

# Premium Credit's Response

## National Payments Plan Consulting on change in UK payments

### Contents

1	John Hawkins' response as SME Forum attendee .....	1
2	Direct views expressed by a few others .....	7
3	Collective response from various other colleagues.....	9

### 1 JOHN HAWKINS' RESPONSE AS SME FORUM ATTENDEE

#### Issues for Consultation

Q1 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?

**Most definitely. If there is a continuing decline over the years it would be better for the finance industry, particularly the cheque clearing sector, to be 'in control' so that capital investment in machinery and equipment is managed carefully. Redeployment of staff can be planned accurately too.**

Q2 For which types of payment currently made by cheque do new alternatives need to be introduced?

**Person to person payments – gifts, family loans, private car purchase (Banker's draft/building society cheque)**

Q3 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)?

**10 years seems a long time – may have disappeared by then!  
Noticed that this is only the closure of the cheque clearing. Does this mean that the cheque is expected to carry on in a small way after that? Count me in if the city coffee mornings to settle for cheques are resurrected!**

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

**Press & media advertising, senior school/college education, pamphlets posted to pensioners.**

Q5 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?

**After 2018 there won't be anything to guarantee! To accelerate the decline of cheques, this facility could be withdrawn sooner forcing the buyer to use other secure payment methods.**

Q6 What other actions, if any, should there be in the National Payments Plan in relation to cheques?

**Offer incentives to small businesses to stop issuing cheques and to go onto auto-credit clearing or faster payments.**

Q7 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?

**First reaction is – Whoa! One thing at a time!**

**However, with no cheques, it is hard to see how paper credits could enter the clearing system without some form of paper contra for the banks' remittance 'batch'. Perhaps ATM's could take guaranteed payment from cards and read the details from the e.g. utility bill and put this into the electronic clearing system?**

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?

**Cash could be needed to pay for credit clearing items as in Q7 above.  
Cash will always be around. Foreign visitors not prepared for our new electronic means of payment will still require cash.  
'Plastic in hand' just doesn't have the same ring!**

Q9 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?

**No. Leave this with the Bank of England.  
Cash should definitely be 'out of scope'.**

Q10 What other actions, if any, should there be in the National Payments Plan in regard to cash?

**None – Bank of England is quite capable.**

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

**More education – include it in school work along with 'parenting' that is also missing. More life skills needed.**

**More incentives offered by originators and/or penalties imposed on other methods.**

Q12 Would you support the introduction of a time-limited guarantee for direct debits in place of the current unlimited guarantee?

**Yes – This is well overdue. Account holders should be made to check their bank statements at least quarterly and suffer the consequences if a claim not made within 6 months. The banks should, for a charge, assist the account holder to recover from the originator without any guarantee of success.**

Q13 If so, what time limit do you think would be appropriate?

**6 months**

Q14 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?

**Develop software like 'Bank Wizard' to hold everyone's bank details and all references (or at the very least a reference mask or template) – This would prevent credits with wrong details from being remitted.**

Q15 Are there any other enhancements you think should be made to direct credits?

**Security for remitter – in case of keying too much. Have a floor limit over which a confirmation is required.**

Q16 What opportunities would you identify to exploit the ATM infrastructure for non-cash transactions? How should these be reflected in the National Payments Plan?

**ATM to read printed credit and remit credit in automated clearing. Top-up contactless card from linked bank account.**

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

**Only innovations invented to replace cheques should need the NPP to meddle with these.**

Q18 What improvements should be made to the way in which payments in the wholesale markets are carried out?

**Real-Time positions to be viewable.**

Q19 What should the Payments Council do to ensure that users in the UK can take best advantage of SEPA?

**Monitor the banks' offerings in SEPA credits and debits to ensure the facility is accessible by all.**

Q20 What issues does SEPA raise for your use of payments?

**Cross-currency**

Q21 What improvements should be made to cross-border payments?

**Cannot comment – not used yet**

Q22 What measures to enhance users' efficiency should be considered by the Payments Council?

**None – there is a body already dealing with SEPA.**

Q23 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?

**Yes – except that any fraud & security issues need to be monitored and addressed by a central body.**

Q24 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?

**Yes in Q23**

Q25 What support, if any, can the National Payments Plan offer to the development of prepaid cards?

**See Q23**

Q26 What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?

**Watching brief as in Q23**

Q27 In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?

**Somebody needs to legislate for rules etc**

Q28 What principal characteristics would users find attractive in a mobile payment service?

**Handy id out of cash or the correct change, e.g. vending machine, parking meter etc.**

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

**Emergency cash alternative. If away from home or work and no computer access – ability to pay bills or transfer funds.**

Q30 What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?

**Discussion with service providers to ensure a uniform approach.**

Q31 Do you agree that the Payments Council should indicate support for the work of the European Commission Steering Committee on e-invoicing and associated activity, including the development of international standards that facilitate supply chain efficiency?

