

The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

Respondents basic details

Consultation title:	Being responsive to user needs
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Publication of Responses

In responding to this consultation, you are sharing your response with the members of the Payments Strategy Forum (Forum), evaluators appointed by the Forum and the Payment Systems Regulator Limited, ('the PSR' - which provides secretariat services to the Forum). The PSR accepts no liability or responsibility for the actions of the Forum members or evaluators in respect of the information supplied.

Unless you tell us otherwise the Forum will assume that you are happy for your response to be published and/or referred to in our Final Strategy Document. If you do not want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly 'Not for publication'.

Please check/tick this box if you do not want all or parts of your response to be published:

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with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.

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Response template

This response template is intended to help stakeholders in responding to the questions set out in our Draft strategy for consultation and in its Supporting Papers.

If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it. We will assume that all other information is suitable for publication.

Responses should be emailed to us at Forum@psr.org.uk in Word and PDF formats by no later than **14 September 2016**. Any questions about our consultation can also be sent to Forum@psr.org.uk.

Thank you in advance for your feedback.

QUESTIONS IN RELATION TO SECTION | RESPONDING TO CONSUMER AND BUSINESS NEEDS

Question 1: Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing?

TISA believe the needs identified are appropriate and relevant. The eventual solutions need to improve the speed and reduce the cost of all transactions while not compromising the security.

Question 2a: Do stakeholders agree with the financial capability principles?

TISA agree with the financial capability principles stated. We particularly agree that “educating the consumer” is not seen as the first and main answer to the problems – that is an “old world” mechanism to shift the blame and responsibility. Communication with end consumers is critical - the use of plain English, avoidance of jargon and acronyms, easily accessible information through a range of media, including face to face, will all facilitate effective understanding.

Question 2b: How should these principles be implemented?

The principles should be central to and articulated throughout all processes of identifying issues, design of solutions and delivery of end products. Details of the principles should be published and available to the public.

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Question 2c: How their implementation should be overseen and how should the industry be held to account?

Oversight of these principles being incorporated in the design, delivery and implementation of all payments services lies with the body/bodies responsible for governance during those various stages. TISA recommend that these principles form part of the evaluation criteria used by FSO when dealing with complaints.

Question 3a: What benefits would you expect to accrue from these solutions (not necessarily just financial)?

Request to pay – TISA agree that this provides a more customer-focussed approach, providing greater flexibility, more in line with modern lifestyles and income streams, providing transparency and control.

Assurance Data – Such data is likely to result in greater confidence and thereby greater use of electronic payment methods. Tracking of payments and time of transaction completion would offer great benefits in many and varied life situations, such as house purchase.

Enhanced Data – an important enhancement which will offer great benefits to both end customers and other sectors of Financial Services. A greater amount of data carried by electronic payment systems could encourage reduced use of cheques, greater take up of electronic payments and lead on to better service to end clients due to:

- quicker and more effective transfer times
- quicker payments of withdrawals
- quicker reconciliation of payments received and fewer errors as a result of incorrectly allocated monies
- fewer unbanked cheques which over time would reduce the amount of small, unclaimed assets within the financial services industry.

Question 3b: Do you agree with the risks we outline? How should we address these risks? Are there further risks we should consider?

Request to pay – TISA agree with the risk of additional layers of costs, as this will undoubtedly create challenges around the amount people pay and the timescales over which bills are paid.

Assurance Data – No risks identified

Enhanced Data – Data protection is the greatest risk, but this should be manageable.

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Question 3c: Is there a business case for investing in solutions to address these needs and if not, how such an investment can be justified?

Request to pay – There will be a small benefit in the reduction of costs created by unpaid direct debits which have to be investigated and re-submitted or alternative payment structures agreed and implemented, although this is unlikely to fully cover the costs of a Request to Pay structure.

All three potential solutions offer the less tangible, but highly desirable benefits such as greater confidence in the systems and lower use of more time-consuming payment structures such as the use of cheques and cash.

Question 3d: Are there any alternative solutions to meet the identified needs?

None identified.

Question 3e: Is there anything else that the Forum should address that has not been considered?

None identified.

Question 4a: 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?

