



End User Advisory
Council Annual Report

April 2021 to December 2021



Contents

Foreword	3
Strategic advice	6
New Payments Architecture (NPA)	7
APP Scams and interbank consumer protections	8
Pay.UK strategy	9
Policy and product development	11
End user insight	12
Council members	13

Foreword



Foreword



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Anna Bradley
Chair
 End User Advisory Council

Welcome to the fourth annual report of Pay.UK’s End User Advisory Council (EUAC), from April 2021 to December 2021.

The Council advises Pay.UK on the interests of end users in the services that Pay.UK delivers and supports. Pay.UK is responsible for providing a fast, efficient and well-managed payments platform today, and a next-generation payments platform for the future – the New Payments Architecture (NPA).

During this year we have seen some important developments which, we think, will help Pay.UK to focus on delivering benefits to the end users of its services.

First, Pay.UK agreed a new strategy, which included significant emphasis on the organisation’s role as a ‘platform leader’ – engaging with wider debates and facilitating solutions by working with others. EUAC welcomed this development because, for end users, it is the end-to-end experience of payments that matters, not just the part of it that Pay.UK is responsible for. We discussed the platform leadership approach at several points during the year, offering advice on the way the issues should be framed and work might be developed.

The second main area is that, one of the six platform leadership house views focuses on fraud, including Authorised Push Payment (APP) scams and wider consumer protections. EUAC has welcomed Pay.UK’s engagement in these issues and the bringing together of different workstreams into one body of work. EUAC has discussed Pay.UK’s emerging plans in this area on several occasions, offering advice about how to move it forward.

Consumer protections have been at the heart of EUAC discussions for three years, but this year this issue took on an even greater significance because decisions about the future procurement of NPA made it clear that the work would begin by focusing on the Faster Payment System (FPS). The absence of proper consumer protections in FPS could result in considerable detriment for end users if a solution isn’t found, so we have urged Pay.UK to tackle this work alongside the NPA delivery programme. We are pleased that Pay.UK has recognised the importance of this.

Foreword

A third major area of interest for EUAC recently has been the need for Pay.UK to establish a body of evidence about current and likely future end user needs, to inform priorities for future work. Several of the Council have expertise in the field of end user insight and offered their help to Pay.UK to shape a programme of work. The organisation's capacity and capability in this area is now much stronger and in early 2022 we received reports from the first few projects, including work on small and medium-sized business users and Buy Now Pay Later. We look forward to receiving reports on financially vulnerable consumers and account-to-account payments in 2022. EUAC will encourage Pay.UK to make this work available to others and have asked to hear more about how the organisation will use this learning to develop its own work.

The fourth major development was Pay.UK's commitment to carrying out a stakeholder engagement review. The work on strategy had laid bare the need for wider and deeper engagement with stakeholders and EUAC has advised on the way engagement with end user stakeholders needs to develop.

The last two developments will allow EUAC to shift its gaze from insight and engagement to the many strategy and policy issues of importance to end users. With this in mind, we have now taken the opportunity to refresh the EUAC membership so it is fit for the next stage of the journey with Pay.UK. Five members stood down in September 2021, Louise Beaumont, Michelle Highman, Terry Jones, Gary McEwan and Rajay Naik and a sixth (Joanna Wooten) will step down in September 2022. I want to say thanks to them particularly for the contributions they have made in the first phase of EUAC's life. At the end of 2021 we agreed to recruit an additional six members for EUAC. They will bring new depth and breadth to our work, including expertise in competition and markets, and experience of different aspects of the retail world, along with some strong technical experience. I look forward to welcoming these new members on board in 2022.

Anna Bradley
Chair
End User Advisory Council



Strategic advice

New Payments Architecture (NPA)

Conversations with the Payment Systems Regulator (PSR) regarding procurement and NPA scope document response.

The NPA is the next generation payments platform and retail payments clearing capability that Pay.UK is commissioning in order to solve existing FPS detriments, and drive significant cost and efficiency benefits for the UK payments industry.

