

Agenda Item 2: Forum Away Day Output

Background

At the October Forum meeting it was agreed an additional planning session should be held in November. This session was held on the 13th November with the major focus a discussion on where detriments existed in the payments value chain. The three main objectives of the session were to:

1. Obtain a foundation document to underpin all work by the Forum and its working groups in which all detriments are clearly and thoroughly mapped
2. Allow all members of the Forum (regardless of their individual technical payments background) to reach a sufficient level of understanding of the issues and the interaction between the various layers of the payments value chain
3. Achieve buy-in by all members of the Forum to solving commonly understood and recognised detriments, ensuring all have a say in expressing and identifying their concerns about existing payment systems and their impact on their constituencies/types of organisation

Building on the output from the Payments Community event on the 17th September, Forum members present were invited to raise detriments that impacted their organisation or sector. The test for detriment finding being: *“if service user X wants to (enter the market) or (receive/make a payment), which barriers create friction or prevent them from pursuing their own interests/needs/business model?”*

This exercise identified a long list of detriments that were shared with all Forum members who were asked to comment on the list and propose any amendments or new detriments. Following feedback the Forum Secretariat has compiled a final list that can be found at Annex 1. We now consider this list as final and will serve as the foundation document to underpin the work of the Forum and its working groups.

Next steps

Each Working Group should now take ownership of the detriments allocated to them and ensure they are grouped, prioritised and assessed as part of their work plans, with progress reported back to the Forum. Any new detriments raised from this point forward will need to be considered by the Forum before any work is undertaken.

ACTION: Forum to note the final list of detriments and agree the next steps

Annex 1 – Final and base-lined list of detriments

Ends User Needs Working Group

Specific, individual detriments	Suggested categorisation
Poor flexibility or ease of use to control your push and pull payments	GREATER CONTROL
Difficulty in handling exceptions and failures caused by inability of end users to control payments	GREATER CONTROL
No real-time pull functionality	GREATER CONTROL
Existing payments mechanisms not keeping up with pace of change with work and living habits – for example Direct Debits	GREATER CONTROL
Account charges for bounced Direct Debits and unauthorised Direct Debits etc. affects the disadvantaged	GREATER CONTROL
Unlimited Direct Debit guarantee makes it difficult to provision for risk or acts as a barrier for non-Direct PSP's and end users to offer the service	GREATER CONTROL
Direct Debits are too rigid/lack transparency for customers with unpredictable incomes ; no control over exact dates or amounts; no part payments or flexibility causing exclusion from discounts and returned payment fees	GREATER CONTROL
Security measures have technical problems and are too complicated for consumers – this is leading to high rates of sale-abandonment	GREATER CONTROL
Lack of confirmation of receipt on Faster Payments	CUSTOMER ASSURANCE
Corporate service users would like to know where payments are at all times (if they are not real time) or if not have the ability to track payments at any time in the process	CUSTOMER ASSURANCE
No real-time balances causing financial detriment (overspending causing returned payments, fees)	CUSTOMER ASSURANCE
Investigation to solve issues around misdirected payments too complex	CUSTOMER ASSURANCE
Difficult to know who you are paying leads to misdirected payments and fraud	CUSTOMER ASSURANCE
Missing reference data causing misdirected payments/expensive in management of exceptions	CUSTOMER ASSURANCE
Data – limits on the extent of input and output data and no third party reporting	CUSTOMER ASSURANCE
Cost differentials between Chaps, Bacs and FPS (esp. for wholesale)	FINANCIAL CAPABILITY
Customer education – needed on channels	FINANCIAL CAPABILITY
Lack of transparency / clear information on types of payments (and products) for consumer to be able to select best choice with confidence	FINANCIAL CAPABILITY
Lack of confidence in shift to online and shift to digital – lack of trust increases costs, reduces engagement, slows move to non-cash ; excludes certain users	FINANCIAL CAPABILITY
Data acts as a barrier to getting products and services – lack of transparency	FINANCIAL CAPABILITY
Transparency of users for services in corporate space	FINANCIAL CAPABILITY
Limited access to Free-To Use ATMs in some areas (Rural, out of town estates) – challenge is often lack of commercial space	FINANCIAL CAPABILITY
Difficult to make electronic payments for the unbanked causing increased cost due to use of cash	FINANCIAL CAPABILITY
Risk appetite around fraud / AML excludes many vulnerable / 'non-standard' customers from access	FINANCIAL CAPABILITY
Access to products and services difficult for people who don't have 'standard' ID / Address or credit history causes exclusion and additional costs	FINANCIAL CAPABILITY
Lack of realistic alternative payments options other than cards available to merchants / retailers	RETAIL
Card scheme fines with no appeal process mandated onto merchants	RETAIL
International Payments for Retail and Corporate users sometimes hard to execute as UK Payment Systems not perfectly connected to international equivalents	RETAIL
Reconciliation costs and treasury management for businesses; also government reporting costs	OTHER
Inflexible collection accounts cause input errors and additional costs for customers and agency banks	OTHER