No comment

Question 4b: Are there any viable technical solutions to deliver some of the consumer benefits early without compromising the longer term solutions recommended by the Forum?

No comment

QUESTIONS IN RELATION TO SECTION 6 | IMPROVING TRUST IN PAYMENTS

Question 5a: Do you agree with our proposal regarding customer awareness and education? If not, please provide evidence to support your response.

Agreed.

Question 5b: 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?

The risks are the same across both the payments and the investments sectors, and the need to inform consumers is paramount. This information needs to be provided in ways which are accessible, understandable, clear and easy to understand, with messages that are consistent whether it be in relation to cash, savings or investments.

TISA do not agree that an industry trade body is an appropriate organisation to be the main source of that information for consumers. Trade bodies are seen as representing the industry, rather than consumers, and may not be the obvious place for consumers to go. This type of activity would be more effective provided through a consumer organisation, working in close conjunction with the industry in preparation of the material. Material could then be made available from that consumer organisation as well as through the industry trade associations and from all providers across the whole financial services industry.

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. For customers who are not known to a provider there are barriers to opening a new product or to transfer their existing savings & investments to a new provider. Typically to open a new product or to transfer existing assets between product providers the consumer will have to provide a significant amount of personal data to satisfy current KYC and AML regulation (including 2 copies of recent utility bills, a copy of their passport (sometimes signed by a witness), a £1 cheque etc). This can be very burdensome for the consumer who then chooses not to open / transfer their asset to the new provider and this in turn leading to the loss of financial opportunity for the consumer. For the product provider involved there are both the real costs associated with additional manual processing and also the reputational cost associated with being perceived as a company that is difficult to do business with.

The current new account process is time consuming and sometimes frustrating for consumers – this can lead to consumers not opening the new account / transferring their business to new provider.

Similarly, when consumers are transferring to a new provider the process of opening a new account can become a barrier to making the transfer

Guidelines which are common and applicable to all organisations, accounts and products would enable technology to be introduced which would transform the experience of account opening, encourage greater engagement and encourage people to transfer accounts more easily.

Question 7a: 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?

No. TISA believe that such repositories, where all the data is held in one place, carry too great a risk, and would be unacceptable to the consumer. Technology is such (e.g. Blockchain or APIs) that data can be held across a number of places, with information being pulled together for specific enquiries for analytical or other purposes on an ad-hoc basis. We recommend that further research is conducted to establish an alternative proposal.

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Question 7b: Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

TISA believe that the risk to personal data is too great for a central repository to be the correct outcome.

Question 7c: If any legislative change is required to deliver this solution, would such change be proportionate to the expected benefits?

No comment as we do not support this proposal.

Question 8a: Do you agree with our solution for financial crime intelligence sharing? If not, please provide evidence to support your response?

We agree with this proposal.

Question 8b: In what way does this solution improve financial inclusion? More generally, how should the intelligence sharing be used for the “public good”?

TISA consider that more robust control and visibility around confirmed, suspected and attempted fraud will allow relaxation of barriers to those who currently do not pass the required levels of identity. This will in turn enable access to financial services by those who are currently outside the system.

Question 8c: Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

There are substantive risks, mainly around incorrect or inappropriate labelling of individuals. Tight governance is critical as is a quick and effective mechanism to correct mistakes.

Question 8d: Do the benefits of financial crime intelligence sharing outweigh the new potential risks created?

Yes. The benefits in preventing financial crime through data sharing are far greater than the risks which should be manageable.

Question 8e: 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?

We do not have the expertise to comment on this.

Question 8f: What governance structure should be created to ensure secure and proper intelligence sharing?

Further work needs to be undertaken once requirements have been identified in order to establish an appropriate structure of governance.

Question 9: Do you agree with the proposal to develop a Central KYC Utility? If not, please provide evidence to support your response?

As this is based on business customers, rather than individuals, a Central KYC Utility seems appropriate.

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

QUESTIONS IN RELATION TO SECTION 7 | SIMPLIFYING ACCESS TO PROMOTE COMPETITION

Question 11: Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response.

Yes. The current situation where new/potential players in the market are bound to work with existing PSPs who are a competitor cannot be an acceptable position.

