

Consultation title:

The Payment Strategy Forum – ‘Being Responsive to User Needs’ draft strategy for consultation

Representing:

Yorkshire Building Society

Address:

Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ

Declaration

I confirm that our response supplied with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked ‘Not for publication’.

Consultation Question 1

Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing?

Yes, agree that they have been captured.

Consultation Question 2

Do stakeholders agree with the financial capability principles?

Yes, agree.

How should these principles be implemented?

Should be implemented during the course of implementing other elements of the strategy.

How their implementation should be overseen and how should the industry be held to account?

Evidence that the principles have been applied should be produced and verified by independent consultants

Consultation Question 3

What benefits would you expect to accrue from these facilities (not necessarily just financial)?

Trust in payments, through improved reliability and more payment information, will be the biggest benefit delivered. This could increase financial inclusion.

Do you agree with the risks we outline? How should we address these risks? Are there further risks we should consider?

Yes agree with the risks of data privacy and data protection, however we also believe that the systems can be designed to ensure that they meet data security requirements, within the wider design principles.

Is there a business case for investing in solutions to address these needs and if not, how such an investment can be justified?

A financial business case is difficult to justify however we feel that as the users of payment systems we have a responsibility to ensure that they continue to develop and innovate. The changes described will provide opportunities to introduce new innovation that could be profitable for payment systems operators and/or PSPs.

Are there any other alternative solutions to meet the identified needs?

No

Is there anything else that the Forum should address that has not been considered?

No

Consultation Question 4

Is there a business case for investing in transitional solutions while the new payments architecture is being delivered and if not, can such an investment be justified?

Yes, the delivery of the new payments architecture will take time and it shouldn't stall the development of new propositions for customers in the meantime. However, we must ensure that we do not develop anything that we will ultimately throw away. While the technology may not be transferrable to the new payments architecture, the rules and functionality must remain the same.

Are there any viable technical solutions to deliver some of the consumer benefits early without compromising the longer term solutions recommended by the Forum?

Unknown

Consultation Question 5

Do you agree with our proposal regarding customer awareness and education? If not, please provide evidence to support your response.

Yes

Do you agree the delivery of these activities should be through an industry trade body? If so, which one would be most appropriate to take the lead role?

No clear preference at this stage however it is noted that Payments UK has acknowledged this PSF initiative as being aligned to their own 'World Class Payments' work - therefore they may be a suitable body.

Consultation Question 6

Do you agree with the establishment of guidelines for identity verification, authentication and risk assessment? If not, please provide evidence to support your response?

Yes, however a wider consultation should take place with full PSP/industry representation to ensure delivery of workable and effective standards and guidelines.

Consultation Question 7

Do you agree with our solution to develop a central data repository for shared data and a data analytics capability? If not, please provide evidence to support your response?

Yes, a central repository will make it easier in theory to (for example) track down/retrieve fraudulent payments and identify fraud rings. However, detailed requirement should be developed in conjunction with directly impacted industry representatives to ensure that solutions are workable.

Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

Yes, data protection is a key risk that would have to be very securely governed. If badly policed it could exacerbate financial crime vulnerability.

If any legislative change is required to deliver this solution, would such change be proportionate to the expected benefits?

Unknown - depends on the exact nature of the proposed solution and effectiveness.

Consultation Question 8

Do you agree with our solution for financial crime intelligence sharing? If not, please provide evidence to support your response?

Yes, this potentially offers a comprehensive, centralised view of data currently collated via separate initiatives (i.e. FFA, CIFAS). It is important that such a solution represents full industry participation in order that the data set is complete and comprehensive.

In what way does this solution improve financial inclusion? More generally, how should the intelligence sharing be used for the “public good”

Difficult to say at this stage, but in theory a comprehensive and centralised view should enable institutions to be able to pinpoint areas of threat more confidently and risk profile more effectively.

Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

Yes, there is a risk of duplication - information is already shared by institutions, some of it a legal requirement, therefore work should be undertaken to consolidate/integrate these as appropriate. There is the risk that some institutions will not be willing to partake in the scheme and that this will undermine the effectiveness of the whole initiative.

Do the benefits of financial crime intelligence sharing outweigh the new potential risks created?

Unable to say at this stage

Can this operate without changes to legislation? If not, what changes to legislation would be required to make this happen? If any legislative change is required, would such change be proportionate to the expected benefits?

Unknown at this stage - dependant on the exact nature of the solution and associated benefits.

What governance structure should be created to ensure secure and proper intelligence sharing?

Unknown at this stage, but commitment would need to be mandatory to work effectively, possibly governed by regulatory instrument or oversight function.

Consultation Question 9

Do you agree with the proposal to develop a Central KYC Utility? If not, please provide evidence to support your response?

