

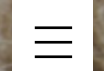
# End User Advisory Council Annual Report 2020



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# Introduction

# 1



# Introduction from the Chair



Welcome to the third annual report outlining the work of Pay.UK's End User Advisory Council.

Pay.UK is constantly looking for ways to change and improve the UK's retail payment systems for the benefit of people and businesses everywhere. Our role as the End User Advisory Council (EUAC) is to advise and support Pay.UK from an end user perspective, making sure it considers both risks and opportunities for everyone who uses their systems and services.

Over the last year, we have spent much of our time discussing plans for the procurement of the new system to support payments – the New Payments

Infrastructure (NPA). This has been possible only because of the privileged nature of the relationship that EUAC has with Pay.UK; this allows us to have access to confidential information and discussions as a critical friend operating within Pay.UK.

As a result, we have been able to offer the Board advice as it has begun a conversation with its regulators about the right way to move NPA forward. This has ensured that in addition to critical input from participants who will be using the new system, the Board has also heard about the risks and opportunities that relate to end users. We have encapsulated our advice in formal Advice Notes which have also been shared with regulators as they consider the issues.

We also continued to work on issues relating to the new standards that will apply to payments in the future. We helped Pay.UK to articulate the user benefits of adopting the new standards and so enabled a more fruitful conversation with end users and others who are not so close to the detail of payments.

Finally, on NPA we have worked with Pay.UK to elaborate the stakeholder engagement strategy that is required to ensure that end user views are played into all of the decisions taken in this critical

programme of work. Covid-19 has made it difficult to move this strategy into full implementation but we are hopeful that this work will bear fruit in 2021.

During this year we have begun to engage more directly with key authorities such as Her Majesty's Treasury (HMT) and the Payment Systems Regulator (PSR), as they have been thinking about the future of payments. This has helped EUAC understand the broader context for Pay.UK's work and, where appropriate, seek to influence the policy framing for payments.

We have, of course, also continued to engage with a variety of ongoing projects being taken forward by Pay.UK including Request to Pay and Confirmation of Payee.

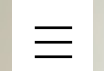
I am confident that we have made some important contributions to Pay.UK's work during the year. In addition to influencing payments policy and practice on behalf of end users, we have made some improvements to the way that EUAC works. In particular, we have established a better working rhythm with the Executive and the Board. I am grateful to the Pay.UK team for making this happen.

This year has of course been a difficult one for everyone, so I must say thank you to the EUAC members for bearing with a virtual mode of operation. I am delighted that we have been joined by Mark Loch who brings a wealth of experience from the retail end user perspective.

**Anna Bradley**  
Chair, End User Advisory Council

“ We have made some important contributions to Pay.UK's work during the year. In addition to influencing payments policy and practice on behalf of end users, we have made some improvements to the way that EUAC works.

*Pay.UK is constantly looking for ways to change and improve the UK's retail payment systems for the benefit of people and businesses everywhere.*



# Strategic advice

# 2





# New Payments Architecture

During 2020, Pay.UK began a critical conversation with the industry and regulators about the scope of and process for procuring the NPA. The commercially confidential nature of this conversation inevitably meant that it was not all in the public domain. EUAC was concerned that discussions should not just involve Pay.UK's newly-formed Strategic Participant Group (SPG)<sup>1</sup>, but should also take account of end user perspectives. We pointed to the privileged nature of EUAC's relationship with Pay.UK and asked for a discussion of these key issues in confidence.

This was embraced by Pay.UK and we began a series of conversations about the emerging proposals for procurement. Pay.UK and its SPG had looked at the aims for the NPA and together they had identified six 'NPA programme principles' which, taken as a set, would deliver the primary objective to "meet end users' needs more effectively, efficiently and inclusively, and to do so in a resilient way". EUAC offered advice about both the way these were described and the extent to which they addressed end user needs. We advocated removing technical terminology to help Pay.UK engage not just with end users, but also with those members of the industry who are less familiar with payments. We also asked for more emphasis on the benefit to end users and the need to support choice to meet varied end users needs.