Question 12: Do you agree with our proposal regarding access to settlement accounts? If not, please provide evidence to support your response.

Yes. Direct access will encourage competition and carry the potential to drive down costs as transactions would then be conducted on a direct basis rather than having to travel via multiple bodies.

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Question 13a: Do you agree with the proposal regarding aggregator access models? If not, please provide evidence to support your response?

Yes. The current situation where participants have to have multiple connectivity system is ineffective and expensive. Enabling such firms to use just one system of their own choice, with the confidence that their communications and transactions will be received by the appropriate counterparty regardless of the system they have chosen to use can do nothing other than drive forward choice, competition and innovation as new firms vie to compete in the aggregator market.

Question 13b: How can the development of more commercial and competitive access solutions like aggregators be encouraged to drive down costs and complexity for PSPs?

Development of commercial and competitive access solutions would drive down costs through the efficiencies created within the PSPs as well as competition within the PSO and Aggregator markets. Such a change meets many of the aims of the Forum – enabling new access routes would enable new suppliers to enter the market, and incorporate the principles of openness and transparency.

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.

Yes, absolutely. Such a model would enable more efficient operations in both time and cost, and encourage consistency in communications with customers. Additionally, it provides a simpler platform to enable new players into the market thus increasing the prospect for competition without the complexity of even more divergence in rules, requirements and terminology.

Question 15a: Do you agree this proposal regarding establishing a single entity? If not, please provide evidence to support your response.

Yes. Combining the current structures into one would enable the removal of duplication and inconsistencies, reducing costs and enabling consistency across the sector.

Question 15b: If you do not agree, how else could the benefits be achieved without consolidating PSO governance in the way described?

Not applicable

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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. Use of ISO20022 will enable access for new participants, interaction across multiple entities and multiple sectors. The development and use of common messaging is the critical starting point, but not in itself sufficient. Companies can all use the same messaging standards but, without overarching governance, may each interpret the data in different ways, making the messages useless (an example of this is the current situation within the Auto-Enrolment pensions world). Additionally, unless all parties are required to use just one messaging system (thus creating a monopoly and an uncompetitive environment – not an outcome we would see as acceptable), the varying messaging formats and systems used to carry the messages may not interoperate with each other and again, the benefits of an open, transparent and competitive environment will be lost. The proposed principle is indeed one we support, but there also needs to be a robust governance system to ensure it works in practice to achieve the optimum results, ensuring the formats and systems are fully interoperable (achievable through use of an API or other structures), and enabling multiple suppliers into the market who will then compete to offer different solutions, thus driving up innovation and, through market pressure, driving down costs.

The principles and requirements detailed in initiatives and Directives such as the Open Banking work, the CMA report and PSD2, all take us down a road of open, transparent services delivered through multiple providers giving choice & flexibility and enabling an increasing range of services which will ultimately pass through to the end consumer. The use of an open, international message standard is the starting point for enable this to happen.

In addition to this, the use of ISO20022 would enable interoperability with other sectors – for example the investments world when considering the movement of data and assets between providers (e.g. ISA transfers; pension transfers etc)

Question 17a: Do you agree with the proposal to develop indirect access liability guidance? If not, please provide evidence to support your response?

Yes. This is an important step to encourage better services and greater competition.

Question 17b: What, in your view, would prevent this guidance being produced or having the desired impact?

There appears to be a challenge in resolving the risk of costs involved in the event of something going wrong. Establishing very clear guidelines as to where liability lies and the process to be undertaken in the event of something going wrong is critical in helping Providers and PSPs to make themselves comfortable with the situation. A clear example of agreeing liability and this dispute resolution can be found within the TISA Exchange contracts. I would be happy to talk to the Forum about this.

Question 17c: In your view, which entity or entities should lead on this?

TISA feel that the new Banking Trade Association has a role to play here. However, the development, maintenance and governance structures may sit outside that Association.

QUESTIONS IN RELATION TO SECTION 8 | A NEW ARCHITECTURE FOR PAYMENTS

Question 18a: 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?

