

Pay.UK Limited Minutes of the Switching Services Customer Committee held on 23 March 2023 (Hybrid)

Attendees:	Initials	Organisation
Jo Kenrick	JK	INED (Chair)
		Pay.UK (Secretariat)
		Pay.UK (AI 23/03.04)
		Pay.UK (AI 23/03.04)
		Pay.UK (AI 23/03.02)
		Pay.UK
		Pay.UK
		Pay.UK (AI 23/03.01)
		Pay.UK
		Pay.UK
		Pay.UK (AI 23/03.01)
		Pay.UK (AI 23/03.03)
		Bank of Ireland
		HSBC
		INED
		INED
		Lloyds Bank
		Nationwide
		Santander
Apologies:		
		NatWest
		Barclays
		Starling Bank

Ref **Item**

03/23.01 SWITCHING SERVICES BUDGET UPDATE

Pay.UK Finance provided the update for Current Account Switching Service (CASS) and Cash ISA Transfer Service (CISA), which covered 2022 financial results as well as YTD February 2023. DELETED [COMERCIAALLY SENSITIVE] and reminded the Committee that

the budget was set in Summer 2022 when the market was in a very different position, and more banks are now offering incentives to switch DELETED [COMERCIALY SENSITIVE]. Pay.UK stated it will be carrying out a reforecasting exercise on the cost base and will use volumes forecast provided by Customers towards the end of 2022, the outputs of which will help form the volume assumptions and a revisit on the cost base. Pay.UK advised that CISA has had a similar set of results, largely based on the higher interest rates with the year-end DELETED [COMERCIALY SENSITIVE]; again, the budget was set in Summer 2022. Pay.UK added that it will reflect the forecast from Customers in its Q1 exercise and noted that expenditure is largely in-line with the budget.

An INED asked if the inflationary move was captured in the econometric model that is used to predict flows and inform the budget, noting that the model had not been updated since 2022. Pay.UK advised it does not use any economic model for CISA, the CISA model is based on the forecast from the Customers only and it relies on those Customers to have carried out their own internal work on whether they anticipate volumes will either increase or decrease.

Pay.UK Finance questioned if there was any appetite to revisit the volumes forecast DELETED [COMERCIALY SENSITIVE].

Pay.UK Finance turned to the pricing element, reminding Customers that at the end of December it was agreed that Pay.UK would provide an update on pricing options and the impact on the deferred income for both services. Pay.UK recommended that at this stage it would be prudent to hold back on any pricing adjustments; there is a lot of development activity around the Bacs strategy in the context of the NPA. DELETED [COMERCIALY SENSITIVE] Pay.UK added that it would also like to align its pricing announcements for all products and services across the board.

Nationwide sought clarification on this point, DELETED [COMERCIALY SENSITIVE] Pay.UK advised the CASS element is treated slightly separately and under its contractual agreements of ringfenced services, it has kept CASS costs and pricing independent of the other core services.

DELETED [COMERCIALY SENSITIVE]. The Chair stated there was no proposal or decision required on this matter today, rather wait until June when Pay.UK have more information. DELETED [COMERCIALY SENSITIVE] **Pay.UK agreed to include this discussion item on the agenda for the June meeting (Pay.UK DELETED [COMERCIALY SENSITIVE] 21/06/2023).**

Nationwide requested the papers are circulated at least two/three weeks in advance of the meeting – longer if possible, as each Customer will have its own internal

governance process to complete before this can be discussed in more detail at the June committee. Pay.UK Finance acknowledged this request. **Pay.UK to provide an off-line paper to Customers (Pay.UK DELETED [COMERCIALY SENSITIVE] 24/05/2023)** Pay.UK Finance left the meeting.

03/23.02 SWITCHING SERVICES RISK UPDATE

Pay.UK Risk provided an update on current risk activity, noting that the Pay.UK risk profile remains stable, however there are two risk that are related to CASS, DELETED [COMERCIALY SENSITIVE]; both those risks remain within appetite as are the associated controls around those. There are no more new risks to call out regarding CASS. Pay.UK Risk advised it was starting a new project relating to the rules framework which may affect CASS and will be reaching out to Customers for input. Pay.UK advised that the ownership of the Switching Services Customer Committee had now transferred to the Chief Business Development Office (CBDO) and in terms for future risk updates, that will now be provided by the CBDO Risk partner. The reporting from this team will provide a more overarching risk update from a Pay.UK perspective as well as monitor any specific CASS related risks.