The proposal would potentially deliver benefits in relation to ease of onboarding, for both the customer and financial institution. However, further clarity is required with regards where it places an institution in relation to the JMLSG concepts of reliance and outsourcing, i.e. exactly where

responsibility/liability lies. For example, what assurance could be given in relation to the timeliness and accuracy of the data?

Consultation Question 10

Do you agree with our solution for enhancing the quality of sanctions data? If not, please provide evidence to support your response?

Yes

Consultation Question 11

Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response

Yes, we agree that new PSPs should not be forced to establish a relationship with a competitor just to gain access to a sort code.

Consultation Question 12

Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response

Assume this question refers to access to settlement accounts. Agree with the proposals.

Consultation Question 13

Do you agree with the proposal regarding aggregator access models? If not, please provide evidence to support your response.

Yes

How can the development of more commercial and competitive access solutions like aggregators be encouraged to drive down costs and complexity for PSPs?

As the propositions offered by aggregators (eg access to payment systems and other value-added services) develop and more PSPs use their services, unit costs and connectivity complexity will be reduced.

Consultation Question 14

Do you agree with our proposal regarding Common Payment System Operator participation models and rules? If not, please provide evidence to support your response

Agreed

Consultation Question 15

Do you agree this proposal regarding establishing a single entity? If not, please provide evidence to support your response.

Yes, agree as long as the schemes retain the specialist resources that they need to operate effectively.

If you do not agree, how else could the benefits be achieved without consolidating PSO governance in the way described?

N/A

Consultation Question 16

Do you agree with the proposal to move the UK to a modern payments message standard? If not, please provide evidence to support your response

Yes and it needs to be made available to agency banks as well. Most sponsor banks do not use the native file formats with their agencies and a consistent approach to formatting will be key to ensuring that the aims of the single messaging standard are achieved.

Consultation Question 17

Do you agree with the proposal to develop indirect access liability guidance? If not, please provide evidence to support your response.

Agreed

What, in your view, would prevent this guidance being produced or having the desired impact?

Determining a liability model that both the Indirect Access Provider and PSP agree with could be difficult.

In your view, which entity or entities should lead on this?

No opinion

Consultation Question 18

Do you agree with the proposal for a co-ordinated approach to developing the various types of APIs? If not, please provide evidence to support your response?

No opinion.

What are the benefits of taking a co-ordinated approach to developing the various types of APIs? What might be the disadvantages of taking this approach?

No opinion.

How should the implementation approach be structured to optimise the outcomes?

No opinion.

Consultation Question 19

Do you agree with our proposal to create a Simplified Delivery Mechanism? If not, please provide evidence to support your response?

Agreed

Should the new consolidated entity be responsible for leading the development of the new rules/scheme or should a new body be given this responsibility?

It would make sense for the new consolidated entity to be responsible given their remit and their experience.

Could an existing scheme adapt to provide the Simplified Delivery Mechanism or should a new one be developed?

Unknown at this time, the full requirements must be defined before a decision can be made on this.

Would it be better for the processing and clearing functions of the simplified framework to be built on distributed architecture or a centralised infrastructure? Could there be a transition from a centralised structure to a distributed structure over time?

Unknown again, without knowing the full requirements a decision on the solution cannot be made.

Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding?

Yes but good planning will be essential to ensure that the work does not impact other payments-related initiatives.

Consultation Question 20

Do you agree that the existing arrangement of the payments system in the UK needs to change to support more competition and agility?

Yes, change is required to ensure that the differing payment systems are not in themselves a competitive aspect of the market, and that all PSPs have the same opportunity to access all the payment system to enable them to compete effectively for business

Will the package of proposals we suggest, the Simplified Payments Platform, deliver the benefits we have outlined? What alternatives could there be?

Agreed

Consultation Question 21

Do you agree with this proposed sequence of solutions and approach outlined to further clarify this?

Agreed

If not, what approach would you take to sequencing to bring forward the anticipated benefits, in particular for end users?

N/A

Consultation Question 22

What approach should be taken to deliver the implementation of the Forum's Strategy?

No opinion.

Who should oversee the implementation of the Forum's Strategy?

A party with the technical knowledge and understanding of the industry and proven experience of implementing change. The obvious choice would be Payments UK however the transition to the new financial services trade body could impact their ability to deliver such large scale change.

What economic model(s) would ensure delivery of the Strategy recommendations?

No opinion.

Consultation Question 23

Do you agree with the proposed approach for quantifying the potential costs and benefits of the proposed solutions?

No opinion.

Do you agree with the costs and benefits drivers outlined in this document?

No opinion.

We would appreciate any information on the potential costs and benefits you may have to assist our analysis.

No opinion.