In early 2021, EUAC produced an advice note on NPA for the Pay.UK and the PSR, complementing that produced by the Council in August 2020 for Pay.UK. The latter had covered the Council's response to the PSR's NPA consultation document and addressed key points, including the end user benefits of minimising transition risk and early delivery of some of the features of the NPA, such as the implementation of ISO 20022 standards (See NPA section of 2020 EUAC Annual Report). EUAC continued this conversation into March 2021. The Council recognised that the near-term innovation

benefits were most likely to be realised using a new real-time payments platform, for example opening the opportunity for FPS as a genuine retail alternative to card payments. For this reason, EUAC supported the PSR's view that the design and implementation of a Faster Payments replacement should be the priority.

However, EUAC noted that FPS lacks the kind of consumer protections that existed in both the Bacs and cards spaces, and advised that finding a speedy resolution to the issue of consumer protections in an FPS context should, therefore, be a priority. EUAC also noted the significance of Bacs to all end users and the UK economy as a whole. The risk and complexity of migrating Bacs alongside FPS was understood, but EUAC advised that there were also end user risks associated with delay, and these should be considered and mitigated. In particular, there was need for a clear commitment to, and plan for, managing this 'organic' transition, in a way that minimised end user risk, and delivered an equivalent or improved version of Bacs.



APP Scams and interbank consumer protections

EUAC provided advice to Pay.UK to support the business's response to the PSR's call for views on (1) APP scams and (2) consumer protections to support account-to-account payments in retail. EUAC was pleased to engage directly with the regulator in some of its meetings.

APP scams

In order to develop our understanding of the work that was being done by others and the outstanding issues, EUAC invited Which? to speak to the Council. EUAC noted that not all retail banks had signed up to the voluntary CRM code, launched in 2019, and that this was driving the desire for regulatory action in this space. The consensus among consumer and victim bodies was that implementation of the consumer standards needed to be applied more consistently. EUAC agreed that education would be most impactful at the point of need, and behavioural testing was needed to monitor impact. EUAC agreed that there was a gap between customer expectations and reality, with a lack of information about protection for bank transfers. There needed to be more widespread, transparent consumer protections covering APP scams.

EUAC fed into Pay.UK's consideration of the PSR's call for views on APP scams in early 2021. On the topic of the reimbursement of APP scams, we discussed the implications of a proposal for Pay.UK to use its rules to introduce a requirement for Payment System Providers (PSPs) to reimburse customers who fall victim to APP scams. EUAC was happy to see legislative change being considered by government to allow more action in this space and agreed that the PSR should use its powers to mandate oversight and enforcement

of reimbursement for customers, noting that the Consumer Credit Act already made market provisions for reimbursement for credit card use. We also noted that Pay.UK had taken on an expanded role in the prevention and detection of scams that were being exercised, in part, through Confirmation of Payee (CoP). Ultimately, we acknowledged that there were complex issues to consider as this work progresses and advised Pay.UK that there should be a focus on delivering consistent end user outcomes, regardless of who customers bank with.

Consumer protections for account to account in retail

During the year, some EUAC members also participated in the Consumer Protections Working Group, a cross-industry group to look at how FPS and interbank payments are changing, exploring consumer protections and what Pay.UK's role should be. The discussions fed into the UK Finance report on the future of payments and Pay.UK's response to the PSR's call for views.

Our small and medium enterprise (SME) members raised a concern that while unsecured payment rails were not good for consumer confidence, adding cost to the system could impinge on the low-cost model of FPS for high-volume frictionless business-to-business (B2B) payments. This made it important to differentiate between the benefits and risks for retail consumers and B2B users. The final proposals would need to find the right balance between these different needs. EUAC would like to see all FPS participants implement the same consumer protections to the same standard, so end user benefits could be realised through consistent implementation. To achieve this, the working group would need to hold discussions with merchants and end users to identify the drivers and recognise the constraints.

House views

In June 2021, Pay.UK presented its approach to 'house views' as part of its strategic plan to become a platform leader. The house views address deep and enduring market trends, both domestic and global, about which Pay.UK should have a view. It was noted that EUAC might have a particularly important role in helping to test the approach to house views and it was agreed to make this a feature of EUAC's forward agenda planning.

EUAC welcomed the house view approach and advised that it would be important to keep this work under review so that it remained responsive to change in a rapidly evolving market. EUAC offered to help by suggesting some organisations that are engaged in thought leadership, public policy development, and strategy from an end user perspective.

