top priorities.

The updated Plan will be published against the backdrop of a significant strategic change for the Payments Council, following the cancellation of the target date for closing cheque clearing. We have committed to making sure that even after this change of direction, innovation stays at the heart of our work and the National Payments Plan will play a crucial part in doing this.

We will also shortly be publishing the Payments Council's annual review for 2011. The review takes a look back at our work and achievements in the last year, as well as our new projects and our goals for the year ahead. The review also includes reports on the year's activity from our Acting Chief Executive, our Chairman, and our Independent Directors.

The Payments Council will soon be launching its first Governance Review and Assessment of Performance.

This review will assess how well we manage payments issues and the appropriateness of our governance structure. There will be a consultation with stakeholders as part of the project, and we will publish further details this autumn.

Britain's right royal **bank holiday spending spree** >>

This year's royal wedding saw an estimated £1.3 billion spent on credit and debit cards on food, drink and entertainment in just four days.

The bank holiday weekend, at the end of April, also saw a further £1.3 billion withdrawn at the nation's cash machines.

The Payments Council's research, which revealed the staggering spending figures, also shows that in April, May and June cards were used to spend a record £2.4 billion at British hotels. This represents a rise of 10% on the same period last year, and is a welcome sign for the hotel industry, which saw card spending stall following the 2008 recession.

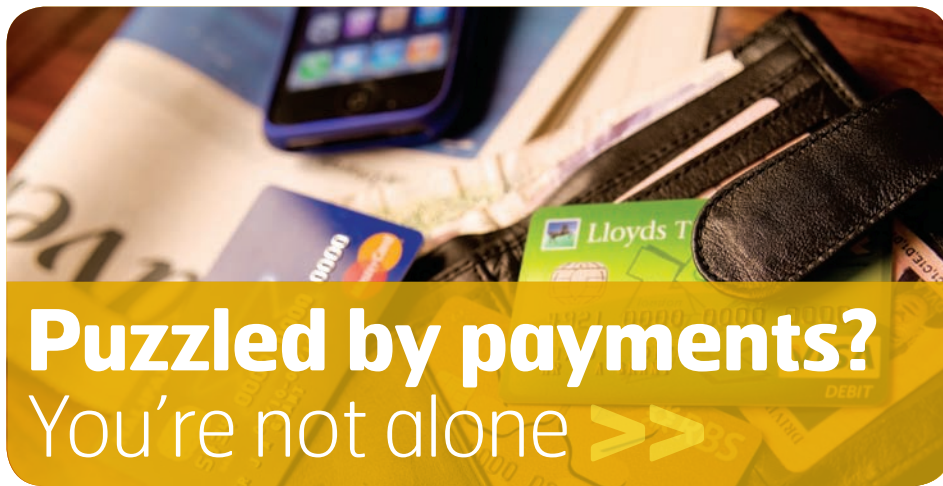
The trend for 'staycations' has continued in the UK with the entertainment sector, including everything from restaurants to cinemas, seeing £7.5 billion spent on plastic in the second quarter of 2011 – a 15% increase from the same period in 2010.

The £48.4 billion withdrawn from cash machines between April and June this year was the highest quarterly amount since 2009, and 97% of that was withdrawn from

free-to-use ATMs. This summer saw the number of free cash machines in the UK rise to a record 42,424.

With four bank holidays falling in quick succession this year, there were only five working days between Friday 22 April and Monday 2 May. As cheques are only processed on working days, the bank holiday schedule meant cheques took longer to clear than usual. In fact, April saw the lowest number of cheques ever to clear in a single month – 51.1 million. The fall in the number of cheques used in the UK continued for the rest of the quarter, with 13% fewer cheques cleared than in the same period last year.

The Payments Council's Sandra Quinn was encouraged by the new spending figures. "This year's extra bank holidays have been a perfect excuse for a party and it seems like many of us have done just that", she said. "Plastic card spending on food, drink and entertainment topped £1 billion in just four days and we took a billion more out of cash machines at the same time. Even in the midst of the celebrations though, there was a real terms fall in spending on credit cards so it's encouraging to see that people are thinking carefully about managing their money."



Puzzled by payments? You're not alone >>

The *Pay YOUR Way* campaign has revealed the gaps in the British public's payments knowledge. New research shows that many of us know very little about what common payment terms mean, but found that the older generation are more savvy when it comes to payments than younger people.

All of us make different types of payments every day, but a large number of British people lack confidence in making common transactions, the research by *Pay YOUR Way* found. The campaign, which is run by the Payments Council to help inform consumers about different payment methods, has now launched an online glossary of payment terms to help improve the nation's payment literacy. The glossary, along with a comprehensive guide to different payment types and how to use them, is available from the campaign's website, www.PayYOURway.org.uk.

The new research reveals that only one in three people could correctly identify what an APR was, while a worrying 7% were unable to recognise any payment terms, such as PIN, ATM and Bacs.

When it comes to specific payment terms and what they mean, the research also showed that many Brits aren't as savvy as they could be. Less than a quarter of people correctly identified all payment types by the descriptions given. These included debit cards, Direct Debits, standing orders and Faster Payments.

Only one third of people surveyed knew that a Faster Payment is a type of electronic payment which means the money will arrive where it's meant to almost instantaneously. 83% of online banking and phone banking transfers are now processed in this way, so the *Pay YOUR Way* campaign is trying to ensure more people are aware of the benefits.