**Yes**

Q32 What role should the National Payments Plan play in moving this agenda forward

**Participative member on all relevant boards/committees.**

Q33 What other actions should be included in the National Payments Plan?

**Examine worldwide payments arenas.**

Q34 What other payment innovations requiring action at industry level should be considered by the Payments Council?

**Examine pros and cons of any innovations introduced by other countries.**

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

**Commented previously**

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?

**A driving role.**

**Utility companies, educational establishments, the DWP (to target pensioners and the unbanked)**

Q37 What role can the Payments Council play in promoting financial inclusion?

**By promoting contactless cards**

Q38 What other bodies should it work with to deliver this role?

**As Q36**

Q39 What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?

**Combat fraud and security. Public acceptance.**

Q40 How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?

**Very importantly and very carefully.**

Q41 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?

**Draw up rules nad regulations.**

**Re-address all payment methods.**

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

**Yes and Yes. Maybe different levels of authentication for different value bands.**

Q43 How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?

**Draw up rules, regulations and guide on technological development.**

Q44 What actions, if any, should the National Payments Plan include in regard to data sharing?

**Draw up rules and regulations.**

Q45 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?

**Get all Rules and Regulations agreed at government level and have an ombudsman to 'referee' complaints and individual decisions.**

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?

**Driving role.**

Q47 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?

**They should be enforceable standards.**

**Yes, a good base to start from.**

**A leading role in order to influence sufficiently.**

Q48 What, in particular, should the National Payments Plan say about messaging standards?

**Insist on formats. Police rude and obscene messages with heavy penalties.**

Q49 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?

**Yes – this would act as a basis for penalizing users of unwanted methods (such as cheques).**

---OOO---

## 2 DIRECT VIEWS EXPRESSED BY A FEW OTHERS

**The following are general views and opinions on the NPP expressed by a few colleagues:**

### **Ref C.**

I think there is a real danger of 'regulatory overstretch' with financial institutions becoming submerged under the weight of various competing initiatives, each one of which has independent, but overlapping objectives. There is a need for much greater coherence to the various government and industry programmes.

The fact that no mention is made of PCI DSS - a major burden which is currently the pre-occupation of most payment providers - serves to emphasise the lack of 'joined up thinking'.

### **Issues of interest to PCL**

- Limited Direct Debit Indemnity
- Standardisation of Account Numbers
- SEPA and European direct debit and direct credits

### **Most Important Areas of General Interest**

- Contactless cards
- Biometrics
- Migration from Cheque
- Exploit ATM infrastructure

### **Weaknesses in the Payments Council Process**

- Lack of Visa/Mastercard involvement
- Lack of clarity on Payments Council Remit and Terms of Reference
  - Is it a lobbying body, a regulatory body or an industry initiative ?
  - Should it have mandatory powers - the financial sector is already heavily regulated - or provide guidance only
  - If it has mandatory/regulatory powers what are its powers of enforcement ?
- Mandatory element - to avoid unnecessary bureaucracy the Payments Council should provide guidance only.
- Duplication between multiple government organisations
  - Existing management organisations (eg Cheque Card Management Committee)
  - Europe (European Payments Council)
  - UK Remittance Task Force
  - Payment Systems Task Force
- Lack of focus on security and fraud

- The consultation document ignores public concern over payment security and the current PCI DSS compliance initiative, even though this is the issue which is currently pre-occupying most financial institutions - there is a risk of overstretch.

### Ref L

My opinion is that if better alternatives are available that cover the needs of all business areas/personal needs, then I would be pro the reduction and eventual withdrawal of cheques. The main points spring to mind but they have mostly been covered within the document:

- Cost - the alternative would need to be cost efficient for small businesses/personal use
- Convenience - for those who aren't mobile but who also do not have online facilities eg the elderly
- Security - when writing a chq the customer does not need to know the payee's bank details, there may be issues surrounding security
- Environmental benefits - I think this is a real positive
- Postal system - another positive, we would not be reliant on postal services

### Ref S

By the time I finished reading the 50 page document, I ran out of steam & couldn't cope with the thought of filling in the questionnaire!!

I have to say – it was more interesting than I thought it would be! Just a couple of points:

1) With regard to reducing/phasing out the cheque facility - I wonder whether banks should start to issue less cheques in cheque books, along with clear education, to get their customers thinking about making alternative arrangements. For us old codgers, if a cheque is available & it's our preferred payment method, then we will continue to use them..... I reckon a 5 year plan to phase out cheque use would be an achievable target?

2) I agree with most of the questions they pose, apart from NPC getting involved in cash supplies....(see Q9)

3) I hadn't really thought about mobile phones – but having read the attached, that could definitely be an alternative for cash in future, as most people have a phone, even if they don't have a bank account. I would think the option of paying one-off DD's via your phone would be very popular.