An INED raised a concern about level or frequency of input, what does governance look like; what happens when the Risk Team need the Committee's input but does not realise it is needed? Pay.UK Risk advised that CBDO Product Owner (J Dentry) will ensure Customers are kept informed and provide feedback to the project group, and discussions would also include CBDO Risk Champions. An INED suggested this structure is reviewed again at the June meeting, to ensure there is sufficient engagement. Pay.UK have agreed that there will be a monthly meeting between the Product Owner and Risk Partner to look at any risks that may impact CASS, and propose to address the matter of the rules project in the next discussion.

The Chair asked if Pay.UK would be in a position to have a more detailed discussion at the June meeting, noting that there were still a number of moving parts, post reorganisation. **Pay.UK advised it would need to consider the timing and revert. (Pay.UK DELETED [COMERCIALY SENSITIVE] 28/04/2023)**

An INED asked if it was the Product Owners responsibility to pick up or understand what is happening at Pay.UK in terms of future opportunities for CASS. Pay.UK confirmed this was an accurate assumption

Pay.UK advised the Committee that it was working with the Bank of England (BoE) on a new project "Improving Depositor Outcomes Through Banking Insolvency" (IDOB). This piece of work will support an insolvent banking institution and its depositors who need to move their funds and account balances to a new destination account. The

current rules state that this has to be processed by cheque with support from the FSCS. One of the options being considered is the use of CASS to support that activity and DELETED [COMERCIALY SENSITIVE] are part of the working group. Pay.UK have written an impact assessment that has been reviewed by its Risk Team and shared with the BoE. Pay.UK have also reviewed the public statement which will be issued at the end of March and in terms of executive coverage, this is being supported by DELETED [COMERCIALY SENSITIVE].

Pay.UK Risk left the meeting.

03/23.03 CASS COMMS & MARKETING AWARENESS UPDATE

Pay.UK Comms & Marketing Team provided the update as per the supporting meeting paper which detailed the proposed budgets for 2024. Pay.UK advised the budgets are set on the basis of previous campaign creative DELETED [COMERCIALY SENSITIVE]. The budget proposed does allow for inflation in relation to media and production, but at the time of deck production, the BoE inflation rate stood at 3%. Pay.UK also flagged that in 2022 it presented the KPI review to HMT, a decision was not reached at that point, so it continues to work on the basis that it has to achieve the existing KPI targets, and has also made an allowance in the budget to switch to consideration should that be given the go ahead. Pay.UK confirmed there was also contingency in the budget should awareness start trending towards the lower bounds, this will enable it to carry out additional media activity as it had done earlier in 2023. Pay.UK advised that it would be updating the model in the Summer and would bring back a revised deck in September.

Pay.UK asked the Committee to note the scenarios on slide four, which detailed assumed PCA spends and various media and research activity; asking Customers to share their plans for the coming year. Nationwide believed the cost of living will drive natural switching, with the Chair adding that economic conditions are going to create an active market. Nationwide suspected that 2023 may be a record year for CASS but will be hard to predict and was supportive of the proposed scenario. Bank of Ireland agreed with the approach.

Pay.UK Comms & Marketing left the meeting.

03/23.04 WORKSTREAM UPDATES

CASS Horizon Scanning

Pay.UK advised the Committee that the supporting document summarises the Pay.UK Horizon Scanning activities over the last quarter, with a focus on how the developments of topics tracked may impact the CASS service and its strategy. Pay.UK

confirmed the first meeting of the monthly working group to integrate CASS Future Scenarios took place in February, was well received and has generated further discussions with other Pay.UK colleagues.

