



Request to Pay

Exploring opportunities

Version | 01.2021



Contents

Overview

Challenges

1. Fraud prevention
2. Tackling persistent debt
3. Tackling the poverty premium

Opportunities

1. Value proposition for Small Medium Enterprises (SME)
2. A flexible payment solution for a changing world and workforce
3. New or enhanced product propositions
4. International capability

Mythbusting

New Payments Architecture



Overview

The participant pack is designed to demonstrate the value that offering Request to Pay can bring to banks and their customers. It uses a combination of third-party research, Pay.UK research and insight gathered from all parties within the Request to Pay ecosystem.

The participant pack has been created with the aim of supporting the business case for organisations to enable them to develop their Request to Pay propositions.

Challenge - Fraud prevention

With Authorised Push Payment (APP) fraud losses totalling more than £754 million in just the first half of 2021, equating to £2 million per day, it continues to be of the highest priority to the Payment Systems Regularor (PSR).

Request to Pay protects against APP fraud as it is a secure messaging system that is used prior to making a payment so the payer can make checks on the biller before they even make a payment. It does not require the customer to click on a link in a text/email.

APP fraud is a growing problem for consumers, who are continually targeted directly by fraudsters (particularly with click on a link email/text scams), as well as for organisations who have the additional reputational risk, and also the contingent liability for banks who are finding that they are having to pay out more in compensation.

Request to Pay is a framework that will help financial institutions to mitigate the cost of fraud and reputational risk.

Offered by their trusted banking provider, it will empower consumers with more information to make better payment decisions.

¹ See associated links reference page



“ Request to Pay is a smart solution offering consumers peace of mind because all requests come from verified sources. Each participant in the ecosystem has to pass stringent KYC [and AML] screening so that payers can rest assured they will not fall victim to malicious actors impersonating billers.

”

Challenge - Fraud prevention

While not being able to completely remove fraud, institutions and organisations offering Pay.UK's Request to Pay will be helping to prevent fraud by:

- providing the opportunity to review the request
- providing reassurance that the payment request has been authenticated via their bank
- starting a dialogue between payer and the biller so an informed decision can be made on how the payment is managed
- giving their customers a digital audit trail
- providing more information and therefore more control to better manage bill payments safely and securely

The PSR continues to look for new ways to reduce APP fraud and misdirected payments through improved prevention and wants “payments to work safely and securely for consumers including those people who may be vulnerable”.

The major banks and building societies have signed-up to The Take Five Charter as part of the nationwide campaign to help consumers protect themselves against preventable fraud.

Institutions taking active steps to prevent fraud, helps to mitigate against the cost posed to them by fraud scams and reputational risk.

- Pay.UK's Request to Pay is a secure messaging framework with the following measures to ensure payments can be made safely
 - It has inherent security via mTLS which provides a secure messaging channel and OAuth to users
 - Billers and payers have their own unique ID (a PID – primary identifier - like an email address) that will enable them to communicate and provide an audit trail for messaging

- It requires billers to be onboarded with Know Your Customer (KYC) requirements/protocols to receive payments and service providers require FCA authorisation before being able to offer Request to Pay as a service

- Consumers are able to vet billers before receiving incoming Request to Pay messages via a Pre-Authorisation Message (PAM)

- There is no requirement to click on a link from an unsecure email/text message

- Pay.UK is able to suspend and ultimately remove from the framework any organisation that is seen to be facilitating fraudulent activity

Challenge - Tackling persistent debt

The FCA advised firms that they must help customers who have been caught in a cycle of persistent debt for three years to resolve the situation, with estimated savings for consumers of up to £1.3billion a year in lower interest charges².

Request to Pay gives businesses an opportunity to demonstrate to the regulator that they are supporting customers who have been caught in a cycle of persistent debt.

- Request to Pay could be used as a lever to encourage more than the minimum payment on a credit card
- Customers who are financially vulnerable may not be able to pay by Direct Debit. Having options that give them better control and flexibility like Request to Pay is an alternative to Direct Debit
- Prevention is better than cure: Request to Pay can act as an early warning system, with banks able to use the data gathered via Request to Pay messages to see if customers are struggling to pay their bills and if necessary step in

² See associated links reference page

The VISA logo is displayed in its characteristic blue and white color scheme.

