

Minutes



18 March 2009

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To Payments Council Board

CC Non Board Contacts

From Anita Heaviside
Secretary to Payments Council Board

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 18TH MARCH 2009

Present:

Brian Pomeroy	Chairman
Moira Black	Independent Director
Martin Cave	Independent Director
Stephen Locke	Independent Director
Michael Alexander	Independent Director
Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes)	
Colin Klipin	Barclays
Jim Large	HSBC
Juan Olaizola	Abbey
Richard Hemsley	Royal Bank of Scotland
Edwina Kidd	Lloyds Banking Group (Observer)
Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearing Volumes)	
John Hughes	Co-operative Bank
Neil Lover	Nationwide
Kevin Page	National Australia Group
Industry Directors (Nominated by Members with less than 1% of UK Clearing Volumes)	
Maurice Cleaves	Deutsche Bank
Brent Bellm	Paypal
Dermot Nolan	Bank of Ireland
Jo Place	Bank of England (Observer)
Paul Smee	Chief Executive, Payments Council
Hilary Plattern	Payments Council
Anita Heaviside	Payments Council

Peter Finlayson	Payments Council
George Brenton	OFT (Item 2)
Praful Depala	OFT (item 2)
Brian Cunningham	Chairman of Cheque Card Management Committee (Item 3b)
Nigel White	Payments Council (Item 3b)
Andy Hamilton	Chair of Mobile Payments Group (Item 3f)
Edwin Latter	Director LINK Scheme (item 5)

Apologies	
Andrew Bailey	Bank of England (observer)
Russell Sanders	Lloyds Banking Group

1. WELCOME AND MINUTES OF LAST MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 9TH DECEMBER 2008 **ACTION**

The Chairman welcomed the new Board Directors.

Apologies noted were:

Andrew Bailey (Bank of England – observer)

Russell Sanders (Lloyds Banking Group)

The minutes from the previous meeting of the 9th December were APPROVED, subject to some minor editorial changes and will be posted to the website.

Secretariat

Secretary's note: The actions from the previous meeting have been completed or have been added as agenda items for the meeting.

2. OFT REVIEW OF PAYMENTS COUNCIL

The Chairman welcomed the OFT to the meeting and invited them to present their findings from their review. The OFT confirmed they were planning to publish the report on the 25 March 2009. The headlines from their findings were that the Payments Council has been a success, but some improvements are needed. They would not be recommending any further informal OFT involvement at this stage but will recommend that the Payments Council self assesses against its objectives in 2 years time, and that this assessment should include stakeholder consultation. In response to questions raised by the Board, the OFT confirmed that they would expect the Payments Council to conduct a self assessment including stakeholder

consultation every two years at least for the medium term.

The Chairman thanked the OFT for their presentation.

3 NATIONAL PAYMENTS PLAN – SUMMARY

Peter Finlayson introduced the summary report, which gave a brief overview of the current workstreams in the National Payments Plan (NPP) programme. The Board ENDORSED the proposal that the Chair of the Scheme Co-ordination Committee should join the NPP Advisory Group. The Board was also advised that the Cheque Steering Group has now been set up.

3b CHEQUE GUARANTEE CARD SCHEME

Brian Cunnington, Chairman of the Cheque Card Management Committee (CCMC) and Nigel White, Senior Consultant, joined the meeting.

Paul Smee introduced the agenda item by explaining the Board was being asked to consider the report and proposed recommendation from the Cheque Guarantee Card Scheme Review Steering Group on the future of the Cheque Guarantee Card Scheme. The cover note accompanying the report sets out the key issues on whether it is in the interests of consumers, businesses and issuers for the scheme to decline at its own pace, without intervention by the Council; or whether a co-ordinated scheme closure date should be set. The note additionally considers, if there is to be a managed closure, the way in which it would occur.

Brian Cunnington explained in his introduction that the CCMC were of the opinion that the issues in the report would arise due to the rapid reduction in the use of the cheque guarantee and increasing fraud and credit losses experienced by the Scheme. It would be preferable to take collective proactive action rather than allowing the Scheme to wither away in a disorderly manner. A decision for a managed decline is just the start of the process, as there will need to be a robust

education plan to accompany this.

The Chairman invited the Chairs of the User Forums to put forward the views of their forums.

Moira Black informed the Board that the views expressed at the recent Joint Consumer and SME User Forum meeting had been mixed across the two constituencies. Stephen Locke, Chair of the Consumer User Forum, supported this feedback.

Michael Alexander, Chair of the Large Corporate User Forum, explained that they favoured a clear end date.

The Chairman invited the Board to comment on how the declining scheme should be managed.

Points made during discussion included:

- A date should be set for the closure of the Scheme.
- It is a bank's individual decision if it wishes to stop issuing the Guarantee, and indeed some banks are already doing this.
- Many recently issued cards have expiry dates that extend beyond 2011. So a 2011 end date could be confusing for customers.
- Education is essential and would need to be of a similar scale to the Chip and Pin programme a few years ago.
- It is difficult to support the proposition to close the Scheme given that there are still a significant number of guarantee cheques in regular use.
- Confusion in the marketplace already exists as some banks have chosen not to issue the Guarantee for new customers. The Payments Council needs to demonstrate that it is in the customer's interest that a managed decline is undertaken.
- Banks already educate customers on the Guarantee as they have the customer relationship.
- A more detailed education plan should be prepared so the Board can satisfy itself that the education issue has been appropriately addressed.

