

Issue for consultation	Post Office Limited (POL) response
<p>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?</p>	<p>Yes. Merchants and “cheque processing organizations” need clear direction and timescales. There is already a fragmented approach to exiting cheques on the high street and this risks becoming confusing to consumers, inconsistent for business and adding to financial exclusion. Additionally, the reduction in cheque volumes is leading to a higher cost per cheque given the element of fixed costs and there is the continuing issue of fraud. A coherent industry approach should encourage innovation for all consumers whereas fragmented abandonment of cheques by merchants’ risks adding to financial exclusion by alienating poorer consumers.</p>
<p>Q2 For which types of payment currently made by cheque do new alternatives need to be introduced?</p>	<p>The answer is clear for some types of payment, but a sub-question is needed here to ask “for which populations currently using cheques do new alternatives need to be introduced?”. The industry and consumer bodies need to fully understand the financial constraints and personal motives which currently cause certain consumers and businesses to insist on using cheques. However, in answer to the existing question 2:</p> <ul style="list-style-type: none"> Savings account transfers and deposits Bill payments Postal / telephone purchases requiring payment in advance Subscriptions Micro-payments P2P, P2B, and B2B Schools, clubs and charities.
<p>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</p>	<p>Yes but criteria/principles must be set for replacement payment methods, where necessary, and if these are not met then the clearing system should continue until such time as they are. Given the current fragmented approach to removal of cheques by certain parties then an earlier target date would be more appropriate particularly as removal of cheques has been successfully</p>

<p>acceptable alternatives to cheques have been developed)?</p>	<p>achieved in many other countries.</p>
<p>Q4 What sort of education of users is needed to support the migration away from cheques?</p>	<p>Firstly “Payment Service Providers” need to be educated on the needs and motives of existing cheque users and on the alternatives to cheques.</p> <p>Cheque users themselves could be educated through pre-emptive education, intervention at the point of sale and supportive challenge when renewing cheque books.</p> <p>Financial awareness topics in general studies syllabus at schools</p> <p>Intervention by banks when account holders request new cheque books – responses to positively explain the alternatives and industry plans, charges for cheque books could be considered</p> <p>Increase awareness of cheque fraud. This approach was used with the introduction of Chip and PIN to sell the benefits.</p> <p>Retailers/utilities etc payment slips to include constructive comments in the “how to pay” section</p> <p>Point of sale staff to positively intervene when customers pay by cheque</p> <p>Call centres of payees and banks to be scripted to educate callers</p> <p>This has got to be a collaborative effort involving FIs and major retailers. But this is also dependent on having viable alternatives to cheque particularly for the individuals that pay the plumber etc.</p>
<p>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?</p>	<p>Yes. Debit cards are now prevalent and they effectively double as cheque guarantee cards so all those that use the latter functionality should have access to debit card functionality.</p> <p>The review should consider views of merchants and cheque users and it should be designed to encourage migration. It should also include a health check against “Fate of Funds” to ensure it</p>

	<p>does not inadvertently lead to damage to consumers or payees (e.g. to avoid risk of more “red letters” terminating gas/electric etc to consumers or of payees unfairly being hit by more unpaid/bounced cheques).</p> <p>Fundamentally the review should clarify customer and bank motives on cards to help migrate “guaranteeable” amounts straight to payment by debit card. Consumers are probably driven by the “3 day cheque cycle” here and the personal cashflow advantage. If this motive can be addressed e.g. through payment terms or timing of purchase etc then this must be a big area for migrating cheques to card payments.</p> <p>The review should specifically consider payment for services separate to payment for goods. Where cheques bounce for some services it is possible (but can be costly) to cancel the payment, re-bill the customer and withdraw future services to encourage payment. For the purchase of goods, the customer walks away and the retailer finds it more difficult to encourage repayment. Cheque guarantee has probably been more critical to this latter population and the consultation statistics about only 12% of cardholders using cards to guarantee cheques should be broken down to analyse payment for utilities compared to payment for goods.</p>
<p>Q6 What other actions, if any, should there be in the National Payments Plan in relation to cheques?</p>	<p>Post implementation review of the “Fate of Funds” rules as adopted in November 2007. There is a risk, particularly in financial services, that organised crime will migrate to cheque deposit at points most “remote” from clearing sites to abuse the 4-6 window under T+2+4+6. There is also risk to banks that “genuine” customers with unexpected delay in bank credits could double their money (paying account + receiving account) if a deposit cheque bounces and dependent on how one defines “fraud” in the rules. Whilst T+2+4+6 has clear benefits it also risks discouraging deposit takers from accepting cheques and so may inadvertently accelerate the decline of cheques. This needs to be in scope of the National Payments Plan.</p>
<p>Q7 Do you agree that, as part of the National</p>	<p>Capture of the MICR line on cheques and bill counterfoils should enable paper to be removed</p>