“ R2P enables financial inclusion and financial literacy by giving consumers more flexibility, security and simple, transparent money management capabilities. These benefits are especially important when considering the shift towards irregular working hours and the gig economy, all of which have accelerated in recent times. ”

Challenge - Tackling the poverty premium

People in poverty pay more for a range of essential utilities, financial products and other services, this is called the Poverty Premium: the extra costs of being poor. Poverty is a driver of the Poverty Premium, and the Poverty Premium is, in itself, a driver of poverty.

Request to Pay could be used to address this challenge:

- It offers customers more flexibility and control over how they manage their payments which may be more attractive and accessible to those who struggle with cash flow
- It also allows communication between the customer and the biller, which means the customer can ask for help or can make part payments to the biller and may help prevent customers getting into difficulty
- Request to Pay streamlines payment reconciliation for billers and banks by providing all the information needed to credit the account no matter the payment method that is used by the customer (pay by cash, cheque at the counter or via point of sale). This could potentially mean a cost reduction in bills can be passed on to customers
- Request to Pay can be used as a mechanism to offer cheaper ways to pay to those paying more for essential services while streamlining payment reconciliation and the costs associated with customer indebtedness.



“ Request to Pay presents a simpler, safer, more empowering way for individuals to pay bills on smartphones the place people like to manage their payments. For payment service providers looking to improve cash collection abilities and drive payment volumes, the use of pre-certified technology service providers such as ourselves makes RtP adoption simpler. ”

Opportunity - Value Proposition for Small Medium Enterprises (SME)

Request to Pay is a finance department in an app for SMEs and represents a valuable business opportunity for the banks who support them and process the £2.3 trillion turnover that SMEs generate³.

There are more than 6 million SMEs in the UK and the SME sector is growing.

The Federation for Small Business estimates that SMEs are owed on average £6,142³ as of 2016, mainly due to larger companies not paying on time.

Request to Pay allows SMEs to digitally manage incoming and outgoing payments whilst communicating with their customers and suppliers all from one place. This enables quicker invoice recovery which is key to cashflow and business security.

Request to Pay also enables the smaller biller to have automated due dates, a digital audit trail and a communication channel through which to chase payment, without the cost and hassle of issuing duplicate invoices.

Banks can offer their SME customers a new business management tool (within their existing business banking phone or web app), where they will benefit from the reduced reconciliation costs and gain enhanced brand confidence in being the trusted provider.

It is a win-win situation – for banks, SMEs and their customers.

³ See associated links reference page

sage

“ Innovation within SME payment processes has been sluggish and RtP presents an opportunity to address the lack real time payment status visibility and the significant manual admin across chasing and reconciling payments. With RtP comes a payment and provider agnostic solution that gives greater control over payments, improving cashflow management and allows real time payment status communication between payer and payee. ”

Opportunity - Value proposition for Small Medium Enterprises (SME)

Independent research commissioned by Pay.UK, showed that Request to Pay had the potential to generate £763m for banks, while saving their SME customers 40p per invoice processed⁴.

Offering Request to Pay as a business management tool to SMEs is a possible revenue stream for retail banks as well as reducing bank reconciliation costs associated with cash, cheque and misdirected payments

- A third of payments to small businesses are late
- 61% of small businesses are paid late by big businesses

- 79% of small businesses don't charge interest for overdue invoices
- The impact of paying small businesses on time could have a £2.5 billion annual boost to the UK economy⁴

⁴ See associated links reference page



Opportunity - Value proposition for Small Medium Enterprises (SME)

There are a range of specific SME customer benefits associated with Request to Pay:

- Gives SMEs full visibility and audit trail when issuing invoices and managing bill payments
- Cashflow management and forecasting are critical to businesses and SMEs can benefit from the control, flexibility and potential automation that Request to Pay offers
- SMEs do not always use Direct Debit as a preferred bill payment mechanism because of the unpredictable nature of many businesses and a need to manage and juggle payments in order to keep key suppliers happy. Request to Pay gives them additional control and flexibility as well as reassurance to their suppliers

- SMEs are increasingly targeted by push payment fraud so can benefit from the additional security and checks that come with Request to Pay
- Request to Pay can support better invoice recovery for small companies faced with the challenge of unpaid invoices particularly when dealing with larger companies.
- Request to Pay can provide the data needed to create dashboards that will give SMEs a better handle on where they are today
- One simple channel for all aspects of invoice and payment management

These are in addition to the wider end user benefits of fraud prevention, flexibility and control and commercial opportunities for banks to offer them new or enhanced products with a Request to Pay overlay.

