



Consultation response

National Payments Plan Consultation Response
Payments Council
5th Floor
Mercury House
Triton Court
14 Finsbury Square
London EC2A 1LQ

DATE: 08 February 2008

TO:

RESPONSE BY: Vera Cottrell
Principal Policy Advisor
Which?
2 Marylebone Road
London NW1 4DF

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

Which?, formerly known as Consumers' Association, is an independent, not for profit consumer organisation. Based in the UK, we are the largest consumer organisation in Europe. Entirely independent of government and industry, we are funded through the sale of our range of consumer magazines and books.

2 Marylebone Road
London NW1 4DF
T 020 7770 7000
F 020 7770 7600
www.which.co.uk

Which? is the business name of Consumers' Association, registered in England and Wales No. 580128, a registered charity No. 296072. Registered Office 2 Marylebone Road, London NW1 4DF.

for all consumers



1. Thank you very much for the opportunity to respond to this consultation.
2. Our response focuses on the areas which we believe are of most concern to consumers and we will therefore not answer individual questions.
3. **Cheques and cheque guarantee card scheme:**
4. We believe that it is important that consumers have a choice of payment options and that they need to feel comfortable and have trust in the options that are available to them. As high-lighted in the consultation paper, there are still a large number of instances where the use of cheques is a necessity for consumers, and research shows that a significant majority of consumers is still making use of cheques.¹
5. We therefore do not support the proposal to set a firm target date for the phasing out of cheques at this stage as we do not believe that adequate alternatives are in place.
6. For the same reasons, we are also opposed to the withdrawal of the cheque guarantee card scheme before suitable alternatives for cheques have been put in place.
7. There have to be adequate alternatives in place and we would measure the success of these alternatives in terms of addressing the concerns of consumers which focus on:
 - > Cost
 - > Usability
 - > Security and safety
 - > Convenience
 - > Consumer protection

¹ Research carried out by Which? in March 2007 showed that 69% of the people surveyed had made a payment by cheque and 70% had received a cheque in the last year.



8. Direct Debits

9. We do not support the proposal to introduce a time-limited direct debit guarantee. Direct debits are one potential alternative to cheques and more should be done to make this form of payment more attractive to consumers. The introduction of a time-limited direct debit guarantee would result in a significant reduction in the level of consumer protection and would be likely to result in a reduction in the take-up of direct debits.

10. Contactless and prepaid cards:

11. We agree that such cards have the potential to be replacement products for some of the functions that are currently fulfilled by cheques. However, the fees and charges currently attached to many prepaid cards make them unattractive specially for those groups they are aimed at like the unbanked and teenagers.

12. Mobile payments:

13. Despite the widespread distribution of mobile phones there is in our view still a high hurdle to overcome before they will be an acceptable means of payment especially for those population groups who are currently the most frequent users of cheques. This is supported by the evidence provided by Chris Jones in his presentation at the Payments Council conference in which he highlighted that only a small minority of mobile phone users currently makes use of non-voice/SMS services.

14. Financial Inclusion:

15. We are very supportive of any initiatives that look at new ways and technologies to facilitate access to payment methods for the unbanked and other consumers who are financially excluded. However, some of the alternatives that are currently being proposed like prepaid cards are not cost-effective for such consumers.
16. Any evaluation of the alternatives for cheques needs to take the cost for consumers into account and acceptable consumer outcomes will have to be based on a reduction in the cost of alternatives and not an increase in the cost of cheques.



17. We hope that you will take our views into consideration when developing you policy options.