



**The Consumer Council**

**The Consumer Council's response to**

***National Payments Plan  
Consulting on change in UK payments***

**The Payments Council**

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W: [consumercouncil.org.uk](http://consumercouncil.org.uk)

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## **About The Consumer Council**

The General Consumer Council for Northern Ireland (The Consumer Council) is a statutory body whose aims are to promote and safeguard the interests of all consumers in Northern Ireland.

Since 1985, the Consumer Council has been championing the cause of consumers in Northern Ireland. Our job has been to give consumers a voice – and to make sure that voice is heard by decision-makers.

The Consumer Council campaigns on behalf of consumers for the best possible standards of service and protection, carries out research, publishes reports, seeks to influence both the public and private sectors, and campaigns for a fair deal. In addition to specific duties in relation to electricity, natural gas, coal, public transport, water and food, we investigate and speak out on the important consumer issues of the day.

The Consumer Council comprises a Chairman, Deputy Chairman and twelve members appointed following ministerial approval. Currently, the Chief Executive leads a team of 36 full time and 1 part time members of staff plus two students on placement. The Department of Enterprise, Trade and Investment fund us.

## **Executive summary**

The Consumer Council's detailed response follows but in summary our views are:

- Consumers require a choice of payment methods that are straightforward, efficient, cost effective and secure;
- Consumers need better information on their payment choices and the true costs and level of security of those options. They also need better information on how to keep their details secure;
- Greater account should be taken of the needs of those who find it difficult to use payment methods, including people with physical or visual impairment, those on a low income and consumers with low levels of financial capability; and
- Holders of locally-issued bank notes should have the same level of consumer protection as holders of Bank of England notes in the instance of a bank failure.

## **Introduction**

1. The Consumer Council welcomes this opportunity to contribute to the discussion on the National Payments Plan and we have appreciated being part of the Consumers User Forum. In particular we would like to thank the Payments Council for their willingness to co-host with us a consultation conference in Northern Ireland to raise awareness of the consultation and hear local views. We believe this was an important opportunity to engage with stakeholders here and we hope that it will serve as a model for future information exchange in Northern Ireland.
2. As noted in the Consumer Users Forum, we are disappointed that because the consultation period included the Christmas and New Year period consultees effectively had less than the recommended 12 weeks to respond. We hope that in future consultation exercises the Payments Council will give respondents the full 12 weeks and make allowances for holiday periods.

## **Financial capability in Northern Ireland**

3. Consumers in Northern Ireland have lower levels of financial capability than consumers in the rest of the UK. The Financial Services Authority (FSA) Baseline survey revealed that just 59 per cent of consumers in Northern Ireland had been personally responsible for choosing a financial product in the last five years. Even among those who have made recent purchases, product choice is less well informed than across the UK as whole. More than a quarter of people said they did not use any information at all prior to choosing a financial product.
4. Any plans to change payment systems or to educate consumers about payment methods must take into account the particular needs of consumers here.

## **Issues for Consultation**

### **Cheques and the cheque guarantee card scheme**

5. The Consumer Council does not take a view on whether or not a date should be set by which cheques should be phased out but we strongly urge that a plan for cheques be developed.
6. Cheques are important to consumers because cheques:
  - Provide a 'paper trail' which helps them keep track of their money;

- Help consumers feel they have more control of their budget, in contrast to direct debits; and
  - Are a convenient way to send money, for instance, as a present in the post or with their child into school for a school trip
7. It is important that suitable alternatives are found for cheques and that consumers are educated about all the payment options available to them. Payment options should be straightforward to use and meet the needs of consumers.
  8. We are aware that statistics on cheque usage in Northern Ireland is not available. In light of this we would urge that research be commissioned to take into account the particular circumstances of Northern Ireland.

### **Cash**

9. The Consumer Council strongly recommends that the lack of protection for holders of locally issued bank notes be addressed as a matter of urgency. The situation with Northern Rock brings into sharper focus the potential for consumers in Northern Ireland to be left out of pocket if one of the big four banks collapses on a weekday.
10. Locally issued bank notes offer no financial advantages for consumers in Northern Ireland but can cause inconvenience when offered for payment in Great Britain. The Consumer Council strongly recommends that note-issuing banks be required to join with the Bank of England in providing information to retailers to help them detect forged bank notes. This would have the twin benefits of helping consumers use these notes in Great Britain and reducing the potential of fraud.
11. It is essential for those with visual impairments that tactile and visual identification of coins and notes is as easy as possible. For example, there is a differential in both the width and length of each denomination of bank notes. This must be retained, but in the past decades the overall size of notes has got smaller, so that the differential has got smaller too. Notes must not get any smaller. Some are easier to distinguish visually than others (Bank of England and Bank of Ireland are relatively good, First Trust is not good). The more vivid the differences, the better.
12. Coins, too, should not get any smaller. The 20p is already a problem because although in theory a quite different shape from a penny, the edges quickly get rounded.

