

Section 3: Efficiency

3.1 - Cheques and the Cheque Guarantee Card Scheme

<p>Q1</p>	<p><i>The Payments Council is minded to develop a proactive industry plan to manage what it sees as the irreversible decline in cheques. Do you agree that a plan for cheques should be developed?</i></p>	<p>Zurich believes the planned decline in cheque usage is preferable to a natural demise. Cheque usage amongst corporates is in significant decline, most aggressively within Corporate retail, but spreading amongst other business sectors.</p> <p>The insurance industry is a significant contributor to cheque volumes within the UK and Europe.</p> <p>Zurich is actively developing and implementing strategic operating models which seek to replace the use of cheque payments and receivables.</p> <p>With a lack of development in cheque clearing processes, cheque payments are stifling the development of supporting business processes consolidating within the pan European and pan global space. They are a relatively expensive option against electronic payment methods. The continued development of existing and immingering payment technologies offering increased levels of efficiency, security and reconciliation will ensure the decline continues with increasing pace.</p> <p>Zurich also recognises the convenience of cheques within SME and Consumer markets. We believe that an unmanaged decline in cheque usage will adversely affect the development to market of innovative replacements.</p> <p>They key enabler for change is education. The wholly manual processes required to support cheques is not recognised, or indeed expected. This view was validated by Cheque & Credit Clearing Company research and consumer representatives at your London conference on the 23rd January 2008. The development of alternatives within managed standards and the promotion of them will be necessary to ensure there is a level of public come fort with the rate of payment industry change.</p>
<p>Q2</p>	<p><i>For which types of payment currently made by cheque do new alternatives need to be introduced?</i></p>	<p>In the main, alternatives currently exist for our business to develop the use of. Direct Credit and payment cards to name two.</p> <p>There are exceptions. Zurich recognises that many elderly customers paying insurance premium do not hold credit cards or frequently use debit cards. Some have a lack of confidence in supplying bank account details to enable the receipt of life insurance and annuity payments.</p>
<p>Q3</p>	<p><i>Would it be acceptable for the National Payments Plan to include a target date of 2018 for the closure of the cheque clearing (on the assumption that acceptable alternatives to cheques have been developed)?</i></p>	<p>Zurich believes this could be achievable with the stated assumption if they are immediately recognised within the public domain.</p>
<p>Q4</p>	<p><i>What sort of education of users is needed to support the migration away from cheques?</i></p>	<p>Zurich believes the understanding of existing generic cheque clearing processes, the comparative costs and the enhanced capabilities of alternatives would aid the migration. Public information education will need to focus on cost, convenience, certainty and security benefits.</p>
<p>Q5</p>	<p><i>Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the Cheque Guarantee Card Scheme?</i></p>	<p>This issue does not affect the Zurich business.</p>
<p>Q6</p>	<p><i>What other actions, if any, should there be in</i></p>	<p>If the plan seeks to continue the use of cheques, it will be prudent to</p>

	<i>the National Payments Plan in relation to cheques?</i>	revisit the development of clearing services to enhance the speed and reduce the cost of processing them.
--	---	---

3.2 - The Credit Clearing

Q7	<i>Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the paper credit clearing?</i>	Zurich believes a review should take place. If this service is to continue, further standards may need to be considered to ensure payment data is available in all circumstances to aid identification and reconciliation of them.
-----------	--	--

3.3 - Cash

Q8	<i>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?</i>	This issue does not affect the Zurich business.
Q9	<i>Should the issues of the supply and quality of notes and coin in circulation be within the scope of the National Payments Plan? If so, how should they be addressed?</i>	This issue does not affect the Zurich business.
Q10	<i>What other actions, if any, should there be in the National Payments Plan in regard to cash?</i>	This issue does not affect the Zurich business.

3.4 - Direct Debits

Q11	<i>What improvements would lead to the greater take-up of direct debits by users?</i>	<p>Zurich would like to see enhanced promotion and management of adherence to the scheme guidelines. Whilst an element of pragmatism will always be required for exceptional circumstances (only where agreed by members and the scheme), adherence to best practice will help to maintain the integrity of this payment method within a changing industry.</p> <p>Zurich perceives the assurance of security for bank information held by originators/users influences current use of the service.</p> <p>The development of efficient 'one time only' Direct Debits would be beneficial. For example, development file format and transaction coding to enable instruction and collection within one file record. Currently, Direct Debit is only used within our organisation to provide efficient instalment payments.</p>
Q12	<i>Would you support the introduction of a time-limited guarantee for direct debits in place of the current unlimited guarantee?</i>	Zurich supports the introduction of a time limited guarantee period. Whilst accepting the guarantee is valued by consumers, we believe the Direct Debit product is now mature enough to offer a degree of mutual fairness with the guarantee period.
Q13	<i>If so, what time limit do you think would be appropriate?</i>	The introduction of SEPA Direct Debit and promotion towards awareness of it provides an excellent opportunity for the incorporation of the SEPA guide lined time period within the domestic UK product.