A woman with dark hair and glasses is standing in a clothing store, holding a yellow measuring tape against her chest. She is wearing a dark green, textured cardigan over a black top. In the background, several coats are hanging on a rack, including a bright yellow one. The scene is brightly lit, typical of a retail environment.

Business case - A flexible payment solution *for a changing world and workforce*

How people choose to pay for goods and services is changing, moving away from physical cash and cheque payments, adopting more digital payment services. With increasing numbers of people choosing not to pay their bills at a fixed amount or fixed date, many simply wanting to have more control and flexibility about when and how much they pay.

How people work and get paid for that work is evolving rapidly, even more so as a result of the Covid19 pandemic, with consumers wanting more flexible payment solutions to meet the needs of a changing world.

The self-employed workforce represents 15% of the UK workforce⁵ and has a very broad demographic made up of Gig economy workers, permanent freelancers and contractors, micro-SMEs, and increasing numbers of well-educated, highly-qualified individuals whose income is composed of a variety of sources including pensions and retirement income.

Request to Pay provides consumers with flexibility and control to help them optimise their finances to suit their income and lifestyle, which is not available to them with existing payment solutions.

⁵ See associated links reference page



“ In the Instant Economy where providing payment choice and control are key drivers of customer experience and loyalty, we’re excited about the transformative potential of RtP as an innovative, cost-effective and easy to use collection method that will benefit and be available to both large corporates and SMEs. ”

Business case - A flexible payment solution *for a changing world and workforce*

By offering Request to Pay, banks are giving consumers a way to manage their payments and getting paid without the need to go into a branch or contact a call centre, while also giving banks (and banks customers) the ability to interact with them remotely at the point of sale.

Request to Pay gives consumers flexibility in how they can pay or be paid. Consumers can choose to:

- pay in full
- pay in part
- delay payment
- decline the request for payment
- raise a query about the payment

- A freelancer or contractor can choose to pay their utility bill, at the time, with an amount and payment method to suit them (NB: Request to Pay is payment agnostic and can be used in conjunction with cash, card, cheque or faster payment). The freelancer can also request payments and send their invoices using the one tool.
- A freelancer or a contractor can potentially request their salary in real time, e.g. a delivery driver could potentially send a Request to Pay message to their employer, as they make their deliveries, or an Uber driver as they complete each trip. Their employer is able to make the payment with a digital audit trail for reconciliation.
- A sofa can be purchased on the High Street, with a consumer's preferred payment method e.g. card with a Request to Pay Point of Sale (POS) message offering pay in part options as an alternative to other POS instalment/loan providers.

Opportunity - Selling additional, enhanced or new products

The Request to Pay framework will generate large volumes of data that will enable banks to reduce payment reconciliations costs, and provided they have customer permission, to gain insight which will enable new business opportunities.

New product development is time consuming and costly, therefore it is important to ensure that any investment offers up multiple opportunities to exploit it and maximise value from it.

Request to Pay includes the ability for biller account information and references to be automatically populated into the payment thus ensuring payments are not misdirected. This streamlines the reconciliation between payment and payer and reduces the reliance on the banks to reconcile large volumes of payments thus reducing bank costs.

Request to Pay will also enable banks to see both sides of customer transactions (subject to their customers consent), so not only the payment but also the related bill, thus providing the banks with greater understanding of customer behaviour and the opportunity to offer their customer an alternative solution at the point of sale or ahead of an annual renewal.

A good example of this could be where a customer has bought travel insurance, the bank can now see the transaction for their customer and if they have consented, offer them an alternative for the insurance renewal.

exela
TECHNOLOGIES

“ In most cases we see that the billing and payments processes are disconnected. Request to Pay digitally connects billings and payments, enhanced with richer data, which will drive simplicity and efficiencies in the Order to Cash and Procure to Pay lifecycles. Furthermore, RtP facilitates account to account transfers via real time payments - the fastest, most reliable, and lowest-cost payment method.

