pay.uk

End User Council Annual Report

2018-2019

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Introduction from the Chair

This is the first report of the End User Advisory Council (EUAC) of Pay.UK. Our task is to advise and challenge on the end user interest in the work that Pay.UK does. We also make proactive recommendations to Pay.UK on issues that are likely to be of current and future significance.

Pay.UK is the UK's leading retail payments authority. Its aim is to enable a vibrant economy by delivering best in class payment infrastructure and standards for the benefit of consumers and businesses everywhere.

Every day, individuals and businesses use the services Pay.UK provides to get their salaries, pay their bills and make online and mobile banking payments. Pay.UK moves more than £7 trillion every year, through various types of payment.

We have defined end users as users of payments systems, including government, business, not-for-profit organisations, public services, consumers and citizens of all descriptions. We wanted EUAC members who could speak to the interests of all these different groups from experience and expertise, but we explicitly did not want people to come as representatives of specific organisations or groups of end users. We sought a wide variety of people for involvement when setting up the council, so that we had all the necessary expertise around the table. We also agreed to pursue involvement from fintechs that may be interested in creating services and products for end users.

This year we have been focused on three things:

1. Establishing the council and the way we will work;

2. Helping Pay.UK set itself up in a way that embeds a focus on end users into the business.

3. Advising on Pay.UK's work in payments, with particular focus on the New Payments Architecture[1] and new services.

I am pleased to report that the council is now well established. We have a broad membership with end users who can speak about everything from government as an end user of payments systems, big and small businesses and organisations, to consumers and citizens.

We have developed a clear sense of our role. We have privileged, early access to the thinking inside the organisation. Therefore we can influence proposals before they are tried out on wider groups of end users and their representatives. We also advise on how that wider engagement might be undertaken. The outcomes should be payment systems that better meet the needs of end users.

I am delighted to say that in this first year we have found Pay.UK willing to listen and to respond to the advice we have offered. This means we can say with some confidence that we have made a difference. We have helped Pay.UK to establish itself with a stronger end user focus as well as improve the shape of some of the early work the organisation has done.

I hope this report will give you clear sense of where we have had an impact and how that will improve things for end users, now and in the future. In particular, how we have influenced the way the organisation is engaging with end users, as well as how we have helped to shape payments services in the context of the New Payments Architecture.

Going forward, we are very keen to help the organisation think about what the future needs of end users might be. This will allow us to help Pay.UK to develop a payments infrastructure and ecology that is fit for that future. Not an easy task, but one the council now feels ready to tackle.

Anna Bradley
Chair, EUAC

[1] The New Payments Architecture (NPA) will be the biggest change to the way payments are processed in the UK since the 1960s. It will ensure payments are safe while also encouraging competitive innovation and unlocking new business opportunities in everything from smarter uses of banking and payment data through to new services. https://www.wearepay.uk/new-payments-architecture-programme/

2.
End User Advisory Council background

In 2016, the Payments Strategy Forum's[2] review of the payments industry drew the conclusion that end users must be the first consideration for any changes to retail payments in the UK. Prioritising end user needs was further underlined in the subsequent Payment System Operator Delivery Group[3] Report that recommended the establishment of one or more councils to represent the interests of end users and participants within the Pay.UK governance structure.

To this end Pay.UK established the End User Advisory Council (EUAC) and the Participants Advisory Council (PAC), which will collaborate with each other where appropriate.

A rigorous external recruitment process began in November 2017, which attracted a high number of applications. Following a review, Pay.UK hosted two mock council meetings in January 2018 to provide a view of how candidates would work together in practice and who should be invited to become members. This was followed by individual meetings with candidates. Throughout this process Pay.UK emphasised the idea that individuals should bring expertise from their working life and experience, but not seek to represent any particular group of end users, nor the organisations they came from.