3.5 – Direct Credits

Q14	<i>What measures to improve the accuracy and end-to-end delivery of reference information, with internet and telephone banking payments and with other direct credits, could usefully be introduced?</i>	<p>The use of coherent narratives is a key requirement for the continued use and opportunity to grow the market penetration of this payment method.</p> <p>Whilst payment originators may provide detailed remittance information within a payment file, this is not always passed onto the beneficiary within a statement narrative by receiving banks. Best</p>
------------	--	---

		<p>practice should ensure that receiving banks proactively pass on all narrative information to the beneficiary.</p> <p>Specific scheme standards could be created/enhanced to ensure site users are presented with the importance of using meaningful narrative for payment at point of initiation. It is accepted that true validation of specific referencing is unrealistic as a standard, but the use of other methods, such as proactive reminder and acceptance prompts may offer unidentified payment mitigation. The level of enhancement in this area should be left to competitive market forces, but there is opportunity to apply a base standard upon which development could be made.</p> <p>In time further supporting information could be considered, such as the generic provision of contact details within the payment message. This would enable a point of direct contact with the originator by the beneficiary, should discrepancy exist. However, it should not be underestimated the impact this would have on originating and receiving systems currently in place.</p>
<p>Q15</p>	<p><i>Are there any other enhancements you think should be made to direct credits?</i></p>	<p>The field length allowable within the standard 18 format may now be insufficient. Serious consideration should be given to the enhancement of information standards in line with the development of SEPA Direct Credits.</p> <p>Existing Direct Credit file formatting must take account of building society roll numbers. A standard should be agreed to include the data within an existing field currently optional.</p> <p>Consideration should be considered towards the development of validation to customer names within payment files as well as bank details, to aid appropriate allocation within originator and bank processes.</p>

3.6 – Credit cards, debit cards and cash machines

<p>Q16</p>	<p><i>What opportunities would you identify to exploit the ATM infrastructure for non-cash transactions? How should these be reflected in the National Payments Plan?</i></p>	<p>ATMs are an under utilised tool in the current UK payment industry. Developments could be made to significantly increase the payment capabilities within established and developing payment products.</p> <p>This is an area which could aid the managed decline of cheque and paper credit clearing.</p> <p>ATM's could be a focus for offering the delivery of electronic payment mechanisms within areas of financial inclusion, though it is recognised that the ownership of a bank account is likely to be a factor.</p> <p>The NPP should seek to drive innovation in areas where rapid delivery with established and trusted links to the UK population already exists. This may help to provide comfort of change, further enabling acceptance towards developing technologies.</p>
<p>Q17</p>	<p><i>Which other, if any, actions should there be in the National Payments Plan in relation to credit and debit cards and cash machines?</i></p>	<p>Zurich believes products should remain competitive in this area. However, where standards exist and develop, such as the Payment Card Industry; Data Security Standards, the NPP should seek to ensure the pace of change required is realistic, achievable, consistent and clearly communicated within the UK market place.</p>

3.7 – CHAPS and the Wholesale Markets

<p>Q18</p>	<p><i>What improvements should be made to the way in which payments in the wholesale markets are carried out?</i></p>	<p>The Zurich organisation initiates CHAPS payments for urgent domestic payments. In the medium term, the approaching implementation of ‘Faster Payments’ could replace the use of CHAPS. However, the transaction cost will be a significant factor when introduced and we watch with interest the direction of the market in this regard.</p> <p>We consider CHAPS a robust and reliable payment product with limited desire for development at this time.</p>
-------------------	---	--

3.8 – SEPA and Cross-Border Payments

<p>Q19</p>	<p><i>What should the Payments Council do to ensure that users in the UK can take best advantage of SEPA?</i></p>	<p>At this time it is difficult for Zurich to take a strong view as to how the UK Payments Council can take advantage of the SEPA environment.</p> <p>Initially, the NPP could seek to use requirements of the PSD and SEPA base product standards to align domestic products. The Direct Debit guarantee discussed earlier in this document provides an example. However, Zurich recognises the benefits of products well established and understood by consumers within the UK market.</p> <p>UK consumers are unlikely to desire immediate transfer from domestic to SEPA products in the foreseeable future. More likely will be the gradual penetration of SEPA products within the Euro currency countries.</p>
<p>Q20</p>	<p><i>What issues does SEPA raise for your use of payments?</i></p>	<p>An immediate issue recognised by our business is the need to maintain additional party records for customer and supplier bank details. In the main, legacy systems do not provide fields for dual records of this type.</p> <p>Consideration should be given to the demise of the UK sort code and account structure, in favour of the BIC and IBAN. Having been stated on bank statements for some years now, there is limited consumer recognition of the terms or details.</p> <p>A consistent approach will focus development and maintenance of validation tools and facilitate efficiencies in approach for pan European organisations. These benefits in turn will be passed to consumers.</p> <p>It should be noted that large organisations require significant lead time for such crucial infrastructure change.</p>
<p>Q21</p>	<p><i>What improvements should be made to cross-border payments?</i></p>	<p>The introduction of SEPA products and the PSD facilitates development within this space. As a global organisation headquartered in Switzerland, Zurich is interested to see how the use of these products matures throughout the EU and EEA.</p>

