

Thank you for the opportunity to contribute to the process of developing a National Payments Plan for UK Payments.

VETT welcomes the establishment of the Payments Council and the development of the consultation process to consider views from a wide range of participants. In particular to include input from smaller entities is in itself an innovation that should be commended. Hopefully this approach will prove to be beneficial to the development of strategy for both SEPA and the National Plan.

About VETT and Security

VETT addresses the ever present and increasing security threat to remote commerce for both organisations and consumers. We are a small company based in Nottinghamshire that have created new and innovative solutions for automation, processing and transaction security. These solutions are designed to deliver efficiency and certainty for transacting parties.

What we see

Our observations of the payments arena have identified four fundamental issues that we believe are central to the design and development of future solutions.

- Firstly, and despite the fact that account numbers are in every day use on cheques, on debit cards and credit cards, people are reticent about disclosing personal details to others. Attention was drawn to this situation at the Payments Council Conference 23th January, 2008. The general public have a fear of careless handling and potential exposure of their personal information. People know that criminals are looking for personal data to use to steal their identity. Using ‘Account Numbers’ therefore, represent a real problem to both consumers and organisations.
- For protection of data, PCI is seen as a step in the right direction by creating standards for the storage of sensitive account data. This in turn however, raises other issues. For instance, large organisations want common standards for formatting account numbers and personal data. This leads to our second area of focus, many organisations do not want to change their systems.
- Resisting change leads on to our third area of focus. Replacing current systems is expensive and could prove to be a nightmare. An enormous amount of time and money is taken to develop and integrate new procedures. Not to mention, lead time, planning, staff training and many other issues that can arise with large scale change. This is because over time organisations have evolved methods and products by utilising available systems and hardware making the newer products interdependent with older core systems.
- The fourth subject for consideration is user behaviour. Consumers and commercial clients have developed routines and procedures they feel comfortable with. People do not like, and will resist change. How do we deal with this? Is it a challenge for marketing departments or a matter of education that can be managed through training? Either way, too much change and people will simply close their minds and use what

they understand, or what they perceive will give them certainty. Educating consumers to change behaviour is a very expensive option.

Thinking outside the box

Tackling an issue head-on will, with persistence, lead to identifying a solution. At some point solutions are no longer innovation and the response to an issue is little more than a patch. There comes a time when a challenge to the status quo can present some new and exciting options. The ideas behind the concept developed by VETT came from a need for certainty and security of payment for a remote trading environment, not just for the Internet but for mail order and what is now referred to as mobile commerce.

VETT have developed innovative solutions which address the four fundamental issues of:

- Disclosure of Account Numbers
- Cost of replacing existing systems
- Resistance to change
- User behaviour

The adoption of these methods will drive efficiencies of operation, help to enhance the integrity of current systems and deliver products which users will find intuitive and easy to use. VETT technology can open the way to deliver new and innovative products and services that will generate new profitable revenue streams for banking, payment processors and commerce.

Innovation

Having a framework in place to foster future innovation is a laudable aim. However, new ideas do not always come from within. Concepts and their creators need to be nurtured both from those on the outside as well as those inside. Finding a sponsor to support new ideas can be a daunting task at the best of times. To help foster innovation there is a need for a basic structure that will solve the problems for an innovator of:

- Who is the appropriate contact?
- What is the procedure for contact?
- What is the process?
- What outcome should an applicant expect?
- How to monitor and feedback progress?

In a fiercely competitive environment where people resource is focused on efficiency, targets, regulation and a changing market (Mobile and Internet) it takes a lot of resource and time to get noticed. The Payment Council could provide an initial point of contact and refer enquiries to those organisations that can evaluate the potential for innovation and modification. We trust that the consultation approach adopted by the Payments Council will afford opportunity for VETT to present our innovations to a wider audience.



Response to Payments Council Consultation

Simply Secure™

Please find attached our response to your National Payments Plan Consultation document. We look forward to reviewing the published results of the consultation process in due course.

In the meantime, if we can be of any further assistance to you please do not hesitate to contact me directly.

Garry Harold Gibson
Managing Director
VETT UK Ltd

Issues for Consultation – Response

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?

Yes, the National Payments Plan should provide guidance to manage the withdrawal of services which support the use of cheques.

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

Ideally there needs to be a single alternative to replace cheques for all current uses. The replacement should ideally deliver multi channel access via Internet, Mobile, Landline and Face-to-face.

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)?

Announcing a date to end the use of cheques would provide opportunities to prompt Users to seek an alternative method of payment. No objection to a 2018 date.

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

The most cost effective way to persuade users to migrate is introduce a secure alternative that is easy to use and is in effect a natural replacement. Education is expensive.

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?

No comment.

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

Consult with Government to agree a date and declare a one off National Bank Holiday to mark the passing of the cheque as a banking instrument.

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?

No comment.

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?

No comment.

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 comment.

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

No comment.

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

Direct debit mandate scheme has served both commerce and users well since its introduction. Changes in scheme rules, and incentives offered by Originators have helped to maximise take up in recent years. Discount offers to coax consumers to use direct debit has seen many ‘less well off’ put at a cost disadvantage and excluded. Sadly, commercial forces and the constant drive for efficiencies have seen methods employed to compel consumers to use the direct debit scheme at a considerable cost to the disadvantaged. (e.g. BT charge extra if customer do not use DD).

- **Banks and Originators need to minimise administrative costs.**
- **Consumers want control.**
- **There is a need to end social exclusion.**
- **SEPA will require changes to the UK’s current scheme**

To improve direct debit the scheme must evolve to meet new challenges. VETT have a proposal which we believe will address current issues and present an opportunity to influence the development of the SEPA direct debit programme.