<p>Payments Plan, there should be an objective review of the future of the paper credit clearing?</p>	<p>from the Clearing process. Electronic details could be transmitted directly to the receiver (as with Horizon) by secure means to both automate, and increase efficiency. Clearly, costs for all parties would need to be reviewed against expected trends on volumes of paper clearing items.</p> <p>Also, whilst we note that standardisation of account numbers has been rejected in the past (Section.3.9) it should be re-considered as part of helping the future of paper credit clearing.</p>
<p>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?</p>	<p>Cash is, and will probably remain, the preferred method of payment for consumers. It is not only a store of value but also fungible and easily exchanged. However, ‘instant’ methods of transfer – Contactless for example – will become more commonplace in the future and the impact of these needs to be considered.</p>
<p>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?</p>	<p>Yes. These have issues for customer use, retailer acceptance, administering mutilations and possibly most importantly for organized crime. Technology is possibly helping criminals as much as the payments industry. A close eye should be kept on the supply and quality of cash to maintain confidence in the note issuance process and stored value within notes.</p>
<p>Q10 What other actions, if any, should there be in the National Payments Plan in regard to cash?</p>	<p>Consider whether any new segmentation of monetary definitions is needed as “stores of money” and international boundaries for money move. In addressing supply, credit, counterfeiting etc, are additions needed to M0, M1 etc?</p>
<p>Q11 What improvements would lead to the greater take-up of direct debits by users?</p>	<p>No response.</p>
<p>Q12 Would you support the introduction of a time-limited guarantee for direct debits in place of the current unlimited guarantee?</p>	<p>Yes. This would be beneficial to the retailer as an adaptation of ‘Certainty of Fate’ for cheque clearing. It should bear in mind the costs of administering it and the risks to both consumers and payees of failures at the time of renewal.</p>

Q13 If so, what time limit do you think would be appropriate?	6 months – in-line with cheque validity.
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?	<p>Faster Payments transactions have an increased reference data field to improve the detail that is passed to a receiving account. It would be beneficial to have a ‘templated’ set of guidelines as to the extent and complexity of this transmitted data. Some fields may benefit from being automatically populated by a secure means to ensure completeness. Other points to consider:-</p> <ul style="list-style-type: none"> • Tight and publicly audited controls around the whole infrastructure • Intense consumer education on the “watermarks” of genuine sites and channels. Verify by Visa etc may be good but are not understood by many consumers who hence decline those sites and means of payment. • Sufficient reference information and validation feedback so that the consumer and the payment channel both know that they are dealing with genuine counterparts. • With Faster Payments a consumer might want feedback that confirms the account details they have entered are really for the rightful payee.
Q15 Are there any other enhancements you think should be made to direct credits?	Good communication about Faster Payments. Many bank customers have received “Fate of Funds” info as the usual stale “terms and conditions” update and torn it up. Engagement and awareness is a really difficult issue.
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?	Mobile top-ups are already available on ATMs but this has been a good example of how poor the industry is at implementing innovative solutions with clear consumer benefits. Scheme mandates need to be used effectively to speed this process up. There are many examples of other services which could be introduced (Oyster top-up, congestion charging, person to person payments) but an acquirer needs the certainty that all cardholders could use the service to ensure payback on any development costs.
Q17 Which other, if any, actions should there be in the National Payments Plan	Clarity on standards around multi application chip platforms.

<p>in relation to credit and debit cards and cash machines?</p>	<p>A clear position on the longevity of chip and PIN i.e. realistically when is the earliest that biometrics could be introduced at point of sale. The security of Credit and Debit card in ATM machines, in the light of the negative publicity with regard to phantom payments and the ability to put skimmers on the entry to the reader. Need to consider the future of fallback to magstripe. Should we switch it off and rely only on the chip?</p>
<p>Q18 What improvements should be made to the way in which payments in the wholesale markets are carried out?</p>	<p>CHAPS payments, whilst for same day value, are not always settled real time by the instigator's paying bank, and may only appear in the receiver's account at the end of the banking day. This could be viewed as intra-day 'float'. A move to real time would be welcomed.</p>
<p>Q19 What should the Payments Council do to ensure that users in the UK can take best advantage of SEPA?</p>	<p>TCF and education – supporting the FSA objectives of treating customers fairly, in this case by plain English communication of what SEPA is, what it can offer to consumers and merchants, and ensuring providers explain their charges clearly. The UK industry should be more pro-actively involved, both Acquirers and Merchants should be playing a more high profile role as decisions are being made in Europe which will affect all of us.</p>
<p>Q20 What issues does SEPA raise for your use of payments?</p>	<p>Our view is that Germany and France are leading the specification and requirements of future payments systems, when the systems are a reality it will be too late to object. E.g. German engineers with no banking or retail background are specifying the bulk file transmission from UK merchant to acquirer.</p>
<p>Q21 What improvements should be made to cross-border payments?</p>	<p>More protection for merchants who are currently obliged to take foreign mag cards despite them not being "chip and pin" and consequently being subject to organized crime attack. For instance we currently get liability shift protection for cards within our region that are not emv enabled, we need to agitate for that liability shift to be extended to all non chip cards.</p>
<p>Q22 What measures to enhance users'</p>	<p>Standardisation should be considered again. It would provide longer term benefits to</p>

