



End User Advisory Council Annual Report

2019-2020

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Introduction from the Chair



Welcome to the second annual report outlining the work of the End User Advisory Council (EUAC) of Pay.UK. Pay.UK is charged with bringing about improvements to the payments systems we all use every day. Our role is to advise Pay.UK on the risks and opportunities that might arise for end users.

First and very importantly, Pay.UK is in the process of developing a completely new approach to payments (known as the New Payments Architecture or NPA). We want to help Pay.UK ensure that this new approach delivers real benefits for end users, so we have been advising on the need to maintain focus on the likely outcomes for these end users. This is not as straightforward as it sounds, as much of the discussion is technical in nature. We have also been advising on how to involve end users and their representatives in thinking about this future.

As part of the design of this new system, Pay.UK will be setting standards that everyone who uses it must adopt. A key role for standards is to define what information gets sent with a payment. The standards for the NPA will allow extra information that can help both the sender and the recipient understand where the payment has come from, where it is going and what it is for. This could be very helpful for end users, especially businesses, so we have been advising on the ways in which this information could add most value.

Next, Pay.UK has a very important role as guardian of the payments

system, including some parts that they are not directly responsible for. This has raised a variety of issues for us about who is responsible for consumer protection across the payments system. We think getting this right is very important for end user trust and confidence, so it is something we keep returning to.

Finally, Pay.UK will have a role in encouraging payment providers (current and future) to use the new system to its full potential and, in particular, to meet end user needs. We think this is where some of the greatest benefits could come for end users, so we have been advising Pay.UK on how it can fulfil this 'market catalyst' role.

We have also been advising on some of Pay.UK's work programmes that are at a more advanced stage. In particular, on the implementation of Request to Pay and on the continuing development of the programme of end user engagement that supports all of Pay.UK's work.

During the year we became concerned that sometimes we were not engaged in discussions in a timely manner, with the result that the Pay.UK Board made decisions without the advantage of our input. One such instance concerned



What is the End User Advisory Council?

The End User Advisory Council's task is to advise and challenge Pay.UK to ensure it works in the interest of end users. It also makes proactive recommendations to Pay.UK on issues that are likely to be of current and future significance.

It has privileged, early insight into the thinking and proposals of Pay.UK, so is able to influence plans and ideas before they are tried out on wider groups of end users and their representatives. It also provides guidance and advice regarding how this wider engagement can and should be carried out. Ultimately, it is aiming to help Pay.UK ensure payment systems better meet the needs of end users.

industry discussions about consumer protection in an authorised push payment (APP) fraud. As a result, we issued our first ever advice note highlighting our views on the matter. All of these issues are covered in more detail in this report.

There is no doubt that Pay.UK listens carefully to what we say and takes our views into account in relation to the specific issues under discussion. However, we would like the advice we offer to have an impact more widely across all of the organisation's work, so that end user thinking is increasingly in the organisation's 'bloodstream'. While we want our views to be sought early enough to drive development of thinking,

we are also keen to ensure that our advice is available to the Board when they make key decisions about the future. This means establishing more of a rhythm to the work we all do, so that the advice of the EUAC, and our sister Participant Advisory Council (PAC), is built into decision-making arrangements. Over the next year we want to work with Pay.UK to embed the work we do throughout the organisation, and ensure the end user voice is always at the heart of any decision making.

We are also keen to work with the PAC on the longer-term future of payments. This year we held a joint session to talk about what the world of payments might look like in 2030, from an end

user perspective. Our joint contribution has been used by Pay.UK as it builds its future strategy. We hope to do more of this thinking about the future with the PAC during 2020.

Although emerging after the reporting period, I cannot end without mentioning Covid-19. Like everyone else, we will have to take stock during the year to examine the effect the pandemic has on the payments industry and this is likely to have an impact on our work in 2020 and beyond.

Anna Bradley
Chair, End User Advisory Council

Key points of discussion, advice and influence

Strategic advice: The New Payments Architecture

Pay.UK has been tasked with designing and delivering a new infrastructure that will process payments efficiently, safely and securely, whilst meeting the needs of end users now and in the future. However, the terms of the discussion about design and delivery are often technical and difficult to describe to end users. We have been helping Pay.UK to think about how to describe the NPA in ways that are meaningful to end users, as well as how to engage them and their representative bodies in discussions about whether and how well it will meet their needs.