It has been clear from the beginning that the role of the council is to operate at the more strategic level of the Pay.UK Board. The council expects Pay.UK to ensure that the end user interest is properly taken into account at every stage of their work and the council is happy to advise on how that might be achieved.

The first meeting took place in March 2018 with induction sessions focusing on payments and Pay.UK. As many of the members do not have a background in payments, further learning sessions have been run through the year.

Discussions have covered a range of areas that Pay.UK has requested the council's advice on as well as topics the council wants to talk about. The Chair and Chief Executive of Pay.UK

attend all meetings, ensuring a strong senior understanding of what is being discussed. The Chair of EUAC also presents a report from all meetings to the Board of Pay.UK to help inform their discussions. Regular private council sessions are also held to reflect on what the council has heard and what it wants to do next.

The council has developed a relationship with the PAC. Chairs of both councils have attended each other's meetings and have agreed to share reports for the Pay.UK Board with each other. Further interaction is planned for the future, particularly with regards to strategy.

Small businesses and businesses with poor connectivity need a voice when the payments landscape is changing so quickly. I hoped that my involvement with the EUAC would help shape future payments infrastructure with those important groups in mind.

Terry Jones, EUAC Member

We need to really challenge and make sure that all voices are heard, not just the biggest and loudest who may consider they have the greatest influence as a result.

Jo Oxley, EUAC Member

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[2] The Payments Strategy Forum (the Forum) was created to develop a strategy for payment systems in the United Kingdom. It published the Blueprint for the Future of UK Payments in July 2017. https://implementation.paymentsforum.uk/sites/default/files/Consultation%20Document.pdf