<sup>1</sup> The SPG's role is to assist Pay.UK with decision-making processes by providing an industry view.

## NPA programme principles

Maintenance of a robust, resilient and scalable payments platform



Adoption of global standards (ISO 20022)



Development of a 'real-time payment capability'



Ensure there are lower barriers to entry and flexibility of access options



Deliver a safe and secure environment for all users



Any efficiencies should benefit participants and users



## New Payments Architecture continued

**What is the New Payments Architecture?**

The New Payments Architecture is the next generation payments platform. It will modernise the way payments happen, allowing people and businesses across the UK to transfer money to others whenever they need to, quickly, safely and cheaply. This means making payments, from paying salaries to settling bills, will become easier. Developed in collaboration with businesses from across the payments industry, with end user insight and supervised by Pay.UK's regulators, the NPA will be a cutting-edge, state-of-the-art payments processing platform. It will allow us to explore new technologies, unlock innovation and competition, and tackle existing problems in new ways for the benefit of people and businesses across the country.



**New Payments Architecture** continued

Our discussions culminated in an Advice Note to the Pay.UK Board in August 2020. In this note we made it clear that we agreed that there were advantages to foreshortening the competitive process. Especially, if this would mean the benefits of a new system were made available to end users more quickly. We also recognised that reducing the risk of transition from one system to another would contribute to maintaining the robustness and resilience of the system, which is critical for end users.

However, EUAC identified two risks for end users that required mitigation. First, a risk that the new proposed process for procurement might have detrimental consequences for either or both of pricing and service levels. This could mean that the quality and/or cost of payments to end users might be impacted. The second set of risks was around the development of the network of service providers that it is hoped will develop over the NPA. This 'ecosystem' is where the greatest benefit will be delivered for end users and it is critical that Pay.UK and its service provider are proactive in their focus on its development to meet end user needs.

The Advice Note identified a variety of tools and techniques that could be used to mitigate these two risks and EUAC offered to work with Pay.UK to help develop an end user-focused approach as the work developed. The Note was submitted to the PSR along with Pay.UK's submission and was subsequently published alongside the PSR consultation that followed.

Since then and during the PSR consultation on 'Delivery and Regulation of the New Payments Architecture' in February 2021, we continued the discussion with both Pay.UK and the PSR. In March 2021 we issued a second Advice Note on the issues for end users that flow from phasing the implementation of NPA. This Note agreed that a phased delivery approach makes sense from the end user perspective. But it called out the end user risk that some valued services might be lost unless mitigations were put in place. In particular EUAC advised that there is a need for a clear commitment and plan for minimising end user risk by ensuring that the new system delivers at least equivalent, and preferably improved services across the board.



## New Payments Architecture continued

**End user stakeholder engagement**

Later in 2020 Pay.UK asked for our advice about NPA stakeholder engagement discussions and planning. Given the significant impact this could have on end users we made a number of key recommendations, including:

- That Pay.UK reached beyond the EUAC membership, making sure to include those organisations that can represent different types of end users
- That Pay.UK should provide easier accessibility for stakeholders to promote engagement, including approaching them through existing communities
- That the NPA revised its objectives to reflect the significance of 'listening' to end users and used the correct mechanisms to receive end user input
- That, when discussing the third sector audience, Pay.UK clarified whether they meant the organisations themselves or the end users that they represent and interact with.

We also pointed Pay.UK to a gap analysis that identified which audiences it was not currently reaching and why, with reference to the original detriments that prompted the development of the NPA. We suggested this would help identify stakeholders and channels to help inform the strategy. We asked Pay.UK to consider virtual tools to engage stakeholders digitally and to look at ways to involve innovators, entrepreneurs and fintechs through the use of sandboxes at the appropriate time. Lastly, we recommended some third sector organisations to Pay.UK that would be happy to provide a variety of end user views on these important topics.