Delivering better outcomes

As part of the work to design the NPA, Pay.UK developed a map of all relevant payments systems and identified those aspects that might go wrong or could be better for end users. They brought this map to us for review, along with proposed solutions and the timing of delivery for those solutions. Examples include: fear of error; identity fraud; not knowing what has happened to a payment; delay in processing; inadequate data with the payment to know what it is for or who it is from; and difficulty in cancelling Direct Debits.

We were pleased to see that this work had been undertaken and new issues identified. We advised that this

evaluation process needed to evolve on an ongoing basis, so that emerging detriments and opportunities were continuously identified as part of Pay.UK's work. We also encouraged Pay.UK to think about how the end user benefit of any implemented solutions would be measured.

Developing a better understanding of end users

We had previously discussed the best way to segment end users for the purposes of payments discussions. During 2019 new work was presented to us that segmented end users and created a variety of personas that could be used by Pay.UK to engage in a meaningful way.

We asked the NPA team to think about how it could develop a segmentation that was specific to payments. We also advised that any segmentation needed to make sense to end users, so it would be helpful to describe segments in a way that end users would describe themselves.

End user input to advisory groups

The NPA Programme established several advisory groups to provide support with design and delivery. We advised that there should be more representation from fintechs and the smaller banks. We also asked for end user involvement in groups concerned with data, Request to Pay and Confirmation of Payee.



Who are end users?

We have defined end users as users of payments systems, including government, businesses, not-for-profit organisations, public services, consumers and citizens of all descriptions. We also include fintechs that might be interested in creating services and products for end users.

Rules and standards for those using the NPA

Any participant that uses Pay.UK's infrastructure or services must abide by a set of obligations ('rules and standards') to ensure the infrastructure or services remain robust and resilient and deliver what end users need. Creation of the NPA presents an opportunity to redesign rules and standards so they conform to a new global standard called ISO 20022, which allows for much more information to be carried as part of a payment. This should help both payments providers and end users.

We advised that it was important to discuss rules and standards with end users and their representatives to

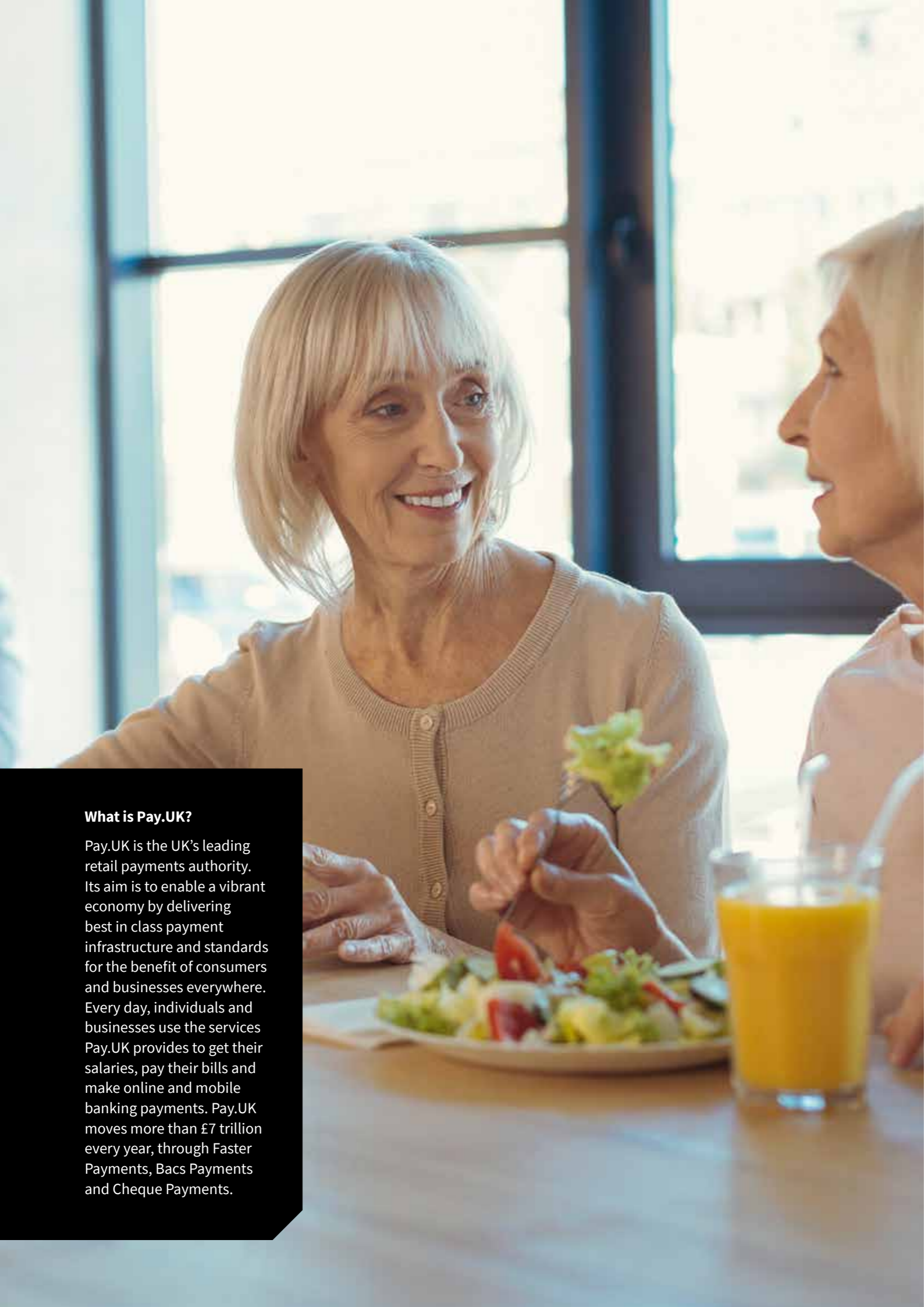
ensure that their needs are understood and delivered. Given the technical nature of standards, we advised that this kind of engagement would only be possible if standards were described in terms of the outcome they would deliver for end users. We pointed to research techniques employed in other industries to engage customers in complex issues. In addition, we requested that when impact assessments were carried out, end user impacts should be built into the work.