[3] The PSODG was an independently chaired body established by the Payment Systems Regulator (PSR) and the Bank in October 2016. It was set up to consider issues relating to the potential consolidation of the governance of three payment system operators (PSOs): Bacs Payment Schemes Ltd (BPSL), Cheque and Credit Clearing Company Limited (C&CCCL) and the Faster Payments Scheme Ltd (FPSL). The New Payment System Operator report was published in May 2017. https://www.psr.org.uk/sites/default/files/media/PDF/PSODG-Report-2017.pdf
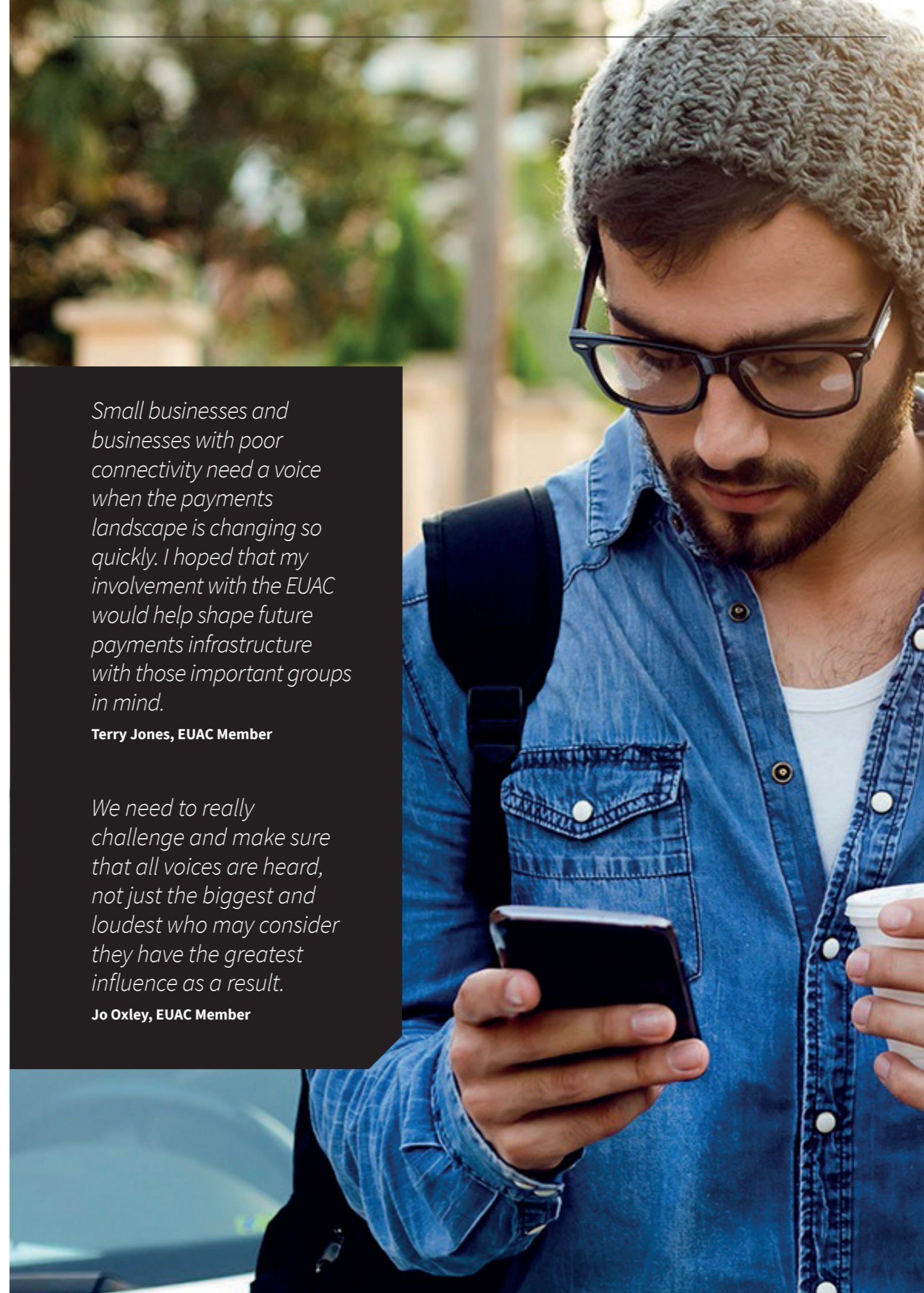
> *Work has started on the establishment of an ongoing, wide, evidence-based stakeholder engagement strategy. This will extend beyond the usual suspects, which links to Pay.UK's strategy, and EUAC has a clear role within that. It would be good to see this further embedded within Pay.UK's way of working so that it becomes second nature.*
>
> **Joanna Wootten, EUAC Member**

3. Strategic advice - the development of Pay.UK

Pay.UK has brought together three payment systems and four organisations in the last year. This presents an opportunity to re-think the shape of the organisation and its ways of working. The council has taken an interest in advising Pay.UK on some of these issues to embed end user thinking into the organisation from the outset.

a. Advising on the development of an end user engagement framework

One of six strategic objectives of Pay.UK is to remain end user focused in everything it does. This presents a challenge as Pay.UK does not have a readily available end user 'community' to liaise with in the way that it does with its participants.

End user stakeholders, such as trade bodies and consumer groups have very broad agendas and are not focused on payments services. This means that the time they have to devote to discussions with Pay.UK and their prior knowledge of payments will both be limited, which represents a challenge for the organisation.

The council advised Pay.UK that it needed to develop an end user engagement framework to help guide the organisation on when to and how to engage with end users. Following this recommendation, Pay.UK has been developing a framework in consultation with the council.

The council advised that the end user engagement framework should include at least the following:

- An approach to engaging with end user 'representative' or stakeholder organisations

- A pool of expert end user representatives who can contribute to working groups and other forums

- A research programme to inform Pay.UK's understanding of end user needs and wants, both now and in the future.

The council suggested that this needs to be an incremental programme that is built over time, taking every new opportunity to extend reach and build interest in payments issues. Pay.UK is now planning an end user engagement event for later in 2019.

