

# Minutes



1 October 2007

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**To** Payments Council Board

*Our Reference* PC/051/07

**From** Anita Heaviside  
Board Secretary

## MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 27 SEPTEMBER 2007

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**Present:** Brian Pomeroy Chairman

Professor Martin Cave Independent Director  
Michael Alexander Independent Director  
Moira Black Independent Director

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

Colin Klipin Barclays Bank  
Paul Baker Lloyds TSB Bank  
Mark Fisher 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  
John Hughes Co-operative Bank  
Juan Olaizola Abbey

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

Volumes)

Ron Delnevo	Bank Machine
Tony McLaughlin	Citigroup
Gary Hockey-Morley	The Royal Mail Group
Paul Smee	Chief Executive
Peter Finlayson	Payments Council
Hilary Plattern	Payments Council
Edwin Latter	LINK Scheme Director (Agenda item 3b only)
Richard Martin	Payments Council (Agenda item 3d only)
Anita Heaviside	Payments Council Board Secretary

**Apologies:** Stephen Locke Independent Director  
Andrew Bailey Bank of England (Observer)

**1. MINUTES**

**Action**

The minutes from the previous meeting of the 29 June 2007 were APPROVED and will be posted to the website.

**Secretariat**

**2. FOR DECISION**

**a) Proxy Votes**

A paper outlining the proposed process for dealing with proxy voting was presented to the Board and was AGREED subject to two conditions 1) a proxy vote may only be given to another Director in the same constituency 2) a proxy vote cannot be given to the Chairman.

**b) 2008 Payments Council Budget and Member Funding**

Paul Smee introduced the Payments Council 2008 budget paper, which included a number of cost saving options. The budget had been discussed by the Budgetary Working Group; a group in which all Payments Council members had been invited to participate.

One Director commented that the proposed budget excluded some key projects such as a review of scheme architecture, mobile payments and e-invoicing. Paul Smee explained that he thought that there was adequate internal resources to manage such future activities; if necessary he would re-prioritise resources. If extra spend was required for external resources he would have to put forward a strong case for the Board to consider.

The Board AGREED that the budget for 2008 should be flat and that

the cost allocations for 2008/9 and the methodology for calculating qualifying payment volumes should be as proposed by the Budgetary Working Group.

It was further AGREED that the Budgetary Working Group should be asked to consider the introduction of transitional arrangements for any member who moves up (or down) a band (for fee purposes) to lessen the impact.

**Hilary  
Plattern**

The Board NOTED the minor change to the rules correcting an error on application of the 24.99% fee cap.

**c) Associate membership**

This item was deferred to the next meeting.

**Secretariat**

**3. FOR DISCUSSION**

**A) NATIONAL PAYMENTS PLAN**

Paul Smee said that he had received a positive response from those parties that had been consulted on the National Payments Plan (NPP) so far. He invited the Chairs of the User Forums to give a short summary of the key issues that had arisen.

The key points from the Large Corporate Forum noted were:

- It had been a positive meeting and all the issues raised had been documented and circulated;
- The corporates welcomed the opportunity to give their input and that the timetable allowed them to see the NPP document prior to public consultation;
- Key issues included standardisation, removal of redundant systems, and the future of cheques.

Key points noted from both the SME and Consumer User Forum were:

- From both Forums 'Education' was important to enable users to feel comfortable with and confident in using more efficient payment mechanisms;
- The SMEs valued the continuing availability of cheques whereas the views expressed by the Consumer User Forum were more mixed. Viable alternatives would have to be put in place to replace cheques.

The Chairman conveyed his thanks to the Forums for their useful input.

Peter Finlayson invited feedback on Paul Smee's summary paper where guidance from the Board was sought on certain points.

**Cheques** – There is general agreement that cheques are in decline and that there are viable alternatives for certain sectors of the market. Guidance was sought on whether the NPP should include a medium to long-term target for the demise of cheques.

The key discussion points raised by the Board during debate of this topic are summarised below:

- Alternatives need to be put in place before a decision can be taken to stop issuing cheques.
- It was suggested that the decision to withdraw cheques should be based on more general principles for managing the withdrawal of a payment scheme. The Payments Council, with its remit to meet the needs of users, payment service providers and the wider economy, would have an important role in to play in determining the point at which a scheme should be finally withdrawn.
- A large proportion of cheques could be removed in a relatively short timeframe from certain sectors.
- Target dates for removing cheques could be split; it was reasonable to set an initial target to remove cheques in those sectors where viable and more efficient alternatives already exist. This was likely to account for a substantial proportion of cheque volumes. For remaining sectors, a second target could be set further down the line once viable alternatives were developed and in place. It was important to align this latter target with development work on mobile payments and contactless cards.
- It would be helpful to include a range of target dates in the NPP consultation document and get feedback on these.
- A key plank of the strategy for managing the decline of cheques should be based on educating users and promoting more attractive electronic alternatives.
- A separate exercise should be carried out by Cheque and Credit Company Ltd to look at a future scenario involving a rapid decline in the use of cheques in those market sectors where alternatives exist, and the potential issues this raises for the infrastructure, to continue to process the remaining cheque

volumes.