4) I think the key to all of this is education/information – which will need to come from a wide variety of sources in order to reach enough people. Security is the other major factor that needs to be resolved before people would trust new technologies....

As expected – nothing earth shattering!

### 3 COLLECTIVE RESPONSE FROM VARIOUS OTHER COLLEAGUES

Please note that this submission is as a result of getting opinions from around our company. The numbers refer to the different individuals responding.

#### Issues for Consultation

Q1 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?

**1, 2 and 3 – Yes**

**4 – No**

**5 - There should be a plan to respond in the event of cheques being eventually phased out, but it should not be actively involved in promoting the demise of cheques, which can offer solutions to certain individuals without access to alternative means of payment.**

Q2 For which types of payment currently made by cheque do new alternatives need to be introduced?

**1 - Subscriptions, very small businesses**

**2 - Everyday usage and for drawing of cash – for elderly people.**

**3 - Person to person payments via post or other insecure method where the account details of the recipient are not readily available.**

**4 - Personal payments / gifts / non-telephone/Internet payments**

**5 - Annual / irregular postal bills.**

Q3 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)?

**1 – Yes**

**2 – 10 years seems reasonable**

**3 - Yes assuming that a clear definition of ‘acceptable’ is made.**

**4 - It depends on the alternative.**

**5 - No see above. This should be reactive not pro active and should be driven by the demands and needs of the consumer. The only ones who really benefit are the banks and other organizations who will be removing a less efficient means of payment. The consumer will not benefit from the removal of cheques as a means of payment, it will just mean they have less choice. Even taking into account the forecast decline by 2018, it will still mean something in the region of £720million of transactions still being paid by cheque annually!**

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

**1 - High profile press and advertising campaign, targeted.**

**2 - Difficult to answer as it is the existing alternatives that cause the current ' problems ' for the elderly. ie: Using ATM's and having a PIN number (memory / written down).**

**3 – TV and pamphlet**

**4 - Education and access to Internet, developing telephone banking to reduce the time spent on hold and cost of dialing some telephone numbers.**

**Give people an alternative to cheques but one in which they can still use as an alternative to telephone and Internet. Possibly consider a gift card system similar to ones used by retail outlets that have now replaced the old paper vouchers.**

**5 - Not necessarily education but access to suitable reliable alternatives must be in place before any decision is made. (If it aint broke don't fix it) The removal of the cheque system only benefits the corporate sector, there is no advantage to the public at large, particularly those that do not have access to alternative means of payment.**

Q5 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?

**1 – Yes**

**2 – Surely this must be part of any review?**

**3 – Yes**

**4 - No – it is a waste of money, people will eventually move towards other payments methods naturally**

**5 - Yes this is more feasible as cheque guarantee is generally used in face to face transactions and the card itself can be used instead of a cheque.**

Q6 What other actions, if any, should there be in the National Payments Plan in relation to cheques?

**1 - Link to other developments eg. single/one off dd collection**

**2 - Make it an offence for any retailer etc to NOT accept a cheque in settlement of a purchase - if need be they could charge a very small handling fee (£1.50) for accepting payment by way of cheque.**

**3 - Attention must be made to what will happen to cheques received from outside the UK.**

**5 – None see above**

Q7 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?

**1 – Yes**

**2 - Almost certainly ' yes '.**

**3 – Yes**

**5 – Yes, this can be managed internally by the banking institutions without impacting on the consumer.**

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?

**1 - Yes, although its significance will decline with development of contactless card payments**

**2 - As the easiest payment method for most individuals CASH is surely bound to remain the major method for payments.**

**3 & 5 - Yes**

Q9 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?

**1 - Possibly, B of E responsibility?**

**3 – No**

**5 - Yes otherwise there will be no real need for the National Payments Plan. This is all connected to cost and efficiency and should therefore form part of the remit.**

Q10 What other actions, if any, should there be in the National Payments Plan in regard to cash?

**3 - None**

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

**1 - Is this question directed at ensuring more people have bank accounts able to accept dd's or increasing the usage of dd's for those already with bank account?**

**2 - Increase the incentives for using them ? Penalties for not using them ?**

**3 - Greater bank protection and responsiveness in the event of fraud and incorrect debits.**

**4 - Greater access by more consumers, improved security and control (eg ID fraud)**

Q12 Would you support the introduction of a time-limited guarantee for direct debits in place of the current unlimited guarantee?

