

# **UK National Payments Plan – Response from Danske Bank Group (inc Northern Bank Ltd)**

**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?**

A. Agreed. This approach is supported, subject to the introduction of alternative payment instruments to cover all customer types/transactions (e.g. agricultural). Additionally, a project plan with suitable milestones and measures should be developed.

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

A. Person to person (P2P), micro business payments e.g. to window cleaners, gardeners, agricultural (e.g. farmers' marts), Government licence payments (e.g. road tax, dog licences), clubs/societies, school payments (e.g. dinners, trips) etc.

**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)?**

A. Yes, subject to a staged plan with milestones and measures agreed and measured. However it is important to understand the scope of the requirements before assigning an end date and as such 2018 could be ambitious!

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

A. Proactive early communication to users is required. This will need to include the planned timeframe and information/guidance on the alternative channels available. Emphasis needs to be given to the benefits to all sections of the economy, not to the withdrawal of the service. However, what are the benefits to consumers of their withdrawal? The communication plan should involve media coverage but also a requirement on financial institutions to communicate and to work with their customers on the migration. Retailers are and will continue to drive the migration so early engagement with, and support from the British Retail Consortium would be helpful.

**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?**

A. Yes.

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

A. Consideration should be given to disincentivising the use of cheques e.g. through pricing (our preference whether disincentivising cheques or incentivising electronic methods) or the application of stamp duty, subject to confirmation of how any duty collected would be used. Additionally Government must be seen to take the lead with migration to electronic payment methods, and the socially excluded must be included in plans.

**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?**

A. Yes.

**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?**

A It is possible that some of the micro payments currently made by cheque will migrate to cash as a result of this initiative and so we support this assumption.

We would also support the migration away from cash due to the issues in supporting this payment method including cost and security.

**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?**

A. Yes they should be in scope. Supply of notes and coin may have different issues in GB and NI due to the logistics and geographics. As note issuers Northern Ireland Banks currently manage the quality of notes in circulation:

- Fit for ATM usage
- Fit for general circulation

Discussions with the respective Banks and machine suppliers would be required prior to any agreement.

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

A Is there opportunity to support increased use of £2 coins or to introduce a £5 coin? The introduction of higher denomination coins would increase durability, however steps would be required to ensure the ability to counterfeit coins was minimized. Public reaction to another possibly larger coin could be negative. We would not support the withdrawal of 1/2p coins due to the price increases/inflation which would result.

However we support and promote an active migration from cash to other payment methods. Transportation of cash and the associated security costs mean that cash is more expensive to service than cheques, and there are other aspects to be considered e.g. the risk of a flu pandemic and subsequent public reaction to bank notes, which would support this migration.

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

A Additional communication, education and understanding of the benefits which accrue from the guarantee. Originators should be encouraged to incentivise the use of direct debit and to pass on some of the savings which accrue to them through their use.

Billers should consider the withdrawal of other payment methods to encourage the use of direct debits.

Consideration should also be given to use of direct debits for 'one off' payments, and Government should be encouraged to increase their use of this payment method.

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

A. Yes.

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

A. A period of 1 year should be sufficient.

**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?**

A Enhancements could include additional customer education on the requirements for this information and the possible implications of not providing it.

Banks should be encouraged to have system restrictions e.g. a requirement to confirm by the use of a reminder/pop up screen e.g. that a reference field has not been completed. Alternatively making these fields mandatory would improve STP rates.

There is also a new proposal from ISO regarding Structured Creditor references and the possibility to validate the reference used.

Additionally, is there an opportunity to 'piggy back' on the EU Regulation on Wire Transfers which requires the transfer of complete payer information which includes payer's name, address and account number to allow traceability of the payment?

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

A It is noted that some banks are returning unapplied credits by cheque rather than electronically, although we expect that this will be addressed by the introduction of Faster Payments.

The use of direct credits should be actively promoted.

**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?**

A. We support the use of ATMs for cash withdrawal only, and believe that speed of service is a key customer requirement. However we remain open minded around the introduction of non-cash transactions subject to technical feasibility versus any financial benefit/value, and the infrastructure could be suitable for making small payments.

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

A The National Payments Plan should encourage greater use of cash back on debit card transactions – the benefits of which include personal security, fewer fee attracting transactions on customers' accounts etc. An increase in the number of cash machines discourages the use of cards (at point of sale).

The National Payments Plan should also support a greater understanding of the benefits of using cards e.g. the Section 75 protection provided through the use of (credit) cards.

Is there an opportunity to encourage the card schemes to improve the rules around continuous payment authorities so that this payment type could also be encouraged e.g. for payment of subscriptions?

Additionally, fraud attacks on ATMs must remain at the forefront of National Payments Plan, and in particular how skimming attacks can be brought under control as more and more fraud is taking place outside UK/ROI on other country ATM networks which are non-EMV compliant. Perhaps there should be plans to force card issuers to remove mag stripe information from existing cards and to provide an alternative payment method for foreign ATM/POS transactions?