Scope consultation and end user outcomes

It has been more than two years since the Payments Strategy Forum's NPA Blueprint was published and, in 2019, Pay.UK decided to revisit

the project's scope in a consultation with participants, via a Participant Engagement Document.

We acknowledged the need for clarity around the scope of the NPA Programme but advised that Pay.UK needed to consider this work with an end user perspective in mind. So, we asked that the consultation responses be presented to us in a way that made clear the end user outcomes that would, or would no longer, be delivered.



What is Pay.UK?

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 Faster Payments, Bacs Payments and Cheque Payments.

Consumer protection when using the Faster Payment System for purchasing goods and services

During 2018 we took an interest in the inconsistency of consumer protection mechanisms across payments systems and, in particular, the absence of a solution within the Faster Payment System. We asked Pay.UK to review existing research to see what was known about end user understanding in this area. In early 2019 we discussed the results of this review and advised that there was a need for standalone research into consumer perceptions of protection.

During 2019, there was particular focus on consumer protection with regard to 'authorised push payment' (APP) scams. In an APP scam, a customer is tricked into authorising a payment into another account – which they believe to be a legitimate payee – but which turns out to be an account controlled by a criminal.

The prevalence of APP scams, alongside ongoing debate regarding how to finance a central fund to reimburse innocent victims of these scams, led to a rule change request from UK Finance on behalf of seven participants of the Faster Payment System. This proposed that Pay.UK

should make a change to the Faster Payment System's rules to allow a fund to be created to reimburse victims of APP fraud in 'no blame' situations (where neither the payer nor the payer's bank were at fault for the fraud taking place) through the introduction of a levy payable on each payment. Pay.UK issued a call for information in the autumn of 2019, but we were not able to discuss this until November, at which stage the Pay.UK Board decision on this rule change request had already been made.

We were disappointed not to have had the opportunity to discuss this proposal before this decision was

made. We were also frustrated that the proposal made by the industry had not been properly explored ahead of being proposed to Pay.UK, and that it was not supported by the whole industry. We decided to write to the Pay.UK Board to welcome the new initiative that Pay.UK proposed to take forward to find solutions to the problem, but also to express our concerns. We hoped that by doing this it would strengthen Pay.UK's position as it seeks to play its part to help find a solution to this issue. This formal 'advice note' is published with a response from the CEO of Pay.UK on the EUAC area of the Pay.UK website.



Developing the payments market

One of Pay.UK's roles is to operate as a market catalyst - identifying ways in which the payments market could develop to better meet end user needs, and encouraging and supporting that development in a variety of ways.

Pay.UK developed a framework for making decisions about where and how to operate as a market catalyst. We welcomed this approach as well as Pay.UK's commitment to transparency regarding the way it makes assessments about its market catalyst role. We advised that it was important to get ahead of the curve in a proactive way rather than waiting for regulatory action in areas

of detriment. We recommended that clear structures and processes should be put in place so that others could highlight opportunities and present potential detriments that needed to be considered by Pay.UK. We wanted these processes to be available to all third parties, including end users, but also fintechs and others that were working to find solutions to unmet needs.

