

Minutes



10 September 2008

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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 9TH SEPTEMBER 2008

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
Kevin Gillett	HBOS
Richard Hemsley	Royal Bank of Scotland
Paul Baker	LloydsTSB
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
Industry Directors (Nominated by Members with less than 1% of UK Clearing Volumes)	
Dermot Nolan	Bank of Ireland
Brent Bellm	Paypal
Andrew Bailey	Bank of England (Observer)
Paul Smee	Chief Executive, Payments Council
Hilary Platter	Payments Council
Anita Heaviside	Payments Council
Peter Finlayson	Payments Council
Jeremy Wilson	Chairman, CHAPS Company (Item 3a)

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David McFarlane	CHAPS Company (Item 3a)
Ian Ellis	Bacs (Item 3b)
Michael Chambers	Bacs (Item 3b)
George Brenton	OFT (Item 3d)
Gover James	OFT (Item 3d)

Apologies:

Juan Olaizola	Abbey
Maurice Cleaves	Deutsche Bank

1. WELCOME AND MINUTES OF LAST MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 10TH JUNE 2008 **ACTION**

Apologies noted were:

Juan Olaizola (Abbey)

Maurice Cleaves (Deutsche Bank) proxy given to Dermot Nolan

The minutes from the previous meeting of the 10th June were APPROVED and will be posted to our website.

The actions due from the previous meeting have been completed.

The outstanding items on mobiles and UK Remittances Task Force will be carried forward to the December meeting.

2. FOR DECISION
PAYMENTS COUNCIL BUDGET

Paul Smee introduced the budget paper and explained that the baseline budget showed a 3% increase as compared to last year. This was consistent with the large number of priority work streams for 2009, including the commitments in the National Payments Plan.

Paul Smee invited the Board to confirm their agreement to the baseline budget and consider the additional spending options outlined in the paper. During the course of discussion the following points were raised.

- One Board director queried whether the balance of resources between SEPA and the Payments Services Directive (PSD) was correct. Paul Smee confirmed that the budgets for SEPA

and PSD had been reviewed and agreed by the respective member group. It was AGREED that the workplan for the PSD would be circulated to Board for information.

- The Board AGREED the baseline budget of £3,391,223.
- Paul Smee informed the Board that the general view of the Budget Working Group was that they did not support the additional spending options for an external conference or further external spend on the Bank Reference Database. The proposed contingency for National Payments Plan was rather high and should be set at around £50,000. The Board AGREED that an additional contingency of £50,000 should be allowed for bringing the total budget for 2009 to £3,441,223.

MEMBERSHIP FEE SCHEDULE

The Board AGREED the membership fee schedule for 2009, subject to the schedule being revised in the light of the final agreed budget.

COST ALLOCATION FOR 2009

The Board ENDORSED the recommendations and rule changes agreed by the Budget Working Group as set out in their paper.

2b SCHEME GOVERNANCE

Gerry Lane (Chairman of the Scheme Governance Review Group) introduced the report on Scheme Governance.

The Board ENDORSED the creation of the Scheme Co-ordination Committee and its terms of reference, including the recommendations on its objectives, membership and chairmanship. The Board will appoint the chairman.

During the course of discussion on the two options presented on the timeline for scheme consolidation, the following points were made:

- It was requested that the Board should be kept informed of developments and the work undertaken by the SCC.
- There was support for a more pro-active approach to consolidation of scheme companies, although feedback from constituency representatives confirmed that other members in

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their constituency preferred a more evolutionary option.

- Greater clarity was sought on defining the objectives of scheme consolidation, for example was this to achieve cost savings and / or efficiencies?
- The independent directors emphasised the need to consider the potential impact that scheme consolidation would have on users/customers.
- The Board would like the SCC to give further consideration to the business case for change, looking at the pros and cons of the options, in particular their scope ,i.e. what schemes should be included.
- The guiding principle from the Board for the SCC will be to aim for fewer scheme companies over time.
- The Board asked for the SCC to be convened with a view to reporting back initially to the next Board meeting on 9th December.
- No increase to the 2009 baseline budget was agreed for external legal spend on the governance review

**Action: SCC to
report back to
Board in
December 08**

3a FOR DISCUSSION

A STRATEGIC VISION FOR CHAPS AND FASTER PAYMENTS

The Chairman welcomed Jeremy Wilson, Chairman of CHAPS and David McFarlane, CHAPS Company manager to the meeting.

Jeremy Wilson introduced the report from CHAPS Company on the 'Strategic Vision for CHAPS and Faster Payments'. The CHAPS Board wished to support the Payments Council in delivering its objective and was looking for the Payments Council to:

- Endorse the principles of the vision
- Agree that the SCC should oversee and co-ordinate the delivery of the vision.
- Agree to the construction of a business case to establish the costs and benefits of the convergence of CHAPS and Faster Payments.

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The Board ENDORSED the vision of the CHAPS report and AGREED that the SCC should oversee the vision. The Board did not think, however, that the business case for costs and benefits for convergence could be endorsed at this time. After it has completed its further analysis on scheme consolidation, would be in a better position to give a steer on this.

The Chairman thanked Jeremy Wilson and David McFarlane for attending.

3b FOR DISCUSSION

NATIONAL PAYMENTS PLAN – DIRECT DEBIT RELATED TOPICS

The Chairman welcomed Michael Chambers, Bacs Managing Director and Ian Ellis, Bacs.