## Direct debits

13. The public reaction to BT's move to charge their customers who do not pay by direct debit illustrates how strongly some customers dislike direct debits. Consumers who do not like to use direct debits tell us that they:
  - Do not trust the company to take out the right amount of money;
  - Do not want to give the company their bank details;
  - Prefer to keep track of their money by initiating the payment themselves;
  - Do not like the lack of flexibility with dates for payment, especially if they have an irregular income (such as the self-employed) or operate on a four-week cycle rather than monthly; and
  - Do not like the large fees banks charge if their direct debit caused them to go into the red or if the direct debit bounced.
14. We believe that the excessive charges applied by the bank if the direct debit causes an unauthorised overdraft or is bounced are major barriers to the uptake of direct debits.
15. The Consumer Council understands that companies may prefer their customers to pay by direct debit but we believe that consumers should be able to choose from a range of ways to pay for services or products – such as by direct debit, cheque or cash.
16. We agree that companies should have the freedom to give discounts to their customers as they choose and use discounts to incentivise customers to pay in a preferred way.
17. Public reaction to the charge introduced by BT illustrates that customers prefer discounts over additional charges. We are concerned that when consumers compare prices between suppliers any additional charge for certain payment methods may not be taken into account. This would give a company an unfair competitive advantage.
18. Additional charges are not appropriate in some markets, that is; markets where there are significant barriers to switching or where all alternative providers also make additional charges for using certain types of payments. Regulators should not allow such companies to make additional charges for payment by certain methods, nor should they allow providers to limit payment options. Both of these actions have serious implications for the financially excluded who either do not have or can not afford the option of paying by direct debit.

19. In other markets, any additional charge must be cost-reflective. Customers who pay on time should not have to subsidise the cost to the company of chasing payments from those who pay late.
20. Our financial inclusion work aims to encourage as many as possible to take up bank accounts and to access the benefits of financial inclusion, including discounts. We will continue to lobby the financial sector to make their financial products as accessible as possible and to meet the needs of those on lower incomes.
21. The Consumer Council strongly recommends that a separate consultation is held to consider any changes to the current unlimited direct debit guarantee. Research would be required to ensure that consumers are adequately protected.

### **Credit cards, debit cards and cash machines**

22. It is important for consumers that terminals be designed to the highest standards, and give clear audio and visual feedback. Terminals should be designed to take account of the needs of people with manual dexterity difficulties, or difficulties in reaching.
23. Current chip and pin machines vary considerably in ease of use. None has an audible feedback, so you have to trust the shop assistant or whoever will help you.
24. It is very disappointing that ATMs generally have no audio feedback. Northern Bank has developed an excellent audio system, but it is not widespread.
25. The Consumer Council recommends that manufacturers be required to build in accessibility features at the design stage as a matter of urgency.

### **SEPA and cross-border payments**

26. The issue of cross-border payments is particularly pertinent in Northern Ireland because of our land border with the Euro-zone. We also have a significant number of migrant workers.
27. Many consumers find it difficult and costly to transfer their money when they live and work on different sides of the border.
28. The Consumer Council would welcome the development of simple and cost-effective methods of transferring money across borders.

29. Consumers need better information on their options for transferring money and the costs involved.
30. The Payments Council should consider whether there needs to be greater levels of consumer protection for those transferring money and consumers should be informed of their rights and how to make complaints.

### **Innovation – including contactless and prepaid cards and mobile payments**

31. All new developments must follow the highest principles of inclusive design, and pilots (such as those for contactless cards) must include a cross section of the population. New systems must be convenient and easy to use for all consumers. That is why, for example, it was important to retain a Chip and Signature option when Chip and Pin came in.
32. The Payments Council has an important role to play in ensuring that new technology is accessible to and easy to use by all consumers. We would expect the Payments Council to facilitate the co-ordination required between the various organisations and companies involved.

### **Education in payment matters**

33. The Consumer Council believes there is a big need for education on payment matters. We suggest that the Payments Council take a leading role in identifying education needs and strongly recommend that it works with local organisations to deliver the education on the ground through existing networks.
34. It's important that education initiatives take account of the regional differences, in particular the level of financial awareness and familiarity with new technology. For example, any education material aimed at people in Northern Ireland must take into account that most people who do not visit London regularly will not know of the Oyster card scheme and will be unfamiliar with contactless cards.
35. The Consumer Council co-ordinates the Financial Capability Partnership, a strategic coalition of organisations from the public, private and voluntary sectors who are committed to helping people manage their money better. The Partnership would be pleased to meet with the Payments Council to discuss how this can be taken further in Northern Ireland.
36. Consumers would welcome information on:
  - How to use the different payment methods and their advantages;

- How to keep their details secure and avoid fraud;
- Trustworthy information on how secure each type of payment really is; and
- The costs of using each payment method.

### **Financial inclusion**

37. We are pleased that the importance of financial inclusion is being considered throughout this consultation document. The success of the National Payments Plan will be measured by its contribution to financial inclusion.
38. The Consumer Council will be pleased to help the Payments Council with delivering this role.

### **Payment system integrity and contingency**

39. Again, the Consumer Council would press the importance of ensuring that the holders of locally-issued bank notes are adequately protected in case of a bank failure.

### **Fraud and security**

40. Personal information confidentiality was identified as a key consumer issue in the research the Consumer Council has been undertaking with stakeholders on priorities for our next corporate plan.
41. We would welcome the Payments Council taking a lead role in ensuring that security is built into payment systems and that consumers are given adequate information and education on security aspects.
42. Whilst we understand the importance of pin codes and passwords, we believe account should be taken of the difficulty consumers have in remembering them all. Technological advances that reduce the need for so many codes would be very welcome.

## **Payment costs**

43. The Consumer Council would strongly support the gathering of information about the costs of payment methods. We agree that there would be general benefits to regulators, users and providers alike in making the full economic costs of payments as transparent as possible and developing a shared understanding of the costs and economics of UK payments.