



Personal Finance  
Education Group

National Payments Plan Consultation Response  
Payments Council  
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London EC2A 1LQ

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## Background

As a consumer focussed organization, **pfeg**, (The Personal Finance Education Group), welcomes the Payments Council's public consultation on the future of payments systems and we are pleased to have been involved, as a member of the Consumer User Forum, in the process. We, therefore, also value the opportunity to respond to the proposals in this wider consultation.

**pfeg's** mission is to ensure that all young people are equipped with the confidence, skills and knowledge they need in financial matters to participate fully in society. In order to achieve this we promote the idea that every young person should have access to a planned and coherent programme of personal finance education whilst at school and we support the changes in the secondary curriculum from 2008, in particular, the introduction of a programme of study for economic wellbeing and financial capability. We have offices throughout the country providing advice, support and resources to help teachers plan and teach personal finance in secondary schools through our Learning Money Matters initiative, which is funded by the FSA through its national strategy for financial capability. We also work with local authorities and primary schools to develop innovative approaches to teaching younger children about money and finance.

## Introduction to **pfeg's** responses to the consultation:

**pfeg** has mainly restricted its responses to the consultation questions which fall within its area of expertise, educating young people in financial capability. However there are some questions where **pfeg's** experience and knowledge base extends to the broader issues surrounding financial education and, where that applies, we have also responded to wider education and information questions.

All references are to the sections and question numbers in the consultation paper.

## **Responses to consultation questions:**

### 3.1 Cheques and the cheque guarantee card scheme

#### **Q3 Would it be acceptable for the National Payments Plan to include a target date of 2018 for the closure of the cheque clearing**

We believe that it is not only acceptable to include the target date, but that it is essential to have such a target since it provides a goal around which an information programme can be put in place.

Further, from **pfeg**'s perspective of educating young people, it is important to know which payments methods should be included in the curriculum for each age group.

#### **Q4 What sort of education of users is needed to support the migration away from cheques**

**pfeg** does not believe that any special education will be required for young people on the migration away from cheques, as they will not have developed a reliance on them. We believe that the proposed migration is likely to be more of an issue for older people who have been dependent on cheques throughout their lives and who may be resistant to the idea of change.

Nevertheless, we believe that educating young people in the various forms of payment system that will continue to be available, and particularly in those that involve the use of newer technologies, will have benefits for the whole of society in two ways; young people take their knowledge back to their wider families, immediately and later, when they leave school, into the workplace and wider environment.

### 3.3 Cash

#### **Q8 The Payments Council believes that the National Payments Plan should be developed on the assumption that cash will remain a major payment method for the foreseeable future. Do you agree?**

Yes, **pfeg** fully supports this view.

### 3.4. Direct Debits

#### **Q11 What improvements would lead to the greater take-up of direct debits by users?**

Our experience with young persons confirms the findings of wider research, that there is reluctance to use direct debits.

From our perspective we see the current system for direct debits as contrary to our mission to help improve financial capability. We are attempting to facilitate individuals in gaining more control over their financial affairs; direct debits, however, reduce an individual's control, or at least their perception of control, over their financial activities.

We believe that the areas which cause concern are:

- The unlimited access to amounts in the individual's account and the potential for deliberate fraud or accidental error leading to large amounts being debited that the individual may not identify until they receive their bank statement
- The potential for a supplier to deduct money even when a bill is genuinely disputed, which puts the individual in a weak bargaining position
- The open-ended timescales involved
- The myriad payment referencing systems in place and the difficulty in identifying individual direct debits in a sequence

We contrast the situation regarding direct debits with that of standing orders, where the individual does have control over the timescales and amounts.

We do not believe that significant improvements can be made through education on this area until these risk issues are addressed.

### 3.5 Direct Credits

No comments

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

#### **Q17 Which other, if any, actions should there be in the National Payments Plan, in relation to credit and debit cards and cash machines**

Knowledge to date has developed in a piecemeal way; there is still limited awareness of prepaid cards for example. We believe that the proposals, particularly related to cheques, in the National Payments Plan will necessitate a coordinated national information programme and that this will be an opportunity to update all members of society about the differing benefits, risks and functions of the cards and machines.