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

A. No comment.

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

A. Stakeholder engagement is the key to achieving a positive take-up of SEPA payments. The Payments Council therefore have a role in educating, promoting and if necessary lobbying public administrations, large corporates etc to adopt SEPA products. The use of BIC/IBAN should be promoted now.

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

A. Review of internal payment operations including routing and pricing, migration of domestic schemes including BBAN-IBAN conversion, mandate migration, customer and staff education etc.

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

A. Clear guidelines for the customer-to-bank (C2B) space to ensure STP of cross-border SEPA payments and the need to speed up the timelines for credits and debits (akin to UK Faster Payments for low value domestic payments).

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

A. The Payments Council should consider measures to enhance customer education aimed at improving STP rates rather than the standardization of account numbers.

**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?**

A. Agreed.

This is a competitive issue however standards are required at (international) industry/Scheme level to ensure interoperability.

The rollout of in particular Contactless, requires both acquirers and issuers to move in the same direction to ensure that there is sufficient level of both cards and terminals in the marketplace.

It is imperative that all stakeholders work in partnership to ensure interoperability between card and terminal and also to ensure that the market is ready to receive the new technology (i.e. via an appropriate communication strategy to external stakeholders).

The National Payments Plan can contribute by assisting with the rollout of communications to Government agencies, general public and industry sources. It can also provide a vehicle in which all stakeholders within this environment can provide an input into the rollout of these new card types. It can also act as a standardisation forum to ensure that all card schemes adopt the same standards (where possible).

**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?**

A. See Q23.

In addition, the benefit of Contactless is to merchants and consumers rather than to banks. Acquiring banks should be encouraged to have a favourable customer proposition in relation to interchange and also to explain the benefits to encourage customer card take up/migration. Merchants should be encouraged to refrain from implementing 'closed loop' solutions. They should be accepting Contactless cards issued by different issuers e.g. international branded Contactless cards (Visa/MasterCard etc).

The Payments Council could adopt the role of Programme Office to offer:

1. consistent planning approach by all within industry;
2. common contact point for media and government queries;
3. centre of knowledge for issuers and acquirers, where learnings especially are identified and acted upon. This would certainly assist new acquirers and issuers who have yet to start rollout;
4. central body with aim of pushing all strands of the industry towards a standard approach.

In particular, is further action needed to ensure that the standards for Contactless cards meet the needs of all sectors of users? Yes.

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

A The National Payments Plan can highlight the purpose and benefit of such a product and encourage use for e.g. people who are insecure using credit cards, non-card holders, young people, uncreditworthy, the socially excluded etc.

Also, prepaid cards benefit merchants with need for effective card based solutions to replace costly partially manual and/or paper based processes e.g. cheques, vouchers, cash, gift cards etc.

Prepaid is a more competitive card product which may not require the assistance from a central body.

Prepaid cards provide a suitable alternative to cash for the groups mentioned above and support the migration of payments from cash.

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

A. The Payments Council should be involved in the development of standards to ensure interoperability, and also the development of security elements to ensure ease of accessibility and convenience for the end user.

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

A. Yes, but only when it involves infrastructure standards.

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

A. Speed, security and convenience. National Payments Plan should involve consumer groups to ensure that the demand of end users is met.

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

A Short term (0-5 years), m-payments have the opportunity to replace low value payments such as e-ticketing, parking and small amount retailing. With wallet based solutions/top up accounts, m-payments will make it possible to transfer person-to-person/to minors or people who do not have a bank account.

Longer term (5+ years), m-payments will replace Contactless cards and with the NFC (Near Field Communication) standards it will give the consumers a through mobile wallet with convenience and higher security than traditional cards.

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

A. Responsibility for implementing the defined technology ISO standards by international organizations (e.g. ISO standards defined by NFC-Forum), and securing collaboration at European level.

**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?**

A. Yes. The European Commission has appointed the 30 members of the Group now known as 'expert Group on e-Invoicing' and there is one representative from UK. It is important that Payments Council support

the project. The 'kick off' meeting will take place on 26 February and the UK should seize the opportunity to participate in relevant sub groups.

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

A. The Payments Council should use the influence of external stakeholders to promote and create awareness about e-invoicing, and use the Large Corporate User Forum to debate how far the Council will go to support the invoice or the entire suite of messages used in the e-Procurement supply chain.

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

A. There is a requirement to ensure that UK is represented at EC level and it would be helpful to have a mandate from them to ensure that their recommendations are met.