- Before deciding to close the Scheme, more work should be done on developing alternatives.
- An orderly closure of the Scheme is essential to migrate customers away from a fundamentally inefficient method of payment.
- International comparisons might help, as other countries have had to tackle similar issues. The UK may be the only country in the world that still has a cheque guarantee scheme.
- An umbrella approach to communication may help, where individual banks would still undertake communication as well as at the centre.
- One possibility would be to indicate that the Payments Council is minded to set a date for closure in the future, but it was not possible to do so now.

The Board agreed that this was not an easy issue to tackle, but recognised that the Scheme is in decline. There was general agreement that an end date was probably needed at some point, but questions remained about when and how this should be undertaken. The Board AGREED that the Cheque Card Guarantee Review Steering Group be requested to report back to the Board in June having:

- developed in more detail what a communications plan surrounding closure would look like, including how consumers and acceptors would be made aware of the expiry of the scheme if cards bearing the scheme logo continued in issue after the closure date;
- considered alternatives to a “big bang” approach to closure;
- considered whether further work is needed on the alternative payment methods that would be available for users of guaranteed cheques;
- considered whether there should be a target trigger point set for the number of remaining users of guaranteed cheques before collective closure can occur;
- if possible, provided information on how other countries have withdrawn cheque guarantee.

Cheque Card
Guarantee
Review
Steering Group

The Chairman thanked both Brian and Nigel for their input.

2f MOBILE PAYMENTS

The chairman welcomed Andy Hamilton, Chair of the Mobile Payments Group to the meeting.

Andy Hamilton gave a brief update on the mobile payments project. A Business Requirements Committee has been formed and a draft customer proposition has been written. The customer proposition has been shared with the User Forums who were generally positive and gave some useful feedback.

Moira Black, confirmed that the views expressed at the recent Joint SME/ Consumer User Forum were positive. There were a number of queries relating to security and customer protection. Stephen Locke added that other issues raised were around dual authentication, transfer of mobile phone numbers and usability testing. Michael Alexander confirmed that whilst the corporates welcomed the idea they did not think it was a payment mechanism for them.

Andy Hamilton advised the Board that work has started on defining the Statement of User Requirements (SOUR) and developing the industry business case. In the paper to Board a request for budget to pay for quantitative market research in the region of £50,000 -£60,000 to support the industry business case was made. This budget was APPROVED.

Andy Hamilton also advised the Board that whilst the Mobile Payments Group were working to report to Board in June there was potential for slippage. For example, the SOUR may not be ready until end of May and the potential date for an Invitation to Tender for the central database may not happen until late quarter two. A more realistic date to seek a green light from the Board would be September rather than June. It was hoped that this wouldn't impact members own business cases.

It was suggested that stakeholder engagement on mobiles was a good opportunity for the Payments Council to be proactive. Greater clarity was sought on what commitments would be expected from

banks at the next key decision point.

The Chairman asked the Board to confirm that they were content with the general direction of the work on mobiles. The Board confirmed this.

The Chairman thanked Andy Hamilton for the update.

3c PAYMENTS EDUCATION AND INFORMATION STRATEGY

The Board ENDORSED the draft education and information strategy.

3d PAYMENTS REFERENCE INFORMATION

The Board ENDORSED the draft Project Initiation Document for the Payment Reference Information project,

3e ACCOUNT NUMBER FORMATS

The Board APPROVED the guidelines and approach to dissemination on account number formats.

4 PAYMENTS INTEGRITY

Paul Smee introduced the paper outlining the role of the Payments Council in maintaining the integrity of the payment system. This role may need to be reviewed in the light of any recommendations from the OFT report. Broadly, there are good reporting arrangements with the contracted schemes with a focus now on cross scheme integrity issues. This is being facilitated with the set up of the Scheme Co-ordination Committee.

It was commented that the Senior Banking Operations Group is addressing operational issues. They are currently working alongside the FSA on issues such as cross scheme contagion and liquidity. The views of the Independent Directors were that getting clarity between operational and strategic roles on integrity was important.

The Board AGREED that this was an important issue to discuss and that the forthcoming away day would be a good opportunity to

Secretariat

undertake this.

5 LINK SCHEME

The Chairmen welcomed Edwin Latter, LINK Scheme Director to the meeting.

Edwin Latter gave a short presentation covering the key objectives of the LINK consumer programme, an update on those issues highlighted with the Payments Council and LINK's position on innovation and efficiency.

The Board had no further questions and thanked Edwin for his presentation.

6 CONTRACTED SCHEMES

The Board NOTED the Contracted Scheme Quarterly Reports.

7 FOR INFORMATION

Information Security Advisory Group

The Board NOTED the annual report from the Information Security Advisory Group (ISAG) and APPROVED the recommendation that the remit of the ISAG should cover physical security.

Draft Agenda for the Board Away Day

The Board NOTED the draft agenda for the away day, recognising that this would be updated in the light of the OFT Report due to be published soon. They supported using an independent facilitator.

8 AOB

None

The meeting was closed at 12.25