3.9 – Measures to enhance users’ efficiency

<p>Q22</p>	<p><i>What measures to enhance users’ efficiency</i></p>	<p>Response provided within specific questions.</p>
-------------------	--	---

	<i>should be considered by the Payments Council?</i>	
--	--	--

Section 4: Innovation

4.1 – Contactless and Prepaid Cards

Q23	<i>Do you agree that at the present stage of market development the contactless and prepaid card sectors are best left to initiatives from individual payment service providers and the card schemes?</i>	Zurich agrees with this statement.
Q24	<i>What support, if any, could the National Payments Plan offer to the development of contactless cards? In particular, is further action needed to ensure that the standards for contactless cards meet the needs of all sectors of users?</i>	Zurich agrees that a consistent standard should be developed and controlled from the NPP and by the UK Payments Council to ensure integrity of the products and supporting infrastructure entering the market.
Q25	<i>What support, if any, can the National Payments Plan offer to the development of prepaid cards?</i>	Zurich views prepaid cards as a replacement for cheques in some circumstances. Similarly with contactless cards, comfort is required by consumers and issuers now, to ensure this growing payment type is easily scalable, robust and secure. Standards should be considered to enable this within the NPP.

4.2 – Mobile Payments

Q26	<i>What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?</i>	Zurich agrees that consistent standards should be developed and controlled from the NPP and by the UK Payments Council to ensure integrity of the products and supporting infrastructure entering the market.
Q27	<i>In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?</i>	With defined security and operating standards, Zurich agrees that the NPP should seek to support this development, though not in isolation. Outside of generic standards, market forces should remain to offer the consumer choice.
Q28	<i>What principal characteristics would users find attractive in a mobile payment service?</i>	<p>Zurich welcomes opportunity to offer electronic payment invoicing to consumers, to enable the organisations control of remittance narrative, thus enabling efficiencies of automated payment allocation and reconciliation.</p> <p>It is recognised that significant investment could be required to enable these services to become imbedded within the market. Standards will help to drive benefit cases amongst large corporates.</p> <p>For consumers, banks and originators alike, the security of data will again be a key factor.</p>
Q29	<i>What role do mobile phone payments potentially play in providing alternatives to traditional forms of payment?</i>	<p>Replacement of legacy forms such as cheque and debit card amongst certain consumer groups, perhaps also penetrating the Direct Debit market space.</p> <p>They are unlikely to replace the use of credit cards.</p>
Q30	<i>What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?</i>	Zurich offers no further response in this regard.

4.3 – Supply Chain

Q31	<i>Do you agree that the Payments Council should indicate support for the work of the</i>	Zurich agrees that it is important for the UK to support and where possible drive forward standards in e-invoicing and associated
------------	---	---

	<i>European Commission Steering Committee on e-invoicing and associated activity, including the development of international standards that facilitate supply chain efficiency?</i>	activity. This will lower supply chain costs and remove considerable amounts of paper from the system, with both economical and ecological benefits.
Q32	<i>What role should the National Payments Plan play in moving this agenda forward?</i>	Zurich believes the NPP should promote industry-wide standards in the UK, building from existing standards and where possible use the plan as a platform for driving change within the EU and EEA.
Q33	<i>What other actions should be included in the National Payments Plan?</i>	Zurich believes there is opportunity in the promotion of e-invoicing with agreement from Tax and Legal authorities across the EU and EEA in terms of acceptability.

4.4 – Other Innovations

Q34	<i>What other payment innovations requiring action at industry level should be considered by the Payments Council?</i>	Zurich offers no response to this question.
------------	--	---

Section 5: Other Issues

5.1 – Education in Payment Matters

Q35	<i>What gaps are there in current financial educational initiatives in regard to payment matters?</i>	Zurich offers no response to this question.
Q36	<i>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?</i>	The UK Payments Council should act as a Conduit for sharing information to UK consumers. Working with schemes, payment providers, government and banks, public information should be available on the Payments Council website and published for distribution in municipal locations.