Simplifying Access to Markets Working Group

Specific, individual detriments	Suggested categorisation
Not enough direct PSPs	CHOICE / COMPETITION
Lack of commercially viable offers for indirect PSP's	CHOICE / COMPETITION
Consumers have little choice if they require a PSP with real-time FPS	CHOICE / COMPETITION
Existing sponsor banks can limit competition	CHOICE / COMPETITION
Lack of competition between Schemes	CHOICE / COMPETITION
No clear / transparent on-boarding process or requirements	CHOICE / COMPETITION
Difficult for PSP's to switch indirect access provider	CHOICE / COMPETITION
PSP's find it difficult to get access to direct PSP's in the UK and therefore access to payment systems	CHOICE / COMPETITION
Too many standards and too much complexity reducing front end simplicity and stifles innovation	COMMON STANDARDS AND RULES
Different rules and standards within EU to the UK	COMMON STANDARDS AND RULES
Range of standards could limit infrastructure competition	COMMON STANDARDS AND RULES
Difficulty in entering market because of complex rules	COMMON STANDARDS AND RULES
No real substitutability between payment systems in the event of system failure	COMMON STANDARDS AND RULES
Expensive for card issuer/acquirers to be direct members of card schemes	SCHEME GOVERNANCE
Scheme rules are too complex, therefore expensive to join or comply with	SCHEME GOVERNANCE
Indirect PSP's don't own the schemes so change and governance of schemes is driven by the big banks	SCHEME GOVERNANCE
Multiple schemes cause overheads for users /PSP's / Retailers	SCHEME GOVERNANCE
Cheque Imaging is an added scheme, risk this is reinforcing multiple operator model	SCHEME GOVERNANCE
Inability of non-Direct members of Schemes to influence rules	SCHEME GOVERNANCE
Difficulty in obtaining a BoE settlement account as a new direct participant	SCHEME GOVERNANCE
Third party providers (end users PSP's) can't initiate real time payments and access data as they have difficulty gaining access	THIRD PARTIES
Banks not good at innovating – external market should innovate	OTHER

Financial Crime, Data and Security Working Group

Specific, individual detriments	Suggested categorisation
Difficult for users to make international payments with respect to identity assurance as remitters and beneficiary details need to be checked for sanctions (payments filtering)	INTERNATIONAL
Card scheme rules need to be localised	INTERNATIONAL
The current decentralised KYC / Fraud / AML / sanctions model incurs high costs and makes compliance expensive for small indirect PSP's and end users	FRAUD / KYC / SMALL PSPs
Merchants have little information on fraud levels and no appeals process for card scheme fines	RETAIL
On-line security measures have technical problems and are too complicated for consumers – this is leading to high rates of sale-abandonment.	RETAIL
Unlimited Direct Debit Guarantee is open to fraud	SYSTEM VULNERABILITY
Consumer data is exposed to theft at multiple points along the value chain, leading to increased fraud costs.	SYSTEM VULNERABILITY

Horizon Scanning Working Group [NB: it is anticipated in addition to the below that the other three working groups will identify detriments from their list for the Horizon Scanning group to assess]

Specific, individual detriments	Suggested categorisation
Lack of communication and engagement between financial and non-financial firms makes e-invoicing less effective	E-INVOCING
Lack of a long term UK strategy for Blockchain could result in the UK missing an opportunity or the delivery of substandard Forum strategy	DIGITAL CURRENCIES
New models still rely on old central infrastructure as there is little competition or new entry at the scheme level	BACK END COMPETITION
Improving systems with incremental changes increases system complexity and risks of cyber-crime	RISK OF CHANGE
Lack of interoperability and common standards in the payments infrastructure reduces the ability for PSP's to innovate and of businesses to benefit from new payment options	ACCESS
Card scheme governance does not adequately represent merchants and can be inflexible when translating USA-based rules into rules for E.U. firms	GOVERNANCE

Account Number Portability and Switching

Specific, individual detriments	Suggested categorisation
End users can be reluctant to switch bank accounts due to costs / complexity of switching and / or changing their account number. This relates to individuals; SME's; corporates and government.	COSTS / COMPLEXITY