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

A. All such innovations should have Payments Council engagement.

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

A. There are a number of well established consumer/personal financial capability programmes in place across the UK.

In Northern Bank Ltd we have our own Money Talks project in partnership with Citizens Advice which is a flagship project in Northern Ireland, well known to the FSA and PFEG (Personal Finance in Education Group). We are not aware if this level of financial education is in place for the SME sector and it seems that the need for education in this case is primarily consumer and SME markets. SME education is more likely through individual banks and customer relationships but could be reinforced and supported by the appropriate trade bodies locally. Education and building confidence in alternatives for both individual consumers and SMEs will be crucial to managing change.

**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 Payments Council should co-ordinate/undertake media campaigns, press releases and articles in the popular press as well as working with consumer and corporate/business organisations and the Banks. There is opportunity to link to the FSA's UK Financial Capability Strategy - which is designed to support consumer capability. As the UK's financial watchdog and regulator, the FSA leads the national strategy in partnership with Government, the financial services industry, voluntary and community sector interest groups and the education sector and is a key stakeholder in the development of our Northern Bank financial literacy programmes. The National Strategy for Financial Capability vision of achievement is:

*"We share a vision of better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play a more active role in the market for financial services."*

In Northern Ireland, the Financial Capability Partnership was set up by the Consumer Council and the Financial Services Authority (FSA) and is a strategic coalition of organisations who are committed to financial capability in Northern Ireland. It is led by the Consumer Council and the FSA and brings together representatives from the public, private and voluntary sectors to act as a strategic focus for financial capability work being undertaken in Northern Ireland. Northern Bank Limited is part of this group. Importantly, education campaigns that need to build confidence and change popular thinking will often require more than promotional materials or press activity and may require significant involvement of trusted

community organizations, and 'hands-on' interactive opportunities to experience the available or appropriate alternatives.

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

A. A range of organizations and interest groups work together to address challenges relating to financial inclusion. The usual consumer and advice sector agencies, as well as those representing specific interest groups (for example the elderly or those with disabilities), and relevant trade bodies would be appropriate and relevant partners. The Consumer Council is a relevant stakeholder - with a specific interest in access to ATMs, use of basic bank accounts; together with Citizens Advice which has an interest in prevention and education as well as intervention in relation to debt and managing money.

We believe that the provision of basic bank accounts should be a mandatory requirement on financial institutions.

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

A. As above see Q37. The usual consumer and advice sector agencies, as well as those representing specific interest groups (for example the elderly or those with disabilities), and relevant trade bodies would be appropriate and relevant partners, together with the Post Office and Credit Unions. The Consumer Council is a relevant stakeholder - with a specific interest in access to ATMs, use of basic bank accounts; together with Citizens Advice which has an interest in prevention and education as well as intervention in relation to debt and managing money.

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

A. Security and fraud.

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

A. This should be a mandatory requirement. When measures against fraud are considered, cognizance must be taken of the need for fraud mitigants to be holistic in nature and sufficiently robust across industry, and where possible across borders to deter fraudsters.

**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?**

A. Customer authentication is by definition, of concern to anyone in the sector. The National Payments Plan should address ways for the sector to be able to identify customers at account opening as well as across the sector.

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

A. Yes. The sector is reliant on the authentication of remote transactions and on the trust of customers in payment systems. Minimum standards should be in place, which should not be technology specific but should be pan European or global.

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

A Yes; new technologies must be addressed if they enhance security, however there may be ethical/legal considerations. For example, in some countries it is illegal to store a person's fingerprint data. Additionally, various new technologies e.g. photographic (credit) cards, biometric ATMs etc have been developed, however they have not been taken up due to cost.

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

A Sharing of both positive and negative (often referred to as white and black) data is a must, however customer agreement is required for this to take place.  
This is not an issue for accounts opened since this became common practice (1980's), however no authorizations are held to share data on accounts opened pre this time.  
It has previously been suggested that a blanket dispensation to allow sharing of information would/could address this problem.  
Additionally the plan should encourage and support the wider sharing of fraud information by the continuation/establishment of appropriate forums, with the investigation of effective methods to deliver data sharing through technology.

**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?**

A. All parties must share responsibility for investigation and implementation of appropriate measures.

**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?**

A The Payments Council should assume this role.  
This should include increased levels of education, and emphasis on the fact that the cost of proactive prevention, if executed properly, can outweigh the potential cost of fraud losses. It is important that tougher sentences are given to those engaged in related crime.

**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?**

A. APACS has played a major role in the development of all international banking standards and it would be natural for the Council to continue and support this vital task of participating in international standards development.

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

A. National Payments Plan should support the international approved messaging standards rather than inventing and implementing proprietary standards.

**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?**

A. Consultants should be engaged to establish the mechanics of this exercise with all stakeholders engaged and bought into the process. The consultants would be aware of the various elements to be reviewed. However, the opportunity must also be taken to actively work to reduce the amount of cash in circulation due to the costs to all elements of society of the provision of cash.