Following our feedback, we were pleased to see that Pay.UK created a revised NPA stakeholder engagement strategy, taking on board our recommendations and using the gap analysis to inform end user outcomes. Implementation of the strategy has been constrained by COVID-19 and we look forward to its implementation as we move out of lockdown.

# Standards – focusing on end user benefits

In 2020, as part of development of the NPA, Pay.UK consulted stakeholders on the recommended approach for the use of global standard ISO 20022, to help define standards for the NPA.

EUAC worked with Pay.UK prior to the consultation to help it describe the end user outcomes that would be delivered. We recommended a pragmatic approach to data collection that considered the balance between consumer requirements for data, and the data that businesses' automated systems could cope with.

A small group of EUAC members worked closely with the Pay.UK Standards team to discuss the case for data enhancements. We agreed an approach to consultation which used consumer, SME and charity use cases to help illustrate the benefits that the new standards could bring.

Working with the team we also advised on which end user representatives to engage with as part of the consultation. Throughout, we emphasised the use of jargon-free terminology to encourage accessibility.

In the final analysis the public consultation was severely limited by lockdown and so to help with end user input, EUAC members engaged individually with the Pay.UK Standards team to act as a proxy for other third parties.



# Consumer protections – Pay.UK consumer research

In 2020 Pay.UK published two pieces of research exploring consumer protections. The first publication, followed our 2019 discussions and a period of secondary research into the payments landscape and consumer protections, including looking at protections in other territories. Following this research, EUAC advised Pay.UK to undertake further primary research to explore the perceptions consumers held of payment protections and we supported the scoping of this work. The research focused on consumer understanding of the provisions and protections available to them when making payments, including the trust in, and uptake of, these protections. As a part of the next steps, EUAC supported the scoping of further policy work into consumer protections.

A number of our members were involved in Pay.UK's Consumer Protections Working Group which provided review and challenge into each step of the research. In the context of discussions about NPA scope, we emphasised the importance of finding solutions to delivering appropriate consumer protection for FPS transactions. Pay.UK has, as a result, increased its focus on these issues so they are a major part of its work in 2021.



# Request to Pay (RtP)



Pay.UK's Request to Pay service launched in 2020 after a successful pilot in 2019, during which seven organisations successfully built and tested repositories and apps with the help of Pay.UK documentation.

An example of the end user benefit delivered by RtP is that end users who do not currently use Direct Debit, because it is fixed in amount and timing, can still choose to make regular payments but in a more flexible way. RtP has been designed to work with cards, cash and the payments systems run by Pay.UK. From an end user perspective, this is very positive as more choice will mean the service is available to more people and businesses.

EUAC was due to support a vendor event in March 2020, as a way to stimulate the market, but, unfortunately, it could not go ahead due to Covid-19.



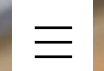
# Faster Payment System: transaction limit increase

In 2020 Pay.UK shared its plans with us to raise the transaction limit of the Faster Payment System from £250k to £1 million.

Pay.UK reported that the reason for the increase was because SMEs and corporates were splitting payments in excess of £250k, making reconciliation more difficult for businesses. We understood that participants would be able to apply and extend their individual transaction limits according to their own risk appetites within the £1 million boundary, offering more choice.

EUAC expressed some concern about the possible fraud implications as a result of this increase. We particularly considered the risks associated with the irreversible nature of payments made through the Faster Payment System, and our wider knowledge of the work Pay.UK was doing on consumer protections.

In light of this, we advised Pay.UK to investigate end user scenarios that could be affected by this change, and take steps to discuss consumer protection with relevant bodies. These scenarios included solicitors making greater use of the Faster Payment System to transfer money following the increase in the limit.



# End user insight

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In January 2020 we decided to take a more active role in how Pay.UK carries out its research. We created a research sub-group to discuss what research Pay.UK would need to do to better understand the needs of end users.

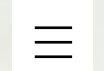
We advised Pay.UK carefully to consider the way it commissions research because we were concerned that it had depended too heavily on more conventional suppliers of research. We asked Pay.UK to expand its supplier list to include some agencies that focus particularly on end users and employ a wider variety of research approaches.

