



Nationwide Building Society
Nationwide House
Pipers Way
Swindon SN38 1NW

Payment Systems Regulator

Payments Strategy Forum Review Team
25 The North Colonnade
Canary Wharf
London E14 5HS

(N.B. this response has been sent by email to: forum@psr.org.uk)

Dear Sir / Madam,

14 September 2016

Nationwide's response to the draft strategy for consultation: BEING RESPONSIVE TO USER NEEDS

Thank you for giving Nationwide the opportunity to respond to this consultation on the draft Strategy.

Nationwide is a member owned Payment Service Provider which is competing successfully and growing in the market through service and innovation. We actively support the work of the Payments Strategy Forum in encouraging more competition and innovation in order to provide better outcomes for end users.

In our responses to the consultation questions, we draw on our perspectives as a retail focused, customer centric leader in our field. The emphasis on consumer benefits is something we strongly identify with. We also recognise the value of a holistic concept of end user, including government, business and charities. We are fully engaged in the payments ecosystem and operate as both a direct and indirect member of payment systems. This informs our contribution on access to the market and we have a particular interest in helping shape the collective effort to create an effective model for collaborative development and delivery for payments in the UK.

We broadly support the initiatives suggested to address some of the current and future challenges around financial crime. At the same time we want to ensure the potential benefits of more data sharing are realised in a safe and compliant way. On the technical side, Nationwide is actively involved in the development of API Standards and takes a balanced, pragmatic view on the proposed new architecture for which the ongoing Business Case Evaluation work is vital, given the importance of service continuity and the scale of potential change.

Nationwide welcomes the inclusive nature of the PSF's approach to strategy development and its thematic focus on 'Being Responsive to User Needs'. We endorse the solutions in principle and call out the challenges that need to be addressed to make them come to life in an affordable and timely way. Below are some particular observations we have:

1. The prioritisation and sequencing of end user solutions

As it stands, the draft strategy presents some solutions that should quite rapidly yield a more accessible market to encourage more competitors to emerge, which we support. However, we're concerned about other solutions that more directly benefit end users, via payment innovations, which are presented as dependent on unproven architectural change which could be several years away.

We support the proposed solutions including 'Request to Pay', 'Assurance Data' and 'Enhanced Data'. Our main concern is balancing the real potential for short and medium term delivery via existing systems versus delaying for possibly richer services offered by very long term, and unproven, new architecture. There are incremental and progressive solutions that could yield the desired outcomes sooner, at least to a degree. These have to be assessed in the context of the long term strategy for payments architecture with the aim of formulating a roadmap of congruent development.

To inform this, we see real value in the Business Case Evaluation work now underway which analyses the extent to which the solutions in the draft Strategy can be realised on the basis of an evolving current state compared to a new Simplified Payments Platform architecture which may be centralised, or ultimately decentralised. This analysis is key to refining the Strategy and enabling its audience to consider the solutions with a more informed perspective.

Examples where more clarity is now emerging include the constraints of existing systems in relation to developments such as modern messaging standards which enable the higher levels of innovation for solutions relating to data. The Business Case Evaluation is also now looking more widely at the macroeconomic and societal benefits of the solutions and it is important these dimensions are included in the assessment. In this context, we support the proposal for deeper analysis of the Simplified Payments Platform over the next two years but reiterate the importance of tangible benefits for end users in the short term.

2. Shortfalls in the scope of the draft strategy

The PSF's process involved a Payments Community expressing detriments for which solutions are proposed. We feel throughout this process the following have been overlooked, or at least underplayed:

- Card payments: We feel a holistic strategy for payments in the UK should include more on cards, currently the most popular transaction type in retail banking. Card payments have positive and negative attributes across the payments value chain and for consumers there are benefits including certain types of protection and detriments such as 'dual messaging'.
- Government, corporates and charities: The draft Strategy could perhaps have called out more advantages for these types of end user. Ultimately, these would benefit the economy and its consumers across a range of services such as government payments supported by clear information or e-invoicing to improve cash flow for businesses.

3. Capacity and capability for change

The PSR is alert to the wider portfolio of change the industry is undertaking and aware of the feasibility and risk of loading further transformation. Many developments are closely related to payments, such as the Competition and Markets Authority's remedies and PSD2, others are more structural, such as ring-fencing. Nationwide would encourage a macro level risk assessment of the demand versus the supply for change and the possible opportunity costs if transformation compromises are made.

Established legacy players may face a different scale of transformational challenge compared to smaller organisations and new entrants here. We are also operating in a fluid governance environment in the payments industry. With these factors in mind, we are particularly interested in how we organise ourselves to deliver the changes envisaged by the Strategy.

4. Implementation mechanisms

The payments market no longer has its traditional collaborative development and transformation processes, centred on trade associations and Payment Service Operators (both of which are being reformed). Nationwide welcomes new and inclusive ways of working in the industry and is playing a positive lead. We endorse Payments UK's proposal for a Single Implementation Payments Entity and, through our interim chairmanship of the API Implementation Entity, we can see that it may be an early example of a 'customer' to such an entity. There are fundamental challenges, however, including fair and effective funding models.

5. Ongoing solution definition and evaluation

The draft strategy includes some proposals that would involve significant investment for their design and build, especially for larger incumbents with legacy systems. These include common, modern messaging standards and the Simplified Payments Platform. Therefore, we need to be very effective in:

- Solution Definition: This is important so we can identify the early opportunities as well as the dividing lines where valuable outcomes for end users need to wait for major architectural change.

- Business Case Evaluation: This is key to fully inform the progression of a draft Strategy to a roadmap of delivery for the UK payments industry

The ongoing dynamics of the market, including the many positive developments being stimulated through the PSF, present many opportunities to make payments better through increased competition and innovation. Nationwide will continue to contribute and help shape these changes and would encourage the PSF to refine its Strategy drawing on feedback and the informed perspectives emerging from the evaluation work now underway. This includes the important issue of how we organise ourselves to bring the Strategy to life for end users.

Yours faithfully,



PAUL HORLOCK
Head of Payments