Pay.UK programmes

Request to Pay

One of the key services being enabled by Pay.UK is Request to Pay (RtP).

RtP is designed as a new, flexible way for bills to be settled between people, organisations and businesses. It is intended to give end users more control over their payments, including flexibility over how, when and how much they pay. We discussed analysis of Pay.UK-commissioned research to test the market's reaction to RtP. The key themes of the research were clear: the benefits of RtP can only be realised if the service is accessible for businesses and consumers. Crucially, all end users need to be satisfied that there are appropriate protections in place to keep them as safe as possible.

We offered advice on some of the things that could be done to enhance trust and confidence in the new service, including: that the service name should be changed from Request to Pay to something that better reflects the advantages offered; and that there could be benefits in using a trustmark for RtP to help consumers more easily recognise legitimate RtP messages that they receive.

Working with end users and their representatives

Throughout the life of the EUAC there have been discussions about how to ensure that end users are involved in the work of Pay.UK in appropriate ways. During 2019 Pay.UK developed an end user engagement framework that included a new approach to building and maintaining a group of end user stakeholder representatives that can be engaged in Pay.UK work.

In 2019 the first End User Community event was held. This was an informal chance for payment system users to find out more about the work of the EUAC and how they could get involved in shaping the future of payment services. It also provided an opportunity for Pay.UK to build relationships as the first step of establishing a wider stakeholder group. The event was attended by charities, consumer bodies and businesses – ranging from small organisations to household-name businesses.

Since the event the User Community has become a valuable source of insight, providing feedback on projects including innovation, and helping to identify the payment-related challenges that end users can encounter.

During the year we also advised on a number of engagement activities around particular pieces of work. Common messages were:

- attracting and engaging end user bodies was going to require extra effort
- it is essential to give a compelling explanation of why the issues are important to end users
- material needs to be made more relevant and engaging for end users
- it is essential to play back the outcomes and benefits achieved for engagement to build an ongoing relationship with those involved in the discussions
- it is easier to engage end user bodies by going to meet them where they are already meeting, rather than asking them to come to the London location of Pay.UK.

End user insight

During the year we heard about the insight programme that Pay.UK has been developing. We advised that conducting regular end user research is vital to understanding what end users need and how best to improve services for them. Understanding research that others have done is helpful, but an over-reliance on secondary research is problematic because it is often conducted to serve the needs of the body that commissioned it and may not be easily read across Pay.UK's unique needs.

We recommended that research should take account of the many different types of end user and that it should be holistic in nature, rather than piecemeal. We encouraged Pay.UK to develop its expertise in

research approaches to become an intelligent buyer of modern and effective research methods, rather than relying on suppliers to bring forward innovative ideas.

Ensuring the EUAC is fit for purpose

At the end of 2019 we reviewed how effective we had been as an advisory council. We agreed that there was more that could and should be done to ensure that advice from the EUAC was available to the Pay.UK Board as