Pay.UK asked the Committee to note the contents of the paper and to give consideration as to whether this was being pitched at the right level. Nationwide asked if the working group consisted of Pay.UK members only. Pay.UK confirmed it was a cross functional group of internal colleagues. However, Pay.UK is looking to build out an integrated insight workstream that will involve Customer interaction. Nationwide supported the activity that was in train. The Chair agreed there were some interesting topics being covered, some of which were raised at the CASS Strategy Day. Pay.UK confirmed it also had discussions with several international PSO peers on a regular basis to sense check and compare notes on topics like fraud and AI. An INED was particularly interested in AI and Cloud and suggested a 30-minute meeting with Pay.UK DELETED [COMERCIALY SENSITIVE]to talk through the work in more detail and understand potential opportunities for CASS. The INED further suggested an ideation session to discuss some of these possibilities in more detail. The Chair agreed this would be a good way forward. (Pay.UK DELETED [COMERCIALY SENSITIVE]to set up session 28/04/2023)

Pay.UK advised a question had been raised around the exclusivity of CASS research budgets. This has been reviewed in detail and the forecast in the budget, is, in its entirety used to understand CASS, customer groups, segments and the product. However, there are occasions where insights are taken from Pay.UK research projects that relate to CASS. Pay.UK confirmed it has a research project planned for Q3 2023, looking at Generate Z to better understand the 18-24 age group. Pay.UK asked if the Committee agreed that the 18 to 24 group is a key area of focus. The Chair agreed it would be good to have a deeper understanding of that group

Acceptance Rate Working Group

Pay.UK summarised the paper that had been provided.

- DELETED [COMERCIALY SENSITIVE] In addition, Pay.UK advised a number of enquiries were received via the CASS website and were linked to end users assuming that switching was impacting their credit score. Pay.UK currently has an FAQ that says that switching does not impact a credit score but a check may be carried out for a new account request. Pay.UK have sought the advice of Experian to clarify the statement. Experian confirmed that switching does not impact a credit score nor does closing an account, as a question was raised around having a legacy account and then switching and having that legacy account closed.

Experian did however advise a credit score is run when a new account application is processed and will cause a minor impact to the credit rating for a period of time, but it does recover. Where end users open multiple new accounts within a short space of time, this will not allow a credit score to recover.

- This has led Pay.UK to review the current FAQ and make them more prescriptive. The change in wording was detailed in the supporting paper and Customers were asked to advise the effort required to make those changes.

Santander asked if was necessary to include the word ‘negative’ at the end of “it could impact your credit rating” as it could deter people from switching. An INED believed this should be picked up with the FCA as part of the Credit Information Market Study remedies and believed the Experian statement seems anti-switching. End users are already concerned about overdrafts and switching, adding a point around credit scoring will only create another barrier, nor did it make sense for a negative score to be applied when opening a new bank account. Pay.UK clarified the point “it is not the switch, it is the opening of the account that impacts the credit rating”. For some end users, they will already have an account open with a bank that they wish to switch to, which means there is no impact on the rating. The Chair added that multiple account movement can be an indicator of decaying credit, pressure, or fraud, therefore opening multiple accounts within a six-month period, will lead to the score not stabilising. Pay.UK added that as a result of the high value of switching incentives that are in the market it is seeing end users doing multiple switches, especially as the tie-ins are not as restrictive as they had been in the past. An INED stressed it needs to be clearer in the first paragraph as it currently infers there will be an impact but it will recover in six months as long as an end user does not switch again.

The Chair agreed, noting the FAQ needs to be specific and highlight that it is the multiple switch and account opening that causes the problem. Pay.UK reiterated that Experian have advised there will always be a negative impact when an end user opens a new account because there is a credit search undertaken, however that impact is minimal and generally would not cause a problem, it recovers fairly quickly unless the end user opens a series of accounts within a short space of time.

HSBC expressed a note of caution adding there needs to be a split in the response that confirms that opening an account can have an impact and the update needs to be conscious of language and the use of the word “may” as well as address the point around the impact of multiple account openings. An INED added this should be raised with the FCA in case this becomes a deterrent for an end user who is conscious of their credit information and credit score.