- The public consultation should also include a recommendation for an early review of the cheque guarantee scheme.

The Chairman summarised the agreed way forward: the consultation document should consult on the basis of a two stage approach for removing cheques – with an initial target for removing cheques from sectors where viable alternatives already existed and a second phase for sectors where alternatives had yet to be fully developed. A range of target dates should be included in the consultation.

**Cash Rounding** – It was AGREED that the NPP should not consult on cash rounding as a potential topic.

**Infrastructure** – It was AGREED that infrastructure consolidation was outside the scope of the NPP.

**Faster Payments** – it was AGREED that faster payments would be covered in other sections, such as alternative to cheques, rather than as a topic in its own right.

**Wholesale Markets** – It was AGREED that a separate consultation exercise should be undertaken to canvass the views of the wholesale markets, but that this review still needed to feed into the overall NPP.

**Existing Innovations** – It was AGREED that the Payments Council did not have a clear role with respect to existing innovations on pre-paid and contactless cards and that this should be left to market forces. However it was important that these developments were fully explained in the NPP as they were critical to other aspects of the Plan such as the removal of cheques and reduction in cash processing costs.

**Mobile Payments** – It was essential that a section on mobile payments was included in the consultation document. This would need to be aligned with the separate exercise being undertaken on mobile payments.

**Direct Debit Guarantee** – It was AGREED that BACS should continue with their review of the Direct Debit guarantee but that the Board would want reassurance that BACS was consulting with users in the same manner as the Payments Council and to the same timeframe as the NPP.

**Cost Reflective Pricing** – It was AGREED that the document should cover the topic of costs and transparency on a general basis but not consult on cost-reflective pricing.

**Authentication of Remote Transactions** – It was AGREED that the NPP should include questions about the authentication of remote transactions.

**Vision** – The draft vision was AGREED subject to a minor change to point III on cheques.

#### **B) PRESENTATION FROM LINK SCHEME**

Edwin Latter, LINK Scheme Director gave a short presentation to the Board covering recent innovative developments, feedback on the draft NPP and an update on the LINK issues handed over from the Payment Systems Task Force including governance changes and voting arrangements. LINK Scheme will be sending a further written report to the Payments Council Board next month.

**Edwin Latter**

#### **C) UPDATE ON FASTER PAYMENTS**

It was AGREED that the Payments Council should receive a monthly report on the Faster Payments project and an update on feedback with external audiences, given that this project was one of the issues handed over from the Payment Systems Task Force.

The Chairman noted that the project remains on schedule. He also noted that should the Payments Council initiate schemes for the future, careful consideration should be given to governance arrangements.

#### **D) MOBILE PAYMENTS**

Richard Martin joined the meeting for this item. The Board noted the landscape review written by PSE Consulting. It was AGREED that the NPP should address innovation in mobile payments and that the Mobile Payments Group should meet to consider this before the public consultation. The Board AGREED the next steps recommended by the Group.

**Hilary  
Plattern**

The Chairman noted the intention of the Mobile Payments Group to engage with users in developing the way forward. He asked the Group to Report back to the Board at the next meeting.

#### **E) UPDATED PAYMENTS COUNCIL WORKPLAN**

The Board NOTED the revised workplan with the addition of two items (1) a review of branding by end 2007 i.e. the respective roles and brands of APACS and the Payments Council and any plans for brand migration. (2) Review of the relationship of the Payments Council with the contracted schemes in 2008.

The date of the Payments Council Conference had now been set for

the 23<sup>rd</sup> January 2008.

**4. CONTRACTED SCHEMES**

The Board NOTED the contents of the Contracted Scheme Quarterly reports.

In particular the Board NOTED the progress made regarding the Payments Systems Taskforce report of the BACS Access and Governance Working Group.

It was AGREED that the Contracted Scheme Quarterly reports should be standardised against agreed success metrics.

**Secretariat**

**5. FOR INFORMATION**

The Board NOTED the contents of the note covering the handling of Scheme Incidents and the CEO's Report.

**6. AOB**

Paul Smee advised the Board that Morgan Stanley had now changed its name to Goldfish.

It was AGREED that the Payments Council workplan should also include the preparation of a framework document to prepare for the OFT review (to be completed by March 2009).

**Secretariat**