EUAC was initially invited to pay specific attention to house view 6: Driving out bad money, to help Pay.UK find solutions for APP fraud, and to establish an approach to consumer protections. Many of these issues had been discussed during the year already and EUAC welcomed the bringing together of all these strands of work.

In relation to data, Pay.UK said it was collaborating with UK Finance and the industry to set up a crime prevention steering group to analyse data and monitor the disbursement of money across the system, paying attention to the General Data Protection Regulations (GDPR). Work would begin with Pay.UK direct customers to identify how data could be used for fraud prevention. The intention was to develop proof of concepts around data analysis and sharing data as a first step. EUAC discussed the challenges around data ownership and sharing and the benefits of making appropriate information available to innovators to create value for the ecosystem. EUAC suggested that transparent data could be collected by an independent body and extended to the whole industry.

It was reported that PSR was consulting on the publication of PSP level data on APP fraud in FPS. Also, on support for Pay.UK and industry work on development of information sharing and the

introduction of a mandatory reimbursement mechanism. EUAC emphasised the importance of any measures being undertaken in the right order to avoid APP scams being focused on the weakest links in the reimbursement chain.

Fraud prevention

The Council liked Pay.UK's idea of a Fraud Overlay solution, which would lead to higher degrees of fraud detection and prevention using data. This in turn would give end users more protection. EUAC highlighted the importance of recognising levels of understanding and awareness among end users and the vulnerabilities this created. We advised that the onus should be on building trust and confidence among end users that using the reimbursement process would result in swift remedies, without requiring consumers to educate themselves about the details of any arrangement.

Overall, EUAC looked forward to continuing to engage with this work and helping to find solutions to fraudulent activity.

Culture and North Star programme

During 2021, Pay.UK had implemented the North Star programme to support the implementation of its new five-year strategy (its 'foundation for the future'). EUAC was invited to offer advice on how Pay.UK's leadership team could better reflect the diversity of the payments user population within its culture. EUAC noted the use of the term 'customer' to denote Pay.UK's immediate service providers, banks and others, and reminded Pay.UK that these customers should not be considered as proxies for end users. Pay.UK acknowledged this and confirmed a stakeholder engagement review was being carried out with outputs to be incorporated into the strategy.

Stakeholder engagement review

Pay.UK asked EUAC for feedback and advice on its stakeholder engagement review. EUAC welcomed this work and reminded Pay.UK of its past advice that EUAC should not be used as a proxy for end user stakeholder engagement and of the need to develop a plan for end user stakeholder engagement.

In relation to consumers, EUAC reminded Pay.UK of bringing research findings together with stakeholder engagement to enhance the understanding of end user needs. In this context, the use of third-party research would be just as important as Pay.UK's own research activity. EUAC advised that Pay.UK should develop its own understanding of consumer vulnerability and use this to help focus some of its consumer work. EUAC members offered to help Pay.UK with this aspect of future work.

We also recommended developing relationships with stakeholders such as retailers who could alert Pay.UK to perceived strain within the payments system. Understanding retailers and other intermediaries would help to shed light on the reasons for shifts in customer behaviour, such as the use of different payment methods and the increased digital adoption that arose during the pandemic.

'Coalition building' was identified as an important proactive engagement with small businesses that could not be reached individually.

In general, EUAC advised that next steps could include a mapping exercise to identify which stakeholders would be helpful with different objectives and begin to identify the most appropriate mechanisms for engagement. Finally, we advised Pay.UK that when it engaged with stakeholders it should always be clear where it was on the spectrum of engagement, from informing and educating to collaborating with others to find solutions.



Policy and product development

Market testing

At the end of 2021, Pay.UK advised EUAC that a new team had been set up to drive market testing of Pay.UK products.

The Council was invited to give its views on how to move this work forward.

EUAC pointed to the importance of establishing clear end user benefits for any new development. But also recognised the importance of understanding the commercial context and in particular the cost of entering the market. It was agreed that it would be necessary either to get the banks to add the product to their change request program or work with the regulator to help get the product to market, as with CoP. Finally, we talked about the importance of targeting promotion of new products to the right decision makers in organisations and the right end user segment with accessible promotional materials that explain the benefits for end users.