We also asked Pay.UK to develop a more sophisticated approach to gathering end user insights, by engaging with and partnering with a variety of other organisations that had existing sources of insight. We suggested that this network building would be supported by disseminating Pay.UK research results through the payments ecosystem and beyond.

Unfortunately, Pay.UK paused its first annual research plan due to Covid-19. Work has now started again. We have recently reviewed and agreed terms of reference for the EUAC research sub-group and held a meeting to discuss the plans for 2021.

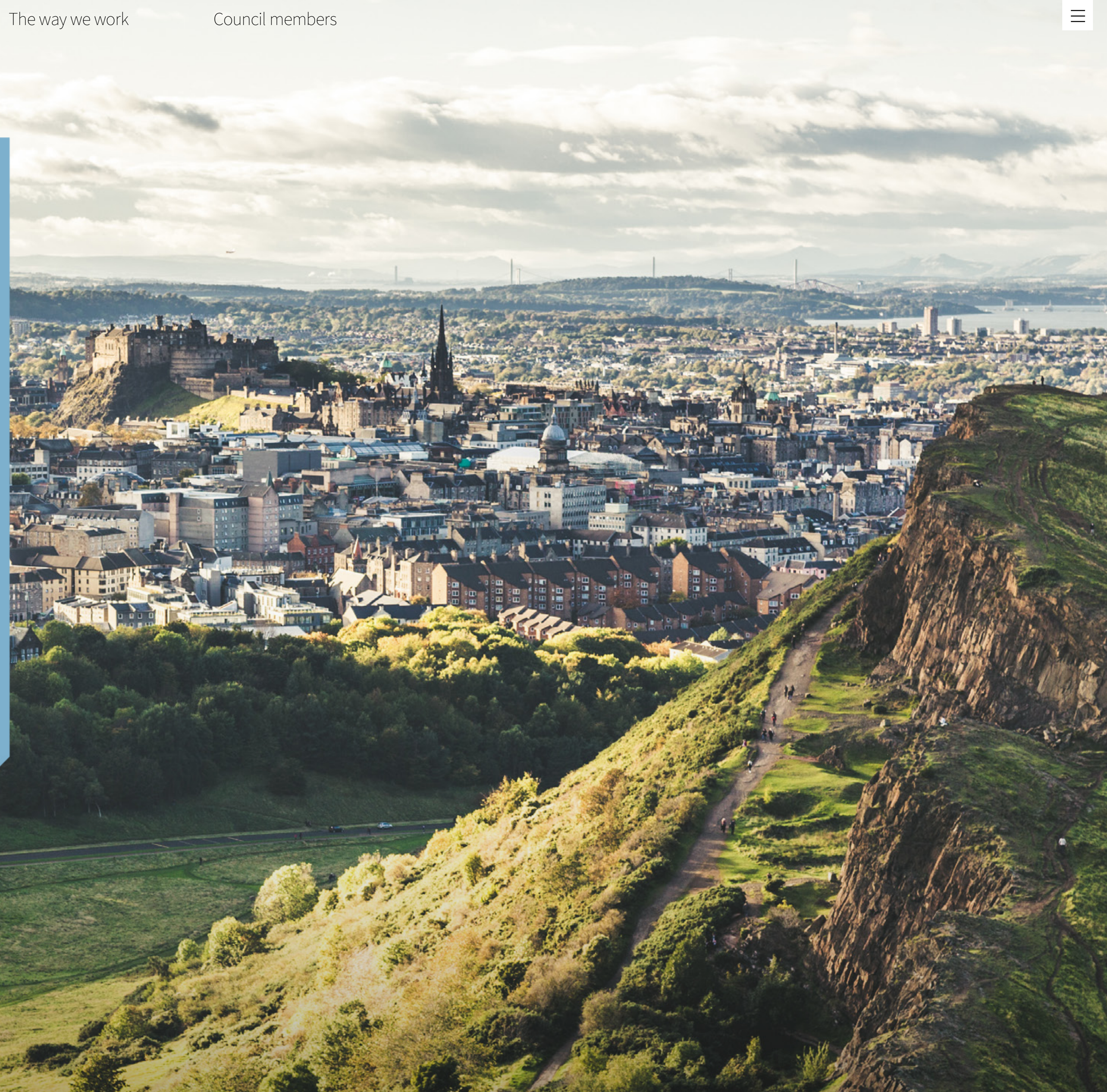


*Recognising the increasing cross-over between our work, one of EUAC's key objectives for 2020-21 was to work more closely with the Participant Advisory Council (PAC).*



# Strategic context

# 4



There has been considerable interest in the future of payments during 2020 and EUAC wanted to keep abreast of developments so we could understand how new policy might affect Pay.UK. As a consequence, we invited several external visitors to our meetings including Her Majesty's Treasury and the Payment Systems Regulator.

### Her Majesty's Treasury

HMT came to our September 2020 meeting to discuss its call for evidence for its Payments Landscape Review. The review was looking at stakeholders' views on whether HMT had met its objectives over the past ten years, and the gaps, risks and opportunities that it should address in the payments landscape in the future.

This meeting gave us the opportunity to provide our views on the role government and regulators should play in payments; APP scams; and cross-border payments. We proposed to HMT that a minimum level of consumer protection should be offered across all payment types, especially where no other payment choice was available. We suggested that regardless of whether a party was holding or transmitting money in the payments journey, we advised there should be compulsory insurance or a compensation scheme, similar to those used for rental deposits, which could reimburse or recover lost funds.

### Payment Systems Regulator

In December 2020 the PSR presented its future strategy to us, the first review since its creation in 2014, and an opportunity to incorporate the learnings from the past seven years. We also discussed the PSR's forthcoming Call for Views on the topic of consumer protection in interbank payments, which launched early in 2021. The PSR also visited our meeting to discuss the NPA scope consultation.