**1 - Yes, most definitely**

**2 - Do not see the need to change.**

**3 – Yes**

**5 - We need to understand what the concern is here and also why it would appear to be attractive for SME's to become direct debit originators. Who stands to benefit?**

**To do this to make it less risky and more attractive for SME's to become DDO's, would require more policing and greater control to ensure consumers are protected from**

**unscrupulous companies refusing legitimate refunds because of time line gurantees. This would increase costs for the sector as well as introducing a new competitive threat to PCL. Surely only those companies who are professional enough and have the integrity, systems and professionalism should be entrusted to collect money direct from the consumer not just any “Tom Dick or Harry” SME company.**

Q13 If so, what time limit do you think would be appropriate?6

**1 - 6 months**

**2 – N/A – see Q12**

**5 – No see above**

Q14 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?

**1 - Standardised reference template**

**2 – N/A as do not use either**

**3 - Biometrics**

Q15 Are there any other enhancements you think should be made to direct credits?

**3 - No**

Q16 What opportunities would you identify to exploit the ATM infrastructure for non-cash transactions? How should these be reflected in the National Payments Plan?

**1 – Top up contactless cards eg Oyster card**

**2 – Existing facility probably covers most requirements**

**5 - These could be used as safe computer terminals to do more online banking, setting up and managing Direct Debits, etc The safety of the environment for these would need to be considered though, perhaps initially only available within banking halls or other accessible public and private buildings as opposed to on the street.**

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

**1 – Ensuring availability to all**

**2 – Improve security options**

**5 - Greater accessibility in more secure environments**

Q18 What improvements should be made to the way in which payments in the wholesale markets are carried out?

Q19 What should the Payments Council do to ensure that users in the UK can take best advantage of SEPA?

**1 – Ensure that any proposals / strategy is in line with SEPA**

Q20 What issues does SEPA raise for your use of payments?

Q21 What improvements should be made to cross-border payments?

**3 - Details of any conversion or transaction charges should be visible at the point of the transaction and not later.**

Q22 What measures to enhance users' efficiency should be considered by the Payments Council?

**1 - Bank account number for life. With cheques going is there any need for sort codes? Provide new bank account numbering standard where account "belongs" to user and is fully transferable between banks, improve efficiency/competition as easier to switch provider. I guess there would be a marker to identify which institution the account "belonged" to.**

Q23 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?

**1 – No**

**2 – YES – but probably re-set and confirm guidelines**

**3 - Yes**

Q24 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?

**1 – Provision of standards**

Q25 What support, if any, can the National Payments Plan offer to the development of prepaid cards?

Q26 What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?

**1 – Facilitator and standard setting**

**2 – Very limited in view of increased security risks**

Q27 In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?

**1 – Yes**

**2 – See Q26 above**

**3 & 5 - Yes**

Q28 What principal characteristics would users find attractive in a mobile payment service?

**1 – Immediacy**

**2 – NONE**

**3 – Security, convenience and speed**

**5 - Convenience, 24/7 accessibility.**

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

**2 – See all 3 previous answers**

Q30 What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?

**2 - NONE**

Q31 Do you agree that the Payments Council should indicate support for the work of the European Commission Steering Committee on e-invoicing and associated activity, including the development of international standards that facilitate supply chain efficiency?

**1 & 5 - Yes**

Q32 What role should the National Payments Plan play in moving this agenda forward

**5 - Very much at the forefront. We need to dictate to Brussels not be dictated to so we can have greater control of any changes and be first to take advantage of any economic and business opportunities**

Q33 What other actions should be included in the National Payments Plan?

Q34 What other payment innovations requiring action at industry level should be considered by the Payments Council?

Q35 What gaps are there in current financial educational initiatives in regard to

payment matters?

**2 – Probably very few**

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?

**2 - Probably very little as most service / utility companies provide all the current payment options. Any organization sending out invoices or requesting any form of payment should include payment options.**

Q37 What role can the Payments Council play in promoting financial inclusion?

Q38 What other bodies should it work with to deliver this role?

Q39 What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?

**1 – Security, Fraud, Audit trails, tracing transactions**

**2 – Probably human error!**

Q40 How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?

**2 – One of the MAJOR considerations**

Q41 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?

**2 - Fundamental issue to reduce / prevent fraud by misuse & stolen ID crime.**

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

**1 – Yes, minimum standards should be mandated**

**2 - YES – minimum of three separate authentications.**

**3 – Yes – biometric**

**5 - Yes**

Q43 How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?

**2 - Carefully and only at the higher level of payment amounts.**

**3 - Actively investigate with a view to offering standards that would enable inclusion for the disabled.**

Q44 What actions, if any, should the National Payments Plan include in regard to data sharing?

**2 - ONLY share criminal fraud or misuse data – nothing else.**

**3 - Code of conduct/Legislation to control exactly how data is shared and how people are made aware of this activity.**

Q45 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?

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?

**2 - Keep publicizing the issues and amounts involved by payment sector.**

Q47 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?

Q48 What, in particular, should the National Payments Plan say about messaging standards?

**2 - Make sure they are clear, concise, no jargon and short.**

Q49 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?

---OOO---