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

No. The open guarantee protects consumers and is necessary while commerce have the facility to set up direct debits without the need for prior authorisation from consumers. However, our position would change to support a time-limited guarantee if a method to enable consumers to authorise mandates is introduced.

VETT have a proposal to enable a system which will allow consumers to access an authorisation process via the Internet, Mobile, Landline and Face-to-face.

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

Time limit will depend upon consumer safeguards.

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?

No comment.

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

No comment

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?

The ATM infrastructure could be employed to:

- **Facilitate bill payment.**
- **Transfer of funds between individuals.**
- **Top-ups for cash cards.**
- **Tickets for entertainment events**

Developing the ATM infrastructure to deliver such services could be seen as innovation and as such support by the National Payments Plan.

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

No comment

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

No comment

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

SEPA is introducing an initiative to develop direct debit payments in the rest of Europe. This year (2008) the European Commission Steering Committee on e-invoicing for the EEI framework, begin the process of defining standards for e-invoicing. The intention is to build a common framework for supply chain management.

Payment is a primary part of supply chain management. E-invoicing, direct debit and/or direct credit are directly related. This consultation document refers to the topic of e-invoicing in question 31. The Payments Council need to ensure that development of services in the wider market deliver certainty for bill payment, funds transfer and clarification of exchange rates and VAT for both commerce and consumers. Clear information is necessary for transparency and to ensure there are no hidden costs.

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

No comment

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

No comment

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

Account numbers and the difficulties encountered go beyond the UK market as demonstrated by the issues related to IBAN and BIC concerning reachability. To be successful a National Plan must address the concerns related to account numbers head on. These issues require a real solution not further adjustment.

VETT have a proposal which could make a substantial contribution to addressing the concerns in this area.

VETT have a solution that addresses these issues.

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?

No comment

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?

No comment

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

No comment

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

How the Payments Council interact with the development of mobile payment services and the setting of standards will depend in some degree to the vision for this market sector. Mobile, is this a new business sector or should we see mobile enabled communications as simply a new access channel? The answer to this question could help to more clearly define a role for development and the setting of standards.

If mobile 'phone' payments are to be recognised as a new independent vertical market with specialist products and services reconfigured to suit the medium, the answer should be yes, we will need standards for mobile 'phone' payments.

Thinking back to the Eighties brings back memories of mobile phones carried in a bespoke briefcase. Development in the technology saw the device reduced to the size and weight of two house bricks. Now mobiles have been shrunk to the size of an MP3 player, and of course contain an MP3 player as well. What next?

We can be sure of one thing for the future regardless of the fate of the mobile. Commerce will continue between remote locations and we need to develop common standards for all forms of remote access whether via the Internet, via landline, on the move and for traditional businesses such as mail order.

There is a need to be wary of investing heavily in developing mobile 'phone' payment services at the expense of, or without considering the wider market for remote commerce.

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

No further comment

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

No further comment

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

No further comment

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

No further comment

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, the Payments Council should indicate support. The Council should look to be actively involved to offer guidance related to services for the payment of invoices, to facilitate end-to-end processing and also the provision data for a transparent audit trail.

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

Ensure that open standards are adopted to facilitate future innovation and new products.

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

No comment

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

Innovation for Authentication and Authorisation is key to delivering secure payments. Action is required to help bring current under utilised resource to bear on these issues.

The banking industry has developed significant resources which could be leveraged to deliver new products and develop new revenue streams. These same resources could be employed by non-banks to innovate and exploit new market opportunities.

VETT have an interest in this area.

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

No comment

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?

No comment

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

No comment

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

No comment

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

The main challenges to the integrity of payment systems are ‘authentication’ and ‘security’.

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

Measures which must be considered are shown in the explanation which precedes this question.

- **A holistic approach is necessary because an action in one area does have a knock-on effect elsewhere. Criminals will focus on what they perceive to be the easy target.**
- **Security must be a primary design requirement.**

In addition:

- **Ensure new products do not expose weakness in existing infrastructure.**
- **Avoid complexity which will inevitably confuse consumers.**
- **Give a clear and unambiguous messages to consumers, for instance:**
 - **NEVER, follow links in emails,**
 - **NEVER, follow links which ask for personal data,**
 - **NEVER, answer questions put by a caller. Get a number, return the call and ask the switchboard to contact you.**

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?

Consumer authentication affects all areas of commerce and not just payments. The Payments Council may wish to consider asking the appropriate Authorities (Government, EPC or EU) for a grant to explore new concepts.

If authentication was not central to security for payments, then with the introduction of ‘faster payments’ it will be from now on. The National Payments Plan should promote the need for innovation and offer positive encouragement to bring new ideas to a stage for testing ready for ‘proof of concept’ and offer a route for further development.

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

Yes, there should be minimum standards for authentication of remote transactions.

Minimum standards have been introduced in the US and enshrined in Federal law to mandate two factor authentication. However, Criminals and Hackers have ignored other laws to develop methods to break or circumvent the integrity of ‘two factor’ authentication in most of the current formats.

The US now has minimum standards which have been overtaken by criminal ingenuity. The most effective driver to ensure protection in the payments and banking market is financial compensation to ensure consumers do not suffer loss.

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

Biometrics in the form of finger print recognition have been introduced to South Africa for card transactions. Criminals have now developed a trade in severed fingers along with stolen cards. The National Payments Plan should ensure that any technology existing or new is not pushed beyond the design limits or employed inappropriately.

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

No comment.

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?

No comment.

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?

No comment.

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?

No comment.

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

No comment.

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?

No comment.