Request to Pay opens up infinite possibilities for new products and services. The network of data points generated via the open RtP system creates opportunities such as dynamic discounting, data aggregation services, liquidity solutions, short-term trading and more. The ubiquity of the solution, and its capabilities creates a fertile ground for new innovations and enhancements to take root and grow. ”

Opportunity - Selling additional, enhanced or new products

Interactive Advance Notification (IAN)

In collaboration with Bacs, the development of this message type allows a Direct Debit advance notice to be delivered using the Request to Pay framework. The IAN messaging type opens another channel of communication between the payer and the biller allowing them to interact with the Direct Debit advance notice. The payer can request that the Direct Debit be taken on another day that is offered by the biller. A dialogue can also be started within the IAN as well which keeps a record within one channel. This is different to existing advance notifications in that they don't allow any interaction between the biller and the payer.

Overpayment

The development of this message type is also underway: this will enable consumers to make charity donations or give gratuities at a restaurant. Banks could use the overpayment message type to allow customers to overpay a loan or a mortgage or make more than the minimum payment on a credit card bill.

Shop now buy later

The high street and internet shopping are also seeing an increase in shop now pay later options to enable customers to spread the cost of payment. Banks could potentially use Request to Pay to offer the shop now pay later option to their customers. This could also lead to the creation of a Request to Pay credit card type account which has the customer benefits of a credit card and the merchant benefits of payment in near real time without the interchange fees associated with credit cards.

Point of Sale (POS)

Development of an online or retail point of sale proposition could allow seamless integration with retailer POS terminals and expands the possibilities for innovation using Request to Pay to make payments. Organisations such as BP with BPme and Amazon with the Amazon shopping app are already incorporating this type of technology into their petrol stations and supermarkets, using debit or credit card technology.

Pennies!

“ Fintech charity Pennies is thrilled that our micro-donation

option is included as part of the Request To Pay framework. We believe this will create many more opportunities - potentially millions - for consumers to donate a few pennies to charity, using their payment method of choice. The opportunity for Pennies is in its scale; and we estimate there is a potential to raise £1bn in additional vital funding for the UK charity sector annually (based on every UK banked person giving just 35p a week). ”

Opportunity - International capability

Pay.UK's Request to Pay is best placed to deliver an international proposition as it is uniquely identified as being a true secure messaging service which in turn lends itself to being adapted to be used globally.

Across the globe, real time payment propositions are growing and an increased number of Request to Pay propositions are being developed alongside this growth. The features and benefits of Request to Pay propositions are also being used as a lever to get companies and individuals to use the new real time payments platforms. This indicates how tightly coupled they are.

The natural development for real time payments to be cross boarder also means that the Request to Pay propositions need to evolve as well.

Pay.UK has been speaking to a number of countries including USA, Canada, Australia, Singapore, Vietnam, the EBA and Scandinavian countries about the possibilities of Request to Pay becoming cross border and how that could be achieved, and what messaging standards would be required. The consensus is that this will happen.

Pay.UK's Request to Pay proposition already has the capability to transmit payment information to allow international payments to be made, with the ability to carry a BIC and an IBAN. It can also be moved from operating in sterling to being multicurrency, so the request can be sent in any permitted currency and the payment can be authorised using the BIC and IBAN as the routing for the payment.

Pay.UK's Request to Pay has also been future proofed to allow for ISO20022 payment standards to be transported, so when payment traffic starts to move across to the new payment standard, the Pay.UK's version of Request to Pay can be transitioned seamlessly.



bluechain

“ Making and requesting payments cross border is seen as a risk particularly for small businesses who lack the resources for full due diligence. Request to Pay will transform this with verified business details provided in a secure channel alongside digital delivery of the invoice, cutting uncertainty, risk of error and fraud. ”

10 myths about Request to Pay busted

Myth 1: Request to Pay is a payment type

Not true: Pay.UK's Request to Pay is a secure messaging service that works alongside existing payment methods to manage your bills.