# The way we work

# 5



# Ensuring EUAC is fit for purpose

Recognising the increasing cross-over between our work, one of EUAC's key objectives for 2020-21 was to work more closely with the Participant Advisory Council (PAC). We agreed in 2020 to schedule both councils' meetings on the same day, to enable joint sessions that would add yet more value and insight.

During 2021, we held joint working group meetings in February and March to advise on Pay.UK's innovation vision and the need for a payments roadmap to support entrepreneurs across different sectors. Our members also reviewed the tests proposed to set the criteria to determine when and how Pay.UK should be involved in innovations work.

During 2021 we have also worked with the executive to streamline the arrangements for EUAC meetings and ensure that we are plugged into Board discussions at the appropriate time. This has created a new rhythm for our meetings which has paid dividends.

# Council members

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# End User Advisory Council members<sup>2</sup>



**Anna Bradley**  
Chair

Anna is an experienced Non-Executive Director and Chair. She has a background in regulation, policy and consumer advocacy across a variety of sectors. Anna is Pay.UK's Senior Independent Director, Chair of the Remuneration Committee and Chair of Pay.UK's End User Advisory Council. She is also currently Chair of the Solicitors Regulation Authority.



**Michelle Highman**  
EUAC Member

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 its Post Graduate Certificate in Financial Capability. Previously Michelle was instrumental in setting up the Consumer Financial Education Body and worked for 13 years at the Financial Services Authority and the Personal Investment Authority.



**Scott Johnson**  
EUAC Member

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 adviser on the Small Business Council. He conducted the 'Scott Johnson review of apprenticeships' in 2014. He is also a current member of the Government's Better Regulation Strategy Group.



**Terry Jones**  
EUAC Member

Terry is the Director General of the National Farmers Union, representing 47,000 farming businesses of all sizes across England and Wales. He is also the industry co-chair of the Food & Drink Sector Council, the formal industry partnership with Government which aims to create a more productive and sustainable food and drink sector. Terry has worked for a number of trade bodies including the Food and Drink Federation, Specialist Cheesemakers Association and the Provision Trade Federation.