The council has recommended that Pay.UK should commit to an evidence-based approach to understanding end user needs at both operational and strategic levels. The council also suggested that they could advise on the shape and interpretation of research.

b. Co-ordinating end user work across Pay.UK

One of the issues that the council highlighted to Pay.UK was that, while it was clear that people across the new organisation were focusing on end users, it was also evident that this focus needed to be better co-ordinated. In November 2018 the policy team proposed an approach to mapping and bringing together end user work. The proposal included the idea of end user champions and a cross-organisation programme to better synchronise the work across Pay.UK.

Pay.UK has now set up an End User Steering Group, which consists of representatives from across the organisation, to define this programme and the next steps required.

c. Recommending criteria across all corporate KPIs

To help ensure it delivers its six strategic objectives (as set out in the Payment System Operator Delivery Group Report), Pay.UK drafted a set of KPIs relevant to each objective. The draft KPIs that related to the strategic objective of Pay.UK being end user focused were brought to the council for its feedback.

The council advised that in order to meet this strategic objective, Pay.UK needed to consider end user measures across all KPIs. Members also advised that there needed to be more focus on end user outcomes rather than on process and activities.

Following this meeting and a similar discussion with the PAC, Pay.UK constructed a Design Checklist to guide the development of KPIs. This built on the feedback of both councils and includes a measure to consider end user needs and impact for every KPI.

d. Advising on Pay.UK's culture

The council has had several conversations with Pay.UK about how to create an end user focused culture. The organisation suggested that the council might be able to support this area of work by making themselves available to talk with colleagues about the council and its work. It was also suggested that Pay.UK colleagues make some visits to end user organisations to better understand their concerns. The council advised that end user focus should be built into personal objectives.

e. Advising on consumer protection

Consumer protection was an early theme of discussions, initially in the context of the variety of types and levels of consumer protection in the different payment schemes and then with regards to the development of the Request to Pay (RtP) and Confirmation of Payee (CoP) services (see section 4b).

The council advised that Pay.UK should develop a set of consumer protection principles that it could use to ensure a reasonable degree of consistency across payments schemes, with some minimum standards. Some initial thinking was undertaken and this has been developed through a project examining consumer protections in Faster Payments[4].

This project is being run in conjunction with UK Finance (the industry trade body) and two members of the council have been involved in an individual capacity in the project group. The work has also been reported back into the council.

A wider research piece that will form the next stage of this work [Consumer Protection Principles] will be really useful and its scope will be considered by EUAC to ensure it has the broadest focus. It is really useful to be working on a project that is pro-active rather than re-active, noting that we don't have a problem at present but ensuring that we anticipate trends that may need consideration in the future.

Scott Johnson, EUAC Member.

[4] Faster Payments is the only UK payment system available day and night, 365 days per year, supporting the demands of personal and business customers since its creation in 2008.

4.
Pay.UK
programmes

The council has provided advice to Pay.UK on the development of the New Payments Architecture (NPA) Programme as well as two new services (Request to Pay and Confirmation of Payee) that will address issues that end users often face. Request to Pay is intended to give end users more control over their payments including flexibility over how much, when and how they pay. Confirmation of Payee is intended to help end users have more confidence that they are paying the right person or organisation when making a new payment.

a. Improving end user influence in the New Payments Architecture (NPA) Programme

The NPA Programme will result in a complete overhaul of the UK's payments infrastructure and ecosystem and the way that payment services are delivered. This will involve significant IT development as well as new thinking about the standards that will be required to allow services to be developed and run on the new infrastructure to meet end user needs in payments.

The council has had several conversations with the NPA team about the new approach, including the way that end user needs will be considered at appropriate points. In particular the council has discussed the

various advisory groups that are being constructed to support the Programme.

The council has advised that some of these groups should have appropriate end user input, in addition to participants. The council also asked that Pay.UK considers whether there is enough involvement of fintechs and potential new service providers alongside involvement from the current service providers.