5.2 – Financial Inclusion

Q37	<i>What role can the Payments Council play in promoting financial inclusion?</i>	<p>Zurich is actively seeking to address areas of financial exclusion within its product portfolio. The UK Payments Council has an opportunity to address the issues within the NPP.</p> <p>Much effort is required within areas of financial inclusion. Understanding the issues and the development of technologies, such as mobile payments may assist payment automation within this consumer group. The standards created should seek to ensure exception groups are not excluded by information and evidence they are unable to supply.</p> <p>This is also an area for further innovation.</p>
Q38	<i>What other bodies should it work with to deliver this role?</i>	<p>The UK Payments Council should seek to address the education gap by working with government and community, education and consumer associations. By understanding the issues, the UK Payments Council will be positioned to ensure appropriate standards are designed and implemented to allow commercial innovation and development.</p> <p>Engagement of the UK Payments Council User Groups will also provide context as to the direction being taken by participants, providing a direction for messages being provided in educational roll outs.</p>

--	--	--

5.3 – Payment System Integrity and Contingency

Q39	<i>What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?</i>	<p>Zurich believes standards relating to data protection and user validation are key drivers in ensuring payment systems maintain their end to end integrity.</p> <p>Speed and accuracy of processing is the driver for change. Failure to at least maintain current infrastructure levels within new technologies will undermine development.</p>
------------	--	--

5.4 – Fraud and Security

Q40	<i>How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?</i>	<p>Fraud mitigation and detection should be a fundamental component of any emerging technology within the payment industry.</p> <p>The UK Payments Council must seek to promote best of breed security within emerging payment products. Failure to incorporate such measures will limit the potential for product penetration (which can be left to market forces) and put consumers at unnecessary risk of personal loss.</p>
Q41	<i>How can the National Payments Plan assist with issues of customer authentication? To what extent do these need to be addressed across the payments sector?</i>	<p>The desire to authenticate a customer is growing proportionally to the fraud experienced of not doing so. However, Zurich recognises that investment in authentication technologies can be substantial.</p> <p>The UK Payments Council needs to address this issue across the industry, but with a pragmatic approach to areas of significant investment. Further discussion would be welcomed within the User Groups to determine how this should be driven forward, where possible with a view towards a European and SEPA operating model.</p>
Q42	<i>Should minimum standards be introduced for authentication of remote transactions? If so, should a common measure of authentication be recommended/mandated?</i>	Zurich believes it prudent for a minimum standard of authentication for remote transactions to be investigated. It may be too early to decide the feasibility of implementation prior to analysis.
Q43	<i>How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?</i>	As Q42, the potential for standardisation should be the interest of the UK Payments Council. Analysis of emerging technologies, such as biometrics could offer originators and consumers a level of comfort when supported by relevant standards, but market forces should determine the level of development and industry demand.
Q44	<i>What actions, if any, should the National Payments Plan include in regard to data sharing?</i>	<p>Zurich recognises the potential benefits in sharing appropriate data amongst legal, regulatory and representative groups for the benefit of fraud detection and prevention.</p> <p>The NPP should, initially using established methods and resources, promote the collaboration between payment providers and originators both for fraud mitigation validation prior to payment initiation and in response to suspected fraud.</p>
Q45	<i>How can the National Payments Plan help ensure that the burden of fraud prevention is shared equitably across payment service providers and users, including SMEs?</i>	Zurich offers no response to this question.
Q46	<i>What role should the Payments Council play in raising the profile of fraud and security issues and in lobbying government and the public authorities?</i>	Zurich offers no response to this question.

5.5 – Standards

Q47	<i>What should be the role of standards in the National Payments Plan? Are the current principles as agreed by the Board a suitable base from which to start? What role should the Payments Council play in influencing international standards developments?</i>	<p>Zurich agrees with the UK Payments Council Board approach and order of priority when adopting standards within the industry.</p> <p>The Payments Council should act as a representative of the UK payments industry in the designing and implementation of global and European standards. The user forums should be used to provide context from the UK payment service users.</p>
Q48	<i>What, in particular, should the National Payments Plan say about messaging standards?</i>	<p>Consistency and quality of messaging standards are key in ensuring supporting processes are able to develop to drive down processing costs and timescales.</p> <p>The NPP should seek to review existing payment methods, standards and perceived gaps from discussion with the UK Payments Council user forums.</p>

5.6 – Payment Costs

Q49	<i>Would you support an initiative, led by the Payments Council, to establish a better understanding of the costs of UK payments? If so, how do you think this should be taken forward? What supporting information do you think would be relevant for such an exercise?</i>	<p>Would Zurich support an industry cost review, within the constraints of available resource we would be happy to participate.</p> <p>An overview of the generic end to end processes, including exception and rejection process and an average cost should be provided by participants. If possible within commercially competitive constraints, the average value of this cost then passed onto to customers on an individual basis.</p> <p>This information should be summarised and presented in public information publications.</p>
------------	--	--