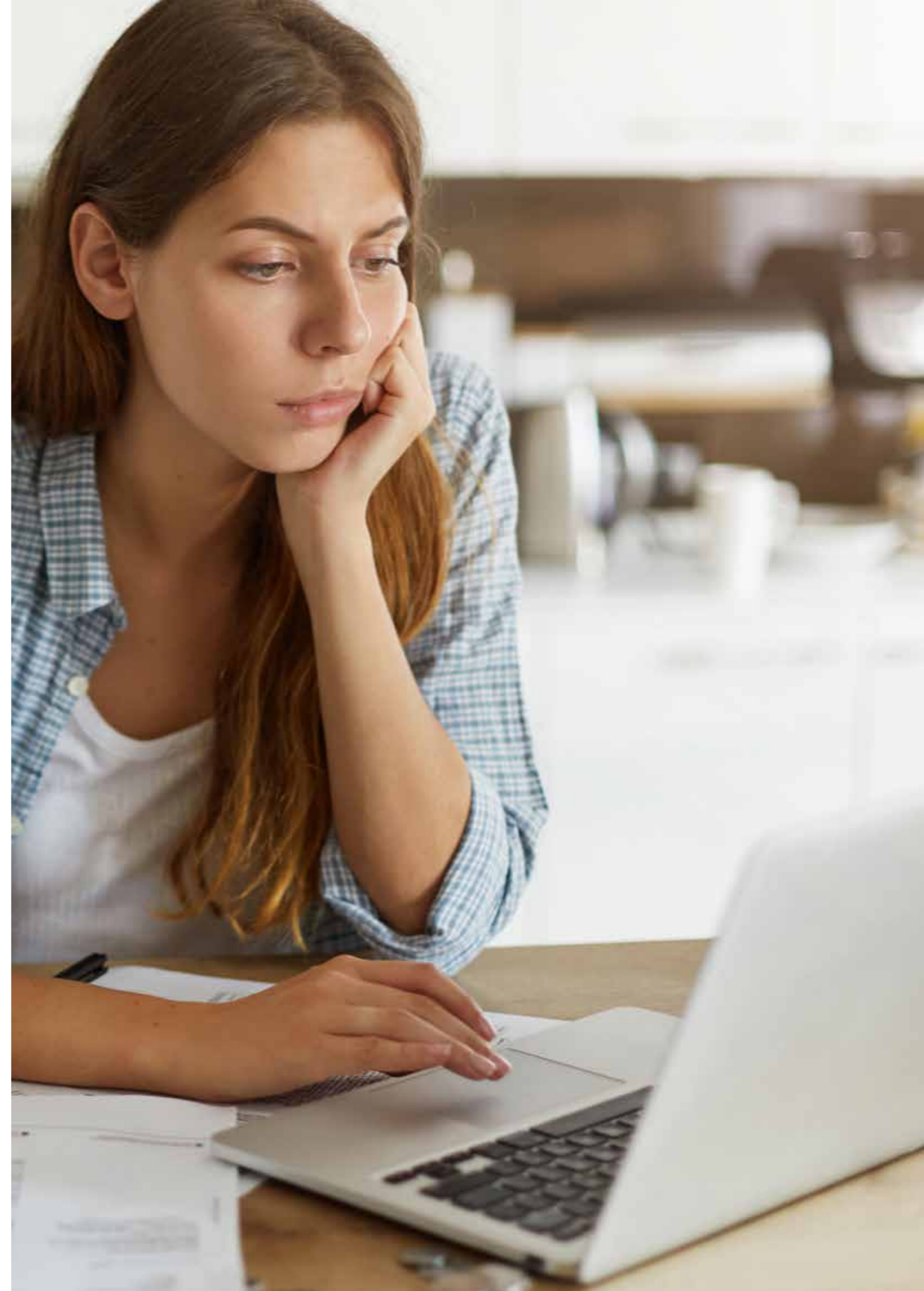
it takes key decisions. We asked for a better process that ensures the right things are discussed at the EUAC and that the rhythm of internal decision-making is better established.

Other work

During the year we spent some time with the Pay.UK staff who work on the various payments systems to familiarise ourselves with the business as usual work of the organisation. We also invited the chair of the Current Account Switch Service to talk to us about its work.

Finally, we received a presentation titled 'Access to cash research with consumers and small businesses',

from the international insight and strategy organisation, Britain Thinks. Commissioned by the Payment Systems Regulator, the research provided an in-depth look at the future of cash in the UK. We hope to do more of this together with the Participant Advisory Council in 2020.



Looking ahead – forward strategy for Pay.UK

The End User and Participant Advisory Councils held a joint session on strategy towards the end of 2019 focusing on what a set of possible ‘end user worlds’ might look like in 2030. Starting with some of the global trends in economic, social and digital environments, we talked about what these might mean for end users and how their payments needs might change. The two Councils are keen to continue to work together to develop this thinking as Pay.UK agrees its forward strategy.

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 also Chair of the Solicitors Regulation Authority and Chair of the Zurich Financial Independent Governance Committee.



Dr Louise Beaumont

Louise works with legislators and regulators to create disruption, with corporates to cope with disruption, and with start-ups to exploit disruption – with open and accessible data as the guiding principle. She works with legislators and regulators in her role chairing techUK’s Smart Data, Open Banking and Payments working groups, as a member of Pay.UK’s End User Advisory Council and, through these roles, works closely with Open Banking. She works with corporates to cope with disruption both in her advisory role to Bottomline and as a public speaker and commentator. She has invested in and holds board and advisory roles with Funding Options (fintech), Signoi (analytics) and Message Heard (podcasting).



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 and 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 National Farmers' Union. Previously he worked for the Food and Drink Federation as its Director of Communications and then as Director General at the Provision Trade Federation 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 was Director of Policy and Research at Age UK until March 2020, and is now an independent consumer consultant. She joined Age UK's predecessor, Age Concern, in 2006, having previously worked for the Consumers' Association and run her own consumer consultancy. Previous committee memberships include the Financial Services Consumer Panel.



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 – resigned on 30 November 2019

Ian is Director General of the Food and 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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