<p>efficiency should be considered by the Payments Council?</p>	<p>consumers by reducing the burdens on merchants of catering for inconsistent account numbering etc.</p>
<p>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?</p>	<p>Development may be best left as is, but the Payments Council should encourage some core principles to ensure retailers don't end up having to invest in multiple pieces of kit and inconsistencies for them and consumers (as in the VHS/Betamax scenario). In the context of customer simplicity, the NPP goals of efficiency, excessive electronic waste (WEEE and customer confusion) it would help if a common platform could be developed.</p> <p>If the National Payments Plan is truly to address consumer payment then all methods have to be on its radar, even if it stays at arms reach from some.</p>
<p>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?</p>	<p>See answer to Q23.</p> <p>Ensure consumers have access to contactless technology, encourage the migration for lower value transactions, and work with issuers to ensure retailer charges are consistent with an efficient market</p> <p>Structured support for effective pilots and customer education. The contactless standards are now being driven by EMV since Mastercard handed their paypass specification to EMV early in 2007.</p> <p>The National Payments Plan has a very important role to play in managing merchant charges for facilitating the increase in revenue – the shift from cash to contactless will create for the card schemes and the acquirers. We would not wish to see a repeat of the Switch scenario, where card acceptance started at 3p per item and has now increased to 20 –40p per item.</p>
<p>Q25 What support, if any, can the National</p>	<p>Prepaid cards have the potential to reduce the use of cash and cheques, but there are inherent</p>

Payments Plan offer to the development of prepaid cards?	security risks with their use and the origin of funds used to ‘charge’ the card. The Plan should look to educate retailers on their use to give consumers confidence in their effectiveness
Q26 What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?	As with prepaid cards consumers will only migrate to mobile technologies once they have confidence in their security, accessibility and acceptability. The Plan should consider consumer education and retailer awareness and common standards. A risk here is that development driver is ‘telcos’ rather than Card schemes. It is difficult to visualise the telcos and finance coming together without initially using ‘trusted third parties’. Merchants with a wide geographical cover have an important role to play in enabling and maintaining the facility.
Q27 In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?	Yes but only to the extent of defining common standards.
Q28 What principal characteristics would users find attractive in a mobile payment service?	This requires research but we would suggest security, ease of use, speed, cheap and one standard across all networks.
Q29 What role do mobile phone payments potentially play in providing alternatives to traditional forms of payment?	At this stage such payments could be complementary to existing payments as this is an internet / telephone banking payment by other means. With the introduction of Faster Payments this could be used for person to person payments. Additionally, there could be a role to play in the vending market, which would then reduce the amount of coin in circulation.
Q30 What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?	Low value payments to start with to ease congestion and facilitate introduction.
Q31 Do you agree that the Payments Council should indicate support for the	Yes. If conducted as part of an end to end review of the supply chain, e-invoicing would be an essential ingredient for straight through processing. However, in practical terms, the cost of

<p>work of the European Commission Steering Committee on e-invoicing and associated activity, including the development of international standards that facilitate supply chain efficiency?</p>	<p>implementing such a system and agreeing a universal standard is challenging. Incorporating a payment channel in the supply chain process that can easily be updated for new payment methods will be a real step forward. Cross border payment standardisation, in particular SEPA and cross border direct debits should also be integrated in the payment channel options.</p>
<p>Q32 What role should the National Payments Plan play in moving this agenda forward?</p>	<p>They should be seen to have a more high profile role in European Commission committees with a broader representation from the individual members, as other countries are already doing. Without that we (UK) are likely to be backed into a corner.</p>
<p>Q33 What other actions should be included in the National Payments Plan?</p>	<p>No response</p>
<p>Q34 What other payment innovations requiring action at industry level should be considered by the Payments Council?</p>	<p>Web currencies and payment systems – whether real money (e.g. PayPal) or virtual money which seems now to be integrating into parts of the real money world. Consumers are actively spending and earning here. They are also at risk of organized crime, theft and ID fraud. Epayments should not be allowed to prosper outside the sphere of financial regulation.</p>
<p>Q35 What gaps are there in current financial educational initiatives in regard to payment matters?</p>	<p>Various comments regarding communication have been made in answer to other questions but a key weakness would be inclusion at some level in school general studies.</p>
<p>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?</p>	<p>Clear and simple information on charges, time to account being debited and consumer rights would be beneficial to enable informed decisions regarding method of payment.</p> <p>FSA, Financial Services Skills Council, Citizens Advice, social inclusion groups, Post Office.</p>
<p>Q37 What role can the Payments Council play in promoting financial inclusion?</p>	<p>By encouraging the use of basic bank accounts, Post Office Card Account and the introduction of reliable and ‘value-for-money’ means of transferring monies for the financially excluded and disadvantaged</p>