The council recommended that each advisory group should regularly challenge themselves to ask how end users would be impacted by the recommendations that they make.

The success of Pay.UK as a world-leading practitioner will come when its core offering is completely in alignment with customer and sectoral needs and expectations.

Gary McEwan, EUAC Member

> *A key challenge is enabling innovation whilst ensuring ongoing trust in the payments system.*
>
> **Joanna Wootten, EUAC Member**
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> *I've really enjoyed being involved in projects, like Request to Pay, where the EUAC was engaged, from the outset to help Pay.UK create a robust empirical basis for its work, and develop its user-focussed framework going forward.*
>
> **Claire Whyley, EUAC Member**

b. New services

i. Advising Pay.UK on Request to Pay stakeholder engagement

Request to Pay (RtP) will allow businesses and other organisations to 'request' payment for a bill. End users will then have a choice to pay in full, pay in part, ask for more time, communicate with the biller, or decline to make the payment.

The service will allow the end user to have flexibility with their payments to fit their financial circumstances. It should also benefit a wide range of billers, that can agree specific arrangements for payment, rather than having a payment rejected simply because there are inadequate funds available.

The project involves creating a standard for a secure messaging service (almost akin to email) that will allow end users to communicate about their payments.

Pay.UK sought views from the council on the development of RtP. The EUAC advised that there was a need to seek input from a wider range of stakeholders as well as re-engaging with those already consulted during the Payments Strategy Forum. As a result of the council feedback, Pay.UK commissioned Ipsos MORI to gather stakeholder feedback on the RtP proposition and understand more about how different users might use it as part of their business model.

The council also advised Pay.UK on how to engage with a wider group of end user interests to support broad adoption of the RtP standard. The council made a number of suggestions about the best ways to engage with business end users, particularly through trade bodies and regulators. These were followed up to build interest in the implementation of the RtP standards.

ii. Making recommendations on Confirmation of Payee

Confirmation of Payee (CoP) introduces an additional step in the process of making a payment to a new payee. This will help to alert end users to the possibility of sending a payment to an account where the name does not match, helping to prevent misdirected payments and some forms of fraud.

The CoP team presented their proposals for the design of the service to the council and sought their views. The council advised that the proposition should, in the event of a 'no match' or 'close match', ensure that end users were clearly encouraged to check the account details again before proceeding with the payment. The Council, also strongly advised that the proposal and alternatives should be tested in research before a service design was finalised.

An extensive research and consultation process with end user groups and stakeholders from across the industry was then established during 2018 to test and validate the CoP proposition. The research confirmed the concern raised by the council and the final proposition was substantially altered as a result. The subsequent research focus and the findings were published in the Pay.UK Confirmation of Payee Report, in October 2018.

> *One of the biggest challenges Pay.UK faces is understanding end users by engaging with them using modern, scalable and swift research and analysis methods – rather than relying on secondary research and opinions from membership and industry bodies.*
>
> **Louise Beaumont, EUAC Member**

5.
Looking ahead

This year the council has focused on helping Pay.UK build an end user focused organisation and deliver some of its early projects. That work is not yet complete, and many of the issues we have addressed this year will come back for further discussion. This will include ongoing advice on the NPA Programme and the development of the Pay.UK approach to standards.

In addition, the council is keen to move beyond addressing known end user detriments to identifying potential opportunities that will arise from the creation of Pay.UK and the NPA. A key part of this is finding space to think about what the future might look like for end users and begin to identify what part payments might play in this.

The EUAC and the PAC are enthusiastic to address some of these issues together and are planning a strategy session in the summer to start a discussion about the future. A further step might be to work with Pay.UK to find ways to enable conversations with end users about what the future might offer.

I am inspired by the diversity of thinking amongst the EUAC group and how discussions spiral upwards in quality through collective thinking.

Gary McEwan, EUAC Member

I would like to see the EUAC assisting Pay.UK so it can be really clear about what end user outcomes it is working towards.