Myth 2: There is only one Request to Pay app that everyone needs to use

Not true: Pay.UK's Request to Pay can be accessed in many ways. These include accessing via a website, integrated within existing apps such as one provided by your bank, or point of sale and across multiple devices such as a computer or mobile.

Myth 3: You need multiple Request to Pay apps if you have different Request to Pay accounts

Not true: you will be able to access all your Pay.UK Request to Pay accounts using a single means but you can also use multiple ways if you wish to such as apps or web pages made available by each Request to Pay provider.

Myth 4: Request to Pay is a replacement for Direct Debit

Not true: Pay.UK's Request to Pay will complement Direct Debit as an alternative means of managing payments.

Myth 5: Request to Pay is not secure

Not true: Pay.UK's Request to Pay has multiple levels of security built into the service which provides a secure messaging channel (mTLS) and user authentication (oAuth). Billers will also need to be verified using KYC (Know Your Customer) before they can receive any payments and service providers need to be authorised by the Financial Conduct Authority (FCA) before they are able to offer Pay.UK's Request to Pay. Billers are also required to get pre-authorisation from the payer via a Pre Authorisation Message (PAM) approval prior to sending the initial Request to Pay message which provides an additional layer of control and vetting for consumers.

10 myths about Request to Pay busted

Myth 6: PIDS are complicated and not very useful

Not true: the PID is a unique ID (the primary identifier – like an email address) that will enable users to communicate digitally and provide them with a digital audit trail. Similar to an email address it is made up of your user name, a hash (#) symbol to show it is a Request to Pay address and then the domain name of your repository ie myname#myrsp.com.

Myth 7: Decline is an opportunity not to pay

Not true: Pay.UK's Request to Pay does NOT interfere with or alter any legal rights and/or obligations between a customer/ supplier and/or a biller/ payer in any way including payment terms or conditions.

Myth 8: You have to settle a Request to Pay with a Faster Payment

Not true: Pay.UK's Request to Pay is payment agnostic and can be used to settle bills by cash, debit and credit card or Faster Payment.

Myth 9: As a biller you will need another Payment Initiation Service Provider (PISP) in order to offer Request to Pay and receive payments

Not true: Pay.UK's Request to Pay is payment agnostic and works with most existing Payment Initiation Service Providers (PISPs) so you will be able to use a PISP that you might already be signed up with to receive payments.

Myth 10: Request to Pay means building infrastructure in a specific way

Not true: Pay.UK's Request to Pay is a messaging framework which provides the specifications required to build a Request to Pay solution. This gives service providers the flexibility to design and build using their preferred technologies and platforms as long as it meets the specification requirements. For those that do not wish to build their own infrastructure, there are also technical providers for Request to Pay who provide white label services.

NPA

Pay.UK's Request to Pay can operate on the existing separate payments infrastructure and will also be as an overlay service with the New Payments Architecture.

Glossary of links

Challenge - Fraud prevention - page 4

¹ *<https://www.ukfinance.org.uk/system/files/Half-year-fraud-update-2021-FINAL.pdf>

Challenge - Tackling persistent debt - page 6

² *<https://www.fca.org.uk/news/press-releases/fca-tells-credit-card-firms-review-their-approach-persistent-debt-customers>

Opportunity - Value Proposition for Small Medium Enterprises (SME) - page 8

³ * <https://newseventsinsights.wearepay.uk/media/u1rjdbtd/economics-of-request-for-payment.pdf>

**<https://www.fsb.org.uk/resources-page/late-payments-and-what-you-can-do-about-them.html>

Opportunity - Value Proposition for Small Medium Enterprises (SME) - page 9

⁴ * <https://newseventsinsights.wearepay.uk/media/u1rjdbtd/economics-of-request-for-payment.pdf>

**<https://www.fsb.org.uk/resources-page/late-payments-and-what-you-can-do-about-them.html>

Business case - A flexible payment solution for a changing world and workforce - page 11

⁵* <https://newseventsinsights.wearepay.uk/media/u1rjdbtd/economics-of-request-for-payment.pdf>

**<https://www.fsb.org.uk/resources-page/late-payments-and-what-you-can-do-about-them.html>

For more information about Request to Pay please contact info@requesttopay.co.uk
or visit <https://www.wearepay.uk/what-we-do/overlay-services/request-to-pay/>