

Section 3 - Efficiency

CHEQUES AND THE CHEQUE GUARANTEE CARD SCHEME

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?

A1. Forecasts indicate there will still be 900m-1bn cheque transactions by 2016; approximately 25 percent of 1990 volumes. There is a clear case to plan for it's future.

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

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)?

A3. Many parts of the world still actively use cheques over and above other payment methods. Many banks in the UK have foreign customers maintaining accounts in their books and who regularly continue to use cheques as their standard method of settling small value transactions. This is particularly true where UK banks act as Nostro Agents on behalf of foreign banks. Whereas influence and encouragement can be exercised for domestic cheque usage consideration must be given to the demands of foreign entities utilising our banking system.

Importantly unless there are ready alternative that are available on a global basis the demand for cheques is likely to continue beyond the suggested date of 2018

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

A4. Utility Companies; Retailers, Internet Shopping and Banks are all playing their part in pushing settlements to be via Debit/Credit cards or "PayPal" type mechanisms. Financial incentives are also "educating" users away from cheques. The older generations are more likely to be resistant to change and modern technology.

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?

A5. A review is required. The retailer movement to no longer accept cheques is to a large extent making the requirement obsolete. The Debit Card in most cases doubles as a Cheque Guarantee card, and any decisions relating to the future of cheque clearing will affect the ongoing need for the cheque card.

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

THE CREDIT CLEARING

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?

A7. must go hand-in-hand with Cheque usage support and any proposals to review/close cheque clearing.

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?

A8. Agreed. Cash is still the most popular method of settling small value transactions and serves as a control against overspending.

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?

A9. Circulation has always been under the control of the Bank of England. It should continue to control based on any changes in demand for cash.

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

A10. Consider improvements in ATM/Internet Banking information with greater cash management functionality. (e.g. projected forward balances for user defined period based on known credits/credits) There is a comfort in holding cash as a control over spending as opposed to debit/credit card items being transacted without knowing if funds available in future to meet such liabilities.

DIRECT DEBITS

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

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

A13. Time limitation period? Reconciliation of accounts in some parts of the world is poor. Not unusual to receive enquiries regarding items several years after the event. For smaller banks customer relationship and service has a higher priority over “established standards”. Problems can be foreseen where a query is raised after a UK based time-limited guarantee has expired which may not be recognised internationally.

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

A13. See above regarding concerns.

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?

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

CREDIT CARDS, DEBIT CARDS AND CASH MACHINES

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?

A16. See A10.

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

CHAPS AND THE WHOLESALE MARKETS

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

A18. payments in the wholesale market is a very important element of our bank's business with large value bank to bank/corporate movements. Volumes can be expected to fall with the introduction of the Faster Payments Service but high value transactions will remain

SEPA AND CROSS-BORDER PAYMENTS

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

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

A20. Vast majority of our payment instruction originate from customers outside the UK and for larger values with value dated settlement either same or next day. SEPA is designed for low value payments over a 3 working day period. Smaller bank systems generally not yet SEPA compliant or able to process ISO format message types. Greater clarification is required as to the "EBA Priority Payment Scheme" mechanism, which will be used more widely by smaller international/wholesale banks

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

MEASURES TO ENHANCE USERS' EFFICIENCY

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

A22. Smaller banks are often outside the information loop. The payment council can provide a valuable link via it's website to keep banks informed of new regulations/directives/initiatives. This information need to be imparted in clear and easy to understand terms. (Early efforts to obtain meaningful information of SEPA were difficult)

Section 4 – Innovation

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?

A23. Prepaid cards could prove viable alternative to carrying cash however the risk of loss of the card (and therefore the "cash") will prove difficult to sell. The Payments Council should try to key the industry advised of the banks opinions as the functionality develops.

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?

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

A23. [Global standards for prepay cards??](#) If so there is a valuable application for using prepay cards for such thing as ex-pat payrolls/foreign student grants etc whereby the banks can upload amounts on behalf of employers to the card so that the beneficiary can draw against anywhere in the world. Another alternative to carrying cash but with the same risks/problems associated with loss/theft of the card.

MOBILE PAYMENTS

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

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

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

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

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

SUPPLY CHAIN

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?

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

A32. [Formal representation or direct communication route with the ECSC](#)

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

OTHER INNOVATIONS

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

Section 5 – Other Issues

EDUCATION IN PAYMENT MATTERS

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

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?

A36. Clear advertising in lay man terms of payment methods without any marketing spin that individual banks might add.

FINANCIAL INCLUSION

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

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

PAYMENT SYSTEM INTEGRITY AND CONTINGENCY

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

FRAUD AND SECURITY

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

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?

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

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

A43. An industry standard approach is essential. Biometrics in conjunction with existing security (e.g. Pin plus corresponding Biometric ID – eye/fingerprint) is excellent for direct contact payment but useless for internet/mobile transactions. Too many differing approaches will make development costs and effective roll-out impossible to support. The Banking Industry need to be clear in what it requires and advise the IT world accordingly. At the moment IT come up with ideas and expect the banks to accept what is on offer.

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

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?

STANDARDS

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?

PAYMENT COSTS

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?