Older generation comes out on top

The research also reveals that the older generation actually have the strongest knowledge when it comes to payment terms and uses. 95% of over 55s knew what a debit card transaction was, compared to 87% of under 35s; 86% knew what a Direct Debit is, compared to 75% of the younger group, and 77% correctly identified a standing order, compared to 65%. Older people were also more confident using different payment methods, with 87% confident setting up Direct Debits, and 80% confident arranging standing orders. Only 75% and 66% respectively of the 18-34s were confident using these.

The Payments Council's Sandra Quinn said it was important to be confident with a range of payment methods to take advantage of the available options. "Technology is evolving quickly, as we've seen from contactless payment methods springing up and mobile payments not far off", she said. "The new glossary and online guide are part of our campaign to help everyone – they offer a great way to make sense of what's out there and how and when to use different payment methods."

Older people did admit to being less confident banking online, but surprisingly, over 55s were the most confident of all age groups when making contactless payments with their card. Although it's been around for longer, telephone banking hasn't taken off in the same way as internet banking, with only a third of all those surveyed saying they were confident making a transfer by phone, while nearly two thirds were confident making the transfer online.

Payments Council appoints new **Chief Executive** >>

The Payments Council has announced the appointment of Adrian Kamellard as its new Chief Executive. Adrian is currently working at the Cabinet Office, where he has been an Executive Director since 2010. He will take up his new role at the Payments Council on 1 November this year.

Richard North, Chairman of the Payments Council, welcomed the appointment. "I am delighted Adrian is joining us. He has a strong track record in both the public and private sectors and great experience of building and leading successful teams", he said. "Adrian is well placed to help us drive


through our innovation plans for the way we pay and to communicate these to the many stakeholders we need to reach."

Working in one of the busiest government departments, Adrian currently has responsibility for managing projects and structures at the Cabinet Office, including major IT contracts. Adrian's work in this area has saved £800 million in costs for the taxpayer, while maintaining the services the department provides. Before moving to the Cabinet Office, Adrian was Head of Major Projects at Partnerships UK, where he was also seconded to serve as the Chief Executive of Broadband Delivery UK. Earlier in his career, Adrian was an



Investment Director at Charterhouse Bank, where he advised on telecoms projects in both the public and private sectors.

Adrian qualified as a Chartered Accountant, and studied Economics at the University of Essex. In his spare time, he enjoys photography and supporting Manchester United.



Card fraud and online banking fraud losses fall, but cheque fraud and phone banking fraud losses rise >>

Fraud losses on our credit and debit cards fell to £169.8 million in the first half of 2011, a fall of 9% compared with the same time last year. Fraud on online bank accounts also declined. Despite an overall decline in fraud however, cheque fraud and fraud on phone banking accounts increased over the same period.

In the UK, unlike many countries outside of the EU, innocent victims of any type of payment fraud on their debit or credit card or bank account are protected, and should not suffer any financial loss.

The half-year card fraud total is the lowest figure in the UK for eleven years, and fraud losses have now declined for three consecutive years. This sustained fall is down to a number of industry initiatives, including the increasing use of fraud detection software online, the roll-out of new cards with enhanced security, and the expansion of chip and PIN technology abroad.

Lost and stolen card fraud losses rose slightly, increasing by £4.4 million. As initiatives like chip and PIN have made it harder to commit 'high-tech' fraud, some criminals are reverting to more basic frauds by simply stealing people's cards and PINs, often by distracting people in shops or at cash machines and stealing their cards without them noticing. Some criminals are also able to simply trick their victims into handing over their cards and PINs on their own doorstep, by posing as a police officer, or a fraud officer from the victim's bank. It is clear that fraudsters will not give up and we must all remain as vigilant as we can.

Online banking fraud losses totalled £16.9 million from January to June 2011, a 32% fall

on the same period last year. Customers are becoming increasingly aware of the benefits of computer security, and the use of fraud detection software by banks also contributed to the decline. However, phone banking fraud losses rose to £8.6 million. Just as with card fraud, criminals are focusing on the straightforward crime of duping a customer into believing they are dealing with a bank or police representative and getting them to disclose their security details.

"Although fraud losses continue to drop, we have noticed an increase in old fashioned scams", said DCI Paul Barnard, Head of the Dedicated Cheque and Plastic Crime Unit (DCPCU), the special police squad established by the banking industry to fight fraud. "We are urging people to be on their guard. Your bank or the police will never cold call you or email you and ask you for your login details, cards or PINs. If anyone does, they are probably a criminal, so hang up the phone or delete the email."

Fraud on cheques also increased to £16.4 million this year, a 17% rise on the 2010 figure. However, the overwhelming majority of cheque fraud is stopped before the cheque is actually cleared – in fact, more than £254 million of attempted cheque fraud was spotted and stopped in the clearing process in the first half of the year.

Top Tips On Keeping Yourself Safe From Fraud

- Make sure you are the only person who knows your PIN. Your bank or the police will never phone or email you and ask you to disclose it.

- Shield your PIN with your free hand when typing it into a keypad in a shop or at a cash machine.
- If you shop online, only use secure websites. Before entering your card details, look for the locked padlock or unbroken key symbol in your browser.
- Rip up or shred statements, receipts and documents that contain information relating to your financial affairs when you dispose of them.
- Be wary of accepting cheques from people you don't know, especially if the cheque is for a high value.
- Make sure you have up-to-date anti-virus software installed on your computer.

Contact details >>

If you would like to get in touch with the Payments Council, or would like to start or stop receiving *Communiqué*, you can contact us in the following ways:

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