Ian Ellis introduced the Interim Bacs report on Direct Debits related topics from the National Payments Plan. There were four topics on which Bacs had been asked to report to the Payments Council by September. These were:

- Timeframe for refunds claims under the Direct Debit Guarantee
- Barriers to SMEs wishing to become Direct Debit originators
- Customer control and flexibility with Direct Debits
- Education of bank staff on Direct Debit matters.

Ian Ellis briefly explained the work that Bacs has been undertaking. With respect to customer control and flexibility and the education of bank staff, work is in hand for both these initiatives and further details could be found in the Bacs report.

Ian Ellis outlined the work that Bacs has undertaken so far on the possible introduction of a time limit for making claims under the Direct Debit Guarantee. Bacs have undertaken quantitative research with consumers, SMEs and financial institutions and held a number of consultative sessions with SME and consumer representatives. Their key findings so far were summarised in the report and further work

was planned to determine the size of any potential benefits e.g. liability reductions and/or efficiency gains that could accrue from the introduction of a Direct Debit time limit. Bacs recommended discounting a time limit of less than 13 months and focusing on the following options: 13 months, 24 months, the statute limitations period of 6 years and a 'no change' option.

**Bacs by
December 08**

Work on potential barriers to SMEs becoming originators has also been undertaken, but as yet no single significant barrier has been identified that would prevent SMEs becoming Direct Debits originators should they wish to do so. Bacs will report back on both topics at the December Board meeting.

In considering the Bacs report, it was commented that it was important that the next phase of work on quantifying the benefits produced sufficient evidence to support the final conclusion on whether to introduce a refund claim time limit and to distinguish between the options that remain open.

One Director commented that the lack of a refund time limit contributed to fraud and this should be factored into the analysis; BACS agreed to do so. The Director concerned would support a time limit for a refund claim.

The level of consumer awareness of the guarantee limit was also considered an important point.

The Board AGREED with the recommendation that a time limit of less than 13 months should be discounted and that the four remaining options identified by BACS should be investigated further.

The Chairman thanked Bacs for attending and reiterated that the final report should contain a clear steer and evidence to support the final recommendation.

3c. FOR DISCUSSION

BOARD EVALUATION

The Chairman introduced the paper summarising the recent results from the Board evaluation survey. Overall the results were positive. The Chairman highlighted three points:

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- Agenda planning – In future board papers the draft agenda for the next following meeting would be included, as well as the yearly agenda plan.
- In order to allow sufficient time for agenda items it may be necessary to hold longer meetings or schedule additional Board meetings.
- Induction/ Director briefings – there was considerable support for these and the secretariat would draw up an ongoing programme.

The Board NOTED the contents of the Board evaluation survey. In addition the following points were made:

- Consideration should be given to the time of the meeting. It would be better to schedule these either in the morning or the afternoon.
- There was support for longer meetings if necessary.
- The Independent Directors would welcome a visit to members' clearing operations as part of their induction briefing.

**Secretariat by
December
Board**

3d. OFT REVIEW OF PAYMENTS COUNCIL

The Chairman welcomed the OFT to the Board meeting. The OFT gave a short presentation of their intended approach in reviewing the Payments Council operations against its objectives as part of their 2-year review.

During the course of the presentation the following points were raised:

- It was suggested that the OFT might like to review the workings of the User Forums set up by the Payments Council.
- The OFT stressed that they would be looking at the mechanisms in place to support the Payments Council.
- The OFT will be including in their report their conclusions as to how the Payments Council will be monitored in the future.

The Chairman thanked the OFT for attending the meeting.

3e. BRANDING WORKING GROUP

Paul Smee introduced the paper outlining the proposed use of the Payments Council brand and APACS branding.

The Board AGREED the positioning of Payments Council brand as outlined in the paper. The following additional points were raised during discussion:

- Payments Council roles and objectives have been clearly defined and it should not undertake trade association activities that do not fall within its scope.
- If an interest group chooses to use the APACS brand then it will have to address any potential confusion between the Payments Council and APACS.
- One Director commented that there would be ongoing confusion if the APACS brand continues to be used alongside the Payments Council brand.
- There was a short debate about the role of the Payments Council in relation to operational issues and how the Payments Council fulfils its integrity objective. There was a call for greater visibility of the newly formed senior payment operational banking group so there is clarity on its remit. Even though it may not report to the Payments Council, its work is of particular interest to the Board if discussions in the Group extended to cross scheme integrity issues, which is one of the responsibilities of the Payments Council.

Paul Smee confirmed that work would now commence on a transition plan.

4a FOR INFORMATION

National Payments Plan

The Board NOTED the status report on the National Payment Plan and ENDORSED the Terms of Reference for the Cheque Advisory Group and for the Cheque Guarantee Card Review Scheme Group.

Competition Compliance

The Board NOTED the contents of the competition compliance

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briefing.

5. CONTRACTED SCHEME REPORTS

The Board NOTED the contents of the Contracted Scheme Reports. The Board requested that an update be provided on the key issues highlighted in the LINK and Cheque & Credit Clearing Company reports. The Board requested that the Scheme reports formats are standardised as appropriate in line with the generic contracts.

6. AOB

The Board NOTED the following AOB items:

- UK representation on EPC Plenary has now formally changed to Payments Council.
- ABN-AMRO have tendered their resignation from the Payments Council; they will be represented by Royal Bank of Scotland in the future.
- The Payments Council has published its first Annual Review.
- The dates, time and length of Board meetings will be reviewed in the light of the workplan.

The meeting was closed at 1.50pm.