Yes. Most individual and business users experience payment services through their bank. There is much in the way of recommendation of using new technology and building new architectures but less about how this can be accessed by users. It is important that both existing and new services can be accessed in useful ways by end users and their chosen service suppliers. The open API approach here is good and deserves to receive close focus and a high priority as the resulting opportunities will benefit all.

Question 18b: 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?

If there is no co-ordinated approach, it is difficult to see how a cohesive system can evolve. Only by working in a joined-up manner can optimum efficiencies be achieved.

Question 18c: How should the implementation approach be structured to optimise the outcomes?

Those organisations who would be affected need to be involved from outset so that buy-in is obtained at the earliest stages and the required changes needed for implementation can be planned into their on-going business plans. It is also important that the organisations involved are those who are the largest players who will then be able to support the smaller ones when they become involved at the later stages. With the large players involved and committed to the process, the later stages become easier to manage.

Question 19a: Do you agree with our proposal to create a Simplified Delivery Mechanism? If not, please provide evidence to support your response?

Yes.

Question 19b: 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?

Yes, the new consolidated body would seem to be a pragmatic approach.

Question 19c: Could an existing scheme adapt to provide the Simplified Delivery Mechanism or should a new one be developed?

TISA do not have the technical insight into existing schemes to offer a view.

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Question 19d: 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?

A centralised infrastructure appears to be the simplest option, but not necessarily offering the best long term outcomes as it restricts choice, flexibility and innovation, retaining only the challenges which are already seen in high costs and lengthy delays in needing to meet requirements of all the different participants. A distributed structure would without doubt provide benefits in terms of competition, innovation, scalability, choice, swifter innovation, resilience and reduction of risk. TISA believe that these benefits far outweigh the challenges of creating such a structure. Introducing a new centralised structure now is highly unlikely to transition into a distributed structure in time as that would create multiple layers of duplicated costs.

Question 19e: Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding?

TISA do not have sufficient insight into other existing demands to offer a view.

Question 20a: Do you agree that the existing arrangement of the payments system in the UK needs to change to support more competition and agility?

Yes. The current system is bound up in closed networks; it is slow, cumbersome and resilient to change. The new world beckons where new technologies offer the opportunity to transform this critical, central plank of life in such a way that consumers can be offered systems and structures that match their expectations and experiences in other fields. Finance should not remain in the old world when the rest of life is ploughing ahead.

Question 20b: Will the package of proposals we suggest, the Simplified Payments Platform, deliver the benefits we have outlined? What alternatives could there be?

The challenges are great, the amount of change is substantial, but the opportunities the SPP offers are significant and appear to offer the chance to move the payments world ahead and indeed keep the UK at the centre of the global financial infrastructure.

QUESTIONS IN RELATION TO SECTION 9 | OUR STRATEGY IN SEQUENCE

Question 21a: Do you agree with this proposed sequence of solutions and approach outlined to further clarify this?

Yes

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Question 21b: If not, what approach would you take to sequencing to bring forward the anticipated benefits, in particular for end users?

Not applicable

QUESTIONS IN RELATION TO SECTION 10 | IMPLEMENTATION APPROACH

Question 22a: What approach should be taken to deliver the implementation of the Forum's Strategy?

This set of proposals lays out a far-reaching set of objectives which touch multiple participants at a varying number of points. Each area of change needs to involve expertise from the various organisations, who will be different for each area of work. Communication across all the varying parts is critical to ensure that inconsistencies and duplication are avoided. High level oversight needs to be regular and comprehensive, with a steady, clear sight of the end goal guiding the direction given to each of the underlying areas of change.

Question 22b: Who should oversee the implementation of the Forum's Strategy?

No comment

Question 22c: What economic model(s) would ensure delivery of the Strategy recommendations?

No comment

QUESTIONS IN RELATION TO SECTION 11 | COST BENEFIT ANALYSIS APPROACH

Question 23a: Do you agree with the proposed approach for quantifying the potential costs and benefits of the proposed solutions?

Yes – this seems a pragmatic method of operation.

Question 23b: Do you agree with the costs and benefits drivers outlined in this document?

Yes.

Question 23c: We would appreciate any information on the potential costs and benefits you may have to assist our analysis.

No comment