### 3.7, 3.8, 3.9 Chaps, Sepa and Efficiencies

No comments

### 4.1 Contactless and prepaid cards

#### **Q23-25**

Please see our response to Q17

### 4.2 Mobile payments

#### **Q26 What role should the Payments Council play in the development of mobile payments services, including setting the standards for mobile payments.**

pfeg believes that the Payments Council should take a lead role in this area, as it requires liaison with both the standard setting bodies within the financial services area and those with in the technological, and more specifically the telecommunications, sectors. Without such a coordinating body we believe that there is a risk of a number of different systems emerging, increased security risks, increased costs due to incompatibilities, all with resulting consumer reticence similar to that experienced with direct debits.

#### **Q29 What role do mobile phone payments potentially play in providing alternatives to traditional forms of payment?**

Our view is that presently the contribution of mobile phone payments is limited when compared with other methods. However a broadening of the number of participating organisations and further increases in technological capacity could change this very rapidly. So the potential, provided the issues of security, education and standards are sufficiently addressed, could be large.

During our project “finance education and mobile communications”, sponsored by O2, pfeg established that young people have a high level of interest in mobile communications which led to an enhanced learning. It is our view, then, that mobile telecommunications and wider technology is an arena where informing and enabling young people will improve the rate of adoption and spread of the new payment forms substantially.

### 4.3 Supply chain

No comments

## 5.1 Education in payment matters

**Q35 What gaps are there in current financial educational initiatives in regard to payment issues?**

**and**

**Q36 What role can the Payments Council play in promoting the education of consumers about the choice of payment methods available to them? What other bodies should it work with to deliver this role?**

In general we believe that sufficient information on all payment issues does exist, however we perceive it to be piecemeal and often part of proprietary offerings. We think that the Payments Council could take the opportunity to review what is available and produce information from a single source in a form that is easily accessible to the majority of the public. This could then be further tailored to those with special requirements by the Payments Council working in conjunction with the relevant specialist bodies (e.g., Age Concern, for older consumers, relevant bodies for financial inclusion) as well as in conjunction with the relevant associations of the financial services industry.

In our target group of young people, **pfeg** sees that there are two quite different gaps; the fact that financial education is not yet a statutory curriculum requirement and thus not all young people are currently being equally prepared for taking up their roles as fully functioning members of society in regard to financial matters, and the rapidly changing technological situation which necessitates continuous upgrading of teaching resources and indeed causes the information to rapidly become out of date.

**pfeg** would welcome the opportunity to be involved in the young person's strand of any programme that the Payments Council undertakes.

## 5.2 Financial inclusion

Comments are covered in our response to section 5.1.

## 5.3 Payment system integrity and contingency

No comments

## 5.4. Fraud and security

**Q42 Should minimum standards be introduced for authentication of remote transactions? If so should a common measure of authentication be recommended/mandated?**

As we state in our response to section 5.5, we are generally in favour of more standardization in the payments process.

**Q46 What role should the Payments Council play in raising the profile of fraud and security issues and in lobbying government and the public authorities?**

As we mention in Q29 **pfeg** believes that the Payments Council is a suitable organization to take the lead on areas where technology and banking overlap and would welcome more clarity about who is responsible for keeping consumers informed in this area.

## 5.5 Standards

**Q47 What should be the role of standards in the National Payments Plan?**

**pfeg** reiterates the position that it stated in the Consumer Forum that standards make education much more straightforward and cost effective. We support universal standards for payments wherever feasible, and where they do not substantially reduce innovation.

5.6 Payment costs

**Q 49 Would you support an initiative, led by the Payments Council, to establish a better understanding of the costs of UK payments?**

**pfeg** is in favour of any initiative which leads to individuals' increased financial capability, and information on the relative cost of payments would help align the interests of banks, suppliers and individuals.