	<p>Understanding the payment mechanisms both available to and preferred by the “financially excluded” and those near to exclusion. Then understanding what is necessary for mutually acceptable arrangements to be set up between them and the banking sector. And monitoring adherence to those arrangements.</p>
<p>Q38 What other bodies should it work with to deliver this role?</p>	<p>FSA, Financial Services Skills Council, Citizens Advice, social inclusion groups, Post Office</p>
<p>Q39 What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?</p>	<p>Data security – security levels, adherence to them and transparency of their effectiveness. Currently there is a risk at both extremes – some standards which are potentially too onerous but equally cases where compliance with basic principles has been poor. This makes it difficult for both consumers and merchants to understand and trust the situation. Epayments, and mobile payments, have a huge potential for operating outside regulation as proven by PayPal.</p> <p>Secondly, section 1.1 of the consultation paper demonstrates an issue here. Various UK bodies are bound by the Board but the 2 dominant providers of cards are not, yet at the same time are able to set their own rules which UK merchants must meet. It appears contrary to the goals of the Council that players (and particularly such dominant players) can have “terms of business” which effectively become industry rules, yet are not bound by the rules of this Council.</p>
<p>Q40 How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?</p>	<p>Anti fraud measure should be a high priority as without control the payments industry could be undermined. However, there will always be some level of fraud and the Council needs to determine an acceptable level.</p> <p>There has to be more opportunities for merchants to be able to share information on bad debt and fraud, and the Council should facilitate forums and regulations that facilitate that exchange of information between the various organisations that have the information available. E.g. change of address, ‘bad’ addresses and merchant losses.</p>
<p>Q41 How can the National Payments Plan assist with issues of customer authentication? To what extent do these need to</p>	<p>The key role would be in standards across the industry and also ensuring compliance via the Schemes.</p>

be addressed across the payments sector?	As mentioned previously, the NPP should provide clarity on the longevity of current customer authentication methods. Card issuers should be forced into a shorter window i.e. 3-5 years not up to 15 as suggested by the card schemes.
Q42 Should minimum standards be introduced for authentication of remote transactions? If so, should a common measure of authentication be recommended/mandated?	This would facilitate the accelerated development of e commerce transactions. Yes two factor authentication as a minimum on remote payments.
Q43 How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?	See answer to Q34 and other answers in relation to customer authentication.
Q44 What actions, if any, should the National Payments Plan include in regard to data sharing?	See 41 above. There should be more robust facilitation and management of forums. To tackle organised crime effectively there must be data sharing from companies such as ‘third man’, cybersource’, Post Office, Companies House.
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?	Looking for access to negative financial data e.g. bad accounts, bad addresses, bad history
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?	Payments Council should take a wider view when communicating in this area and raise the profile of the impact on retailers.
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	The high level principles proposed seem appropriate. The Council should be represented on European and global forums as payment mechanisms transcend geographic borders. The Council should seek international agreement on the approaches to internet payment systems and “cross border” transactions.

<p>Council play in influencing international standards developments?</p>	
<p>Q48 What, in particular, should the National Payments Plan say about messaging standards?</p>	<p>The message is that messaging standards should be as interoperable as practicably possible, this is an instant where it is important that we are represented in the SEPA forums to ensure that there is true interoperability. Rather than being left with the results of the 'latest win' between France and Germany.</p>
<p>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?</p>	<p>Definitely. Visibility at a high level of processing, clearing and card acceptance costs can only improve market efficiency. Retailer bodies, such as the BRC, already collate such costs from their members in order to leverage benefits, and to lobby for efficient market pricing. But because the BRC has not had a seat at the table with card schemes they have not been able to influence pricing, they were only invited to participate in promoting the benefit of the introduction of chip. APACs have proven that they can play a valuable role in reconciling the interests of issuers, acquirers and card schemes. If the Payments Council accepts the same methodologies and approach they may be able to achieve similar success.</p> <p>Commentators should be consulted on the best way for sharing detail on costs without breaching commercial confidences.</p>