Jane Vass, EUAC Member

End User Advisory Council Members

Anna Bradley – *Chair*

Anna is an independent non-executive Board member of Pay.UK and Chair of the End User Advisory Council. She has a background in regulation, policy and consumer advocacy across a variety of sectors. She is currently a Board member of Age UK, Chair of the Zurich Financial Independent Governance Committee, Chair of the Southern Water Customer Challenge Group, and Chair of the Solicitors Regulation Authority.

Louise Beaumont

Louise works with legislators and regulators to drive positive disruption, with corporates to cope with disruption, and with start-ups to exploit disruption. Louise is Co-Chair of techUK's Open Banking & Payments Working Group; an adviser to Bottomline, Yapily and Funding Options; and has board roles with start-ups including Signoi and Message Heard.

Michelle Highman

Michelle is the Chief Executive of The Money Charity, the UK's financial capability charity and is also a Trustee of GambleAware. She was a member of the Financial Inclusion Commission's Advisory Panel and a member of the London Institute of Banking & Finance's validation panel for their Post Graduate Certificate in Financial Capability.

Scott Johnson

Scott is the Chief Executive of Chas Smith Ltd, a construction company established in 1922. Previously he was the UK Commissioner for Employment & Skills, one of the UK Commission for Employment and Skills SME representatives and an advisor on the Small Business Council.

Terry Jones

Terry is the Director General of the NFU. Previously he worked for the Food & Drink Federation (FDF) as its Director of Communications and then as Director General at the Provision Trade Federation (PTF) looking after the interests of businesses involved in the UK bacon and dairy trade.

Gary McEwan

Gary is Professor of Entrepreneurship at the University of Dundee and CEO of Elevator UK, a social enterprise operating from 20 locations with its HQ in Aberdeen, Scotland. Gary has invested in, operated and developed businesses in diverse fields such as transport training, software, electronic manufacturing and business consultancy.

Rajay Naik

Rajay is Chief Executive Officer (Europe) of Keypath Education, a world-leading marketing and technology company. He was the leading architect of the Future Learn MOOC at the Open University and was one of five members on the Independent Review of Higher Education Funding and Student Finance chaired by Lord Browne.

Jo Oxley

Jo is Head of Government Banking and Assistant Paymaster General. She has over 20 years' experience working across both the private and public sector with particular strengths in change management, programme delivery and senior relationship management with particular interest and experience in the digital, payments, commercial and IT arena.

Jane Vass

Jane became Director of Policy and Research at Age UK in 2016, having joined Age UK's predecessor, Age Concern England as Financial Services Policy Adviser in 2006. She previously worked for the Consumers' Association, was a member of the Financial Services Consumer Panel and a Council Member for the Ombudsman for Estate Agents scheme.

Claire Whyley

Claire is a professional researcher and policy analyst, focusing on consumer behaviour and decision-making, consumer protection and consumer-focused regulation. She specialises in user-led, evidence-based and impact-focused policy development, across a range of markets, with a particular interest in vulnerable and excluded consumers.

Sian Williams

Sian is Director of the Financial Health Exchange at Toynbee Hall in London's East End, where she leads programmes aimed at making money work better for people. She was a member of the Payments Strategy Forum and chaired the End User Needs Working Group, including Request to Pay and Confirmation of Payee.

Joanna Wootten

Joanna is an age, disability and inclusion consultant, with a strong interest in older and disabled consumers. She is Chair of TfL's Independent Disability Advisory Group which gives input at strategic level, and has been embedded in the Sainsbury's customer experience team for over four years.

Ian Wright

Ian is Director General of the Food & Drink Federation. He previously spent 14 years with Diageo plc where he was the executive committee member responsible for its reputation. He also worked for Boots The Chemist, Mars Confectionery and Pillsbury. He received a CBE for political and public service in August 2015.

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