

22 January 2010

RESPONSE TO THE NEA CONSULTATION ON DEVELOPING A NEW FUEL PAYMENT METHOD

The Payments Council welcomes the opportunity to respond to the NEA's consultation on developing a new fuel payment method. In developing this response we have consulted with Bacs Payment Schemes Ltd, the company which administers the Direct Debit Scheme, and have incorporated their comments.

Given the Payments Council's strategic remit and Bacs' role, this response is limited to some overall comments and to suggestions for the next steps, which relate to the questions in Section 3 of the consultation document. It would not be appropriate for the Payments Council or Bacs to comment on the detailed questions presented in Section 2.

The Payments Council

The Payments Council is the organisation that sets strategy for UK payments. It was established in March 2007 to ensure that UK payment systems and services meet the needs of users, payment service providers and the wider economy.

The Payments Council has three core objectives:

- to lead the future development of co-operative payment services in the UK in order to ensure that the payment system as a whole meets the needs of payment service providers, users and the wider economy,
- to ensure that the payment system is open, accountable and transparent; and
- to ensure the operational efficiency, effectiveness and integrity of payment services in the UK.

The Payments Council has 27 full members. Its Board has an independent Chairman and four independent directors. Further information on the Payments Council can be found on our website www.paymentscouncil.org.uk.



Bacs

Founded in 1968, Bacs, the not-for-profit, membership-based industry body is owned by 15 of the leading banks and building societies in the UK and Europe.

Responsible for the schemes behind the clearing and settlement of automated payments in the UK including Direct Debit and Bacs Direct Credit, Bacs has been maintaining the integrity of payment related services for over 40 years.

Since its inception, more than 73.7 billion transactions have been debited or credited to British bank accounts via Bacs. In 2009 more than 5.6 billion UK payments were made this way with a total value of £3.85 trillion.

For further information please visit www.bacs.co.uk or go to www.thesmartwaytopay.co.uk, the home of The Smarts, an animated family who use automated payments to help improve financial management and control.

Developing a New Fuel Payment Method

Overall Comments

The Payments Council and Bacs are supportive of innovation in the payment sphere and welcome the scoping study that the NEA has carried out to look at the potential for developing a new fuel payment method in the UK. We both have a particular interest in innovations that promote financial inclusion. The Payments Council published its Financial Inclusion Policy in October 2009, which is available through its website. Bacs has agreed with HM Treasury Financial Inclusion taskforce to work with major UK billers to present the benefits of paying bills by Direct Debit in a balanced and considered way to all audiences and through market research and marketing consultancy are actively targeting the financially excluded



Next Steps

The new payment method set out in the consultation document is a potential solution to the bill payment needs of some consumers. However, the feasibility of the proposed payment method has yet to be established, including the commercial viability for all stakeholders. If work on the new payment method is to be taken forward, this should include:

- defining the consumer proposition;
- establishing the value provided to consumers and the level of demand;
- consideration of the costs and benefits for utility companies;
- consideration of the costs and benefits for potential providers of the payment service including the costs of development and ongoing provision.

It will be important for the NEA to approach all of the main stakeholder groups regarding participation in the work, including potential service providers in the public and private sector such as banks and credit unions.

As part of its work for the Financial Inclusion Task Force, Bacs has conducted market research on issues relating to the use of Direct Debits for the payment of utility bills. Bacs would be happy to share the results from this research with the NEA.

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