**Mark Loch**  
EUAC Member

Mark is Group Payments and Money Services Director at Tesco Bank, responsible for delivering exceptional products and experiences for Tesco customers. Tesco is uniquely positioned to bridge customers' shopping lives and money lives and Mark is responsible for identifying and driving forward opportunities in this space. An expert in customer experience and digital transformation, Mark has experience across a number of organisations including Accenture, Barclays and IMG.



**Gary McEwan**  
EUAC Member

Gary is Chief Executive of Elevator UK, the largest private sector business support organisation in the country with its HQ in Aberdeen. Gary serves as Professor of Entrepreneurship at both the University of Dundee and the University of Aberdeen. In addition, Gary serves on the Council of The Prince's Trust and has a keen interest in the support of those who have experienced disadvantage. A former UK Entrepreneur of the year, he focuses on supporting those wishing to start or grow their SMEs.

<sup>2</sup> Louise Beaumont has taken 'leave of absence' during 2021 to support work inside Pay.UK on the new strategy.

## Council members continued



**Rajay Naik**  
EUAC Member

Rajay is Chief Executive Officer (Europe) of Keypath Education, a world-leading marketing and technology company. From 2010 to 2015, Rajay was a Director at The Open University where he was a leading architect of the FutureLearn MOOC platform. Prior to that he was one of five members on the Independent Review of Higher Education Funding and Student Finance chaired by Lord Browne.



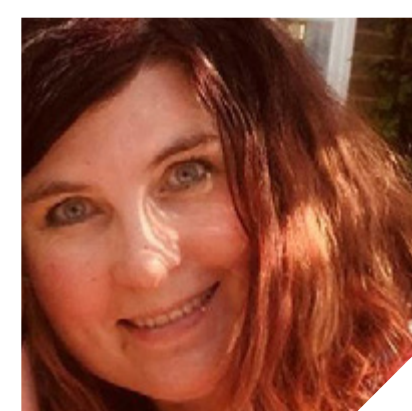
**Jo Oxley**  
EUAC Member

Jo is Head of Government Banking and Assistant Paymaster General. She has over 20 years' experience working across both the private and public sectors with strengths in change management, programme delivery and senior relationship management, with particular interest and experience in the digital, payments, commercial and IT arenas. A keen advocate of talent management, Jo actively mentors and coaches colleagues across government and brings with her an enthusiasm for change, continuous improvement and innovation.



**Jane Vass**  
EUAC Member

Jane is an independent consumer consultant with a special interest in ageing. Until March 2020, she was Director of Policy and Research at Age UK, 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. She is also a Governor of the Pensions Policy Institute. Jane received an OBE for her services to consumers of financial services in 2015.



**Claire Whyley**  
EUAC Member

Claire is a professional researcher and policy analyst, focusing on consumer behaviour and decision-making, consumer protection and consumer-focused regulation. She specialises in policy development with a particular interest in vulnerable and excluded consumers. Claire holds a number of non-executive roles including the Competition and Markets Authority Panel, Civil Aviation Authority Consumer Panel, the Advertising Advisory Committee and the Finance and Leasing Association Lending Code Board.



**Sian Williams**  
EUAC Member

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. Sian sits on a range of industry advisory groups, is a Financial Inclusion Commissioner, a member of the Payment Systems Regulator's Panel and is a trustee for the Money Advice Trust.



**Joanna Wootten**  
EUAC Member

Joanna is an age, disability and inclusion consultant, with a strong interest in older and disabled consumers. Before becoming a consultant, she was a director at Business Disability Forum. She is Chair of TfL's Independent Disability Advisory Group which gives strategic and practical advice. As a consultant, she was embedded in the Sainsbury's customer experience team for over six years, providing advice, conducting research, running focus groups and managing trials. She is a governor of Frank Barnes School for Deaf Children.





**Pay.UK Limited**

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