Lloyds observed that current switch incentives are incredibly rich and is not meant to attract someone for a six month period. An INED suggested that perhaps add that into the terms and conditions of that switch rather than expect a credit reference agency to penalise somebody, which seems to be what is happening. HSBC added a credit rating agency isn't taking directions from a bank/switching market, they are thinking about the end user, their behaviour and their credit exposure. End users are not meant to try to collect £200 from every single bank every month. The Chair noted that CASS needs to provide the relevant information to enable the end user to understand there is a potential downside and make an informed decision. HSBC believed that at account opening, most financial institutions will advise the customer that their actions could impact their credit file and the FAQ should align to this.

Pay.UK advised it would amend the FAQ and recirculate offline to Customers for approval. (Pay.UK DELETED [COMERCIALY SENSITIVE] – FAQs to be circulated by 6/04/2023 – Customers to provide signoff by 28/04/2023).

Strategy Day Feedback

Pay.UK observed the in-person event was successful, there were lots of discussions and new ideas being brought to the fore. Pay.UK noted that there were also a number of new faces and attendees who provided very different views and were engaged throughout the session. Nationwide added that many conversations were focussing on activities for the next five to ten years. The INEDs congratulated Pay.UK on organising a well facilitated and engaging event, participation was better and materials provided were sufficiently detailed enough to enable meaningful discussions. An INED suggested circulating those packs to the wider community. Bank of Ireland agreed the service was looking old and now was the time to start considering moving things along and look at new technologies and the speed of switching. Pay.UK advised there were not as many attendees as expected, and acknowledged that a number of short notice declines had been received which was mostly down to illness. The Chair noted that whilst the attendee levels were good, it would have been beneficial to see members of this committee in attendance and observed there have been periods in the past where the central organisation has reached out to the ecosystem and has had a good relationship, leading to strong attendance figures at events. However, the Chair added that Pay.UK has gone through a cycle of needing to focus internally and has stepped away from those relationships in the wider context; Pay.UK activity alone is not sufficient suggested having other attendees such as influencers, not for profits/charities or price comparison websites, who are important members of the ecosystem. An INED supported this view and agreed that the Chair and INEDs could

leverage their own networks to encourage participation at future events. Pay.UK advised that as part of the reorganisation, this stakeholder piece is a high priority and inroads are already being made with Link and Cash Access UK. An INED suggested it may be useful to do something that looks at the future of current accounts, which could be a good entry level discussion, however felt that Pay.UK did not prioritise inviting consumer organisations to its discussions and that switching was seen as a low-level activity and there was not a lot of demand from consumers. It needs to be put into a new context to get people to engage in discussions and to see more regulatory or market effort. The INED also suggested looking at sole trader or small businesses as a future opportunity for CASS.

Pay.UK acknowledged that initially CASS did not sit on its strategic road map until it was formally raised and included; the service needs to be viewed in the same way that Direct Debit or Confirmation of Payee is; i.e. a key product and Pay.UK confirmed it will push for greater internal focus as part of the reorganisation.

An INED suggested that ahead of the next strategy day there needs to be some groundwork with these other groups of stakeholders, CASS cannot assume they will make the first move. There are numerous events that those parties are already involved with, which CASS could participate in for example the Lord Mayor's Financial Inclusion Summit. DELETED [COMERCIALY SENSITIVE] (Link) are in attendance and it would be beneficial if somebody from Pay.UK could also attend to raise the CASS profile, engage with those organisations and make connections which will encourage attendance at future Pay.UK led strategy events. *(Post Meeting Note: Pay.UK have advised DELETED [COMERCIALY SENSITIVE] would be attending the Lord Mayor's event)*

The Chair summarised that overall it was a successful event, with useful outputs that can be discussed again at the June committee.

[Pay.UK to add to June agenda \(Pay.UK DELETED \[COMERCIALY SENSITIVE\] 21/06/2023\)](#)

03/23.05 PAY.UK ORGANISATIONAL UPDATE

Pay.UK presented the paper that detailed the changes to Pay.UK, with particular focus on the Chief Business Development Office and Service Lines/Operations.

