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National Payments Plan Consultation Response

Payments Council
4th Floor
Mercury House
Triton Court
14 Finsbury Square
London, EC2A 1LQ

Dear Mr Pomeroy,

Response to the Payments Council's Consultation on the National Payments Plan

The Electronic Money Association (EMA) welcomes the opportunity to respond to the Payments Council as part of its consultation process.

The EMA is the trade body representing electronic money issuers and payment service providers. EMA members offer payment services across Europe and are active in issue of prepaid cards and electronic money purses, payment acquiring, and money transmission services.

Our response answers only those questions with direct relevance to our members, and does not necessarily represent individual views of members.

Section 3 – Efficiency

3.4 Direct Debits

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

The EMA welcomes any changes to features of the Direct Debit scheme that lowers barriers to use. We agree that the introduction of a time limited guarantee will reduce the long term risk associated with Direct Debit origination.

However, a reduction in consumer protection could lead to an erosion of favourability and confidence in the scheme, and adversely affect take-up. In addition, the removal of an open-ended guarantee may introduce increased overheads for originators such as increased dispute handling costs that are as yet unquantified.

The EMA therefore supports the proposal in the consultation document that as a first step BACs undertake a full impact analysis of introducing a time-limited guarantee.



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

Aligning the time limit for the Direct Debit guarantee with the SEPA scheme and PSD requirements may bring operational benefits to Originators operating across Europe. However, national differences on PSD implementation may mean that a consistent guarantee period across Europe will not emerge.

The EMA's initial suggestion is that the guarantee should cover a period long enough to give continued consumer confidence in the scheme, for example 12 months. The NPP should seek to determine an optimal time limit based on the impact assessment discussed in our response to Q12.

3.8 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?

At present, there is generally a lack of awareness of SEPA amongst UK consumers and businesses. As more SEPA products become available in the marketplace, this acts as a barrier to use.

To enable users in the UK to take advantage of the new payment instruments, the Payments Council can play a key role in coordinating a communications programme on SEPA and its benefits.

Section 4 – Innovation

4.1 Contactless and Prepaid Cards

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?

In reference to the prepaid card sector, the EMA agrees that market development should be left to initiatives from individual payment service providers and the card schemes at this stage.

Given the stability of commercial and technical frameworks for cards and their acceptance infrastructures there is limited opportunity for industry-wide collaboration that could drive the prepaid card market.

However, the prepaid card market should not be permanently excluded from National Payments Plan. Instead its progress should be monitored and if necessary, future actions included in the NPP.



Section 5 – Other Issues

5.4 Fraud and Security

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 consistent approach to customer authentication across payment schemes could help consumers adapt to new security procedures. However, the cost of supporting additional customer authentication could also become an obstacle to some businesses accepting and using a payment scheme.

In consultation with all areas of the payments industry, the NPP could assess options for customer authentication against the fraud risks posed for different types of payment transactions. The results of this analysis would then shape appropriate actions for the NPP.

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

The EMA believes that it would be very difficult to define effective remote transaction authentication standards that apply to all financial service providers.

In a first instance a differentiation should be made between the use of authentication for accessing online banking and online payments.

Specifically on online payments, any initiatives should be aimed at promoting e-commerce while increasing the security of online transactions and consumer confidence. These objectives are not mutually exclusive.

Mandating common authentication techniques can:

- Impact the current business models of payment providers and,
- Stifle continued innovation that will seek to identify new methods/techniques to combat fraud that is targeting remote transactions,
- Put an excessive burden on the consumer who will in turn be deterred from making online transactions.

The issue of the security of online transactions should be approached in a holistic way looking at all the security and anti-fraud infrastructures and tools deployed by the industry to assure the highest level of security for their customers.

The EMA believes that the National Payments Plan should seek to facilitate co-operation and data sharing across the financial sector (see response to Q44) with a view to developing industry guidelines on authenticating different types of remote transactions.



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

The EMA shares the Payments Council's view that shared data is a critical element of fraud detection and prevention.

The number of payment providers is growing and will continue to do so. Inevitably, this means that there will be more opportunity for payment fraud. For this reason, the EMA believes that the National Payments Plan should aim to:

- Assess the feasibility of sharing fraud information across all sectors of the payments industry, including e-money issuers, and other payment institutions,
- Facilitate the establishment of suitable fora, processes, and standards to enable fraud data sharing between payment providers.

A coordinated payments sector approach will also lead to a streamlining of interaction with government agencies.

5.5 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?

The EMA supports the Payment Council's high-level principles for standards development as detailed in Section 5.5.

As the Payment Council appreciate, the impact of introducing and changing technical standards is significant to all stakeholders involved in the payments sector. We would therefore like to emphasize the importance of maintaining open channels of communication with all sections of the payments industry on standard developments.

Please address any questions or requests for further information on our response to me.

Finally, we look forward to reviewing the full National Payments Plan when it is published.

Yours sincerely,

Dr Thaer Sabri
Chief Executive
The Electronic Money Association