Request to Pay (RtP)

This was discussed as an example of a product that had not yet been widely adopted. Banks had not so far prioritised RtP for investment. Pay.UK was planning to host an RtP webinar in 2022 to gather insight on how to promote RtP. A test campaign would then be launched to enhance its reach. EUAC suggested that major buy-in from large utility billers could create a demand and increase take up and encouraged Pay.UK to focus the test campaign on energy services. This would be a useful response to the financial challenges people were facing in relation to energy prices and the cost of living crisis.

End user insight

Some members of EUAC with expertise in research, worked with the Pay.UK team to establish a research programme and we were, therefore, very pleased to hear about the work that was now in the field. We received the first research results at a meeting in early 2022 on the consumer risks and benefits of Buy Now Pay Later (BNPL). We look forward to receiving further Pay.UK research results on the Financially Vulnerable (FV) and account-to-account payments in retail in Retail during 2022.

Council members

Skills review and recruitment

At the end of 2021, EUAC and Pay.UK agreed some amendments to the terms of reference (ToR) in the context of the new Pay.UK strategy and overall stakeholder engagement review.

The Council agreed to complete a skills review against these terms and use this to identify the skills and experience that EUAC needed for the next period. It was agreed that it would be helpful to enhance the membership of EUAC with some more members from the corporate end user space, such as SMEs and merchants. More technology expertise would be helpful and it was agreed that we would look for some members from retail tech businesses.

Following the review, a number of members came to the end of their term in September 2021, creating the opportunity for some recruitment in 2022. I am very grateful to: Louise Beaumont, Michelle Highman, Terry Jones, Gary McEwan and Rajay Naik for the valuable contributions they made to EUAC, and for their significant collective contribution to establishing the Council.

End User Advisory Council members

Louise Beaumont

Dr Louise Beaumont works with legislators and regulators to create disruption, with corporates to cope with disruption, and with start-ups and scale-ups to exploit disruption – with Open Data as the guiding principle. She works with legislators and regulators in her roles chairing techUK’s Smart Data and Open Banking & Payments working groups, and as a member of the Financial Services Council. She works with corporates to cope with disruption both in her advisory role to Bottomline and as a public speaker and commentator. She holds board and advisory roles with start-ups and scale-ups including Message Heard and Funding Options, and has investments in companies including; Funding Options, GLI Finance and Message Heard.

Louise paused her work with EUAC while engaged by Pay.UK as Ecosystem Engagement Lead focusing on the stakeholder engagement review from January 2021. Louise stepped down in September 2021.

Anna Bradley Chair

Anna is the Senior Independent Non-executive Director of Pay.UK and Chair of the End User Advisory Council. She is also the Chair of the Solicitor’s Regulation Authority. She has a background in regulation, policy and consumer advocacy across a variety of sectors.

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. 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, undertaking roles in pensions, regulation, communications and financial capability. Michelle stepped down in September 2021.

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 – in addition to managing an investment syndicate. Gary stepped down in September 2021.

Rajay Naik

Rajay is Chief Executive Officer (Europe) of Keypath Education, a world-leading marketing and technology company. From 2010–2015, 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. Rajay stepped down in September 2021.

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 arenas.

End User Advisory Council members

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. 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

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. Terry stepped down in September 2021.

Mark Loch

Mark is Customer Propositions Director across the digital Tesco estate. His team is responsible for developing world-class propositions and an unbeatable customer experience across all digital platforms (online, web, app) to enable Tesco to serve customers brilliantly in this growth area of the business. In his previous role across Tesco, Mark led Payments across the business and was also responsible for spearheading the rapid growth of various functions including Gift Cards, ATMs, Travel Money and International Money Transfer within Tesco Bank. An expert in customer experience and digital transformation, Mark has experience across a number of organisations including Accenture, Barclays and IMG.

Jane Vass

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

Claire is a professional researcher and policy analyst, focusing on consumer behaviour and decision making, consumer protections 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. Claire holds a number of non-executive roles including the Competition and Markets Authority Panel, Civil Aviation Authority Consumer Panel, the Independent Panel of the Water Redress scheme (WATRS) and SGN's Customer Engagement Group, and the Finance and Leasing Association Lending Code Board.

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. 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.

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