CBDO

Industry Engagement: led by DELETED [COMERCIALY SENSITIVE], will look after key relationships with current customers, and tends to be about products and services with current customers and the NPA.

Business Development: led by DELETED [COMERCIALY SENSITIVE], focusses on business development with either new customers or extended members of the ecosystem e.g. aggregators, bureaus, PISPs, acquirers etc. This team will also cover new services - Confirmation of Payee and RTP.

Fraud: led by DELETED [COMERCIALY SENSITIVE], providing new, specialist expertise. Appropriate given the current fraud change programs that are underway.

Product: led by DELETED [COMERCIALY SENSITIVE] and supported by a number of Product Delivery Managers and Owners as detailed in the supporting paper. This team covers the longer-term strategy for each of the key products and services, as well as the more day-to-day performance including the risk and control framework, forecasting and pricing etc. The Product Delivery team will be looking at 10 to 15 initiatives which will be run across all products and services.

Chief Payments Office/Operations

- Pay.UK confirmed it had consolidated Service Lines and Operations into the Payments Operations Team, the new structure was detailed on the supporting paper.
- CASS will now be supported by DELETED [COMERCIALY SENSITIVE]; however day-to-day operational contact email addresses are not changing.
- DELETED [COMERCIALY SENSITIVE] advised he would be standing down from this committee and would be handing over responsibility to EB. CASS Operations would continue to be led by Payments Operations and this committee will continue to receive updates should the need arise.

The Chair asked how this works in practice between business development, product owners and product delivery, what do people actually do, where does work cross over from one person to the next?

Pay.UK advised that from a day-to-day perspective, DELETED [COMERCIALY SENSITIVE] as the product owner will be a constant for people to refer to. Operations will continue ensure the cogs turn every day and if there are challenges with service alerts from the Customers, operations will take ownership and progress. DELETED [COMERCIALY SENSITIVE] will manage the day-to-day matters that may include new risks or opportunities that are being explored (e.g. strategy day) and will decipher and determine what Pay.UK want to do next, what should be explored and will continue to be the connection with the Marketing and Innovation teams. Pay.UK then advised that DELETED [COMERCIALY SENSITIVE] role would come into play when there is a piece of work that needs to be progressed and implemented, supported by an appropriate Delivery Manager. Pay.UK confirmed that new to market will sit with Business Delivery

and would engage with potential new customers before they reach the onboarding stage. Pay.UK are still in a settling in period of this new model, with colleagues appointed to new roles or handing over old responsibilities.

The Chair thanked Pay.UK for the update, and suggested an offline discussion to understand the model further as the Chair felt there were potential challenges on the horizon. *(Post Meeting Note: DELETED [COMERCIALY SENSITIVE] have a 1:1 session to be arranged. The subject of the new Pay.UK Product Team framework should be discussed in more detail at this meeting.)*

03/22.06 PARTICIPANT DASHBOARD

The Committee noted the dashboard for CASS and Cash ISA. The Chair observed the volumes were “very green” given the current active market.

There were no further comments from Committee members.

03/22.07 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 14 December 2022 were **approved**.

The minutes of the redacted meeting held on 14 December 2022 were **approved** for publication.

03/22.08 ACTION LOG

06/22.03.b there is an action to be taken away from this to draw together a programme of review to help keep this current with HMT.

Update: A meeting is scheduled for w/c 28 March 2023, DELETED [COMERCIALY SENSITIVE] will be picking this up as part of his new role and will be introduced to the HMT team. Questions will be raised around HMT’s current position and progress to date.

Decision: C/F 21/06/2023

12/22.04.e Customers to advise if they have an eligibility checker on their website and also if signposted as part of the switching journey

Update: Customers were reminded to provide the feedback on this action.

Decision: C/F 28/04/2023

Actions Marked for Closure

12/22.01 12/22.04.a 12/22.04.b

12/22.04.c 12/22.04.d 12/22.06

Update: No objections to close.

Decision: All closed

03/23.09 AOB

AN INED asked if there was a piece of research looking at overdrafts with sole traders? In the last set of research results, it was identified that these end users were struggling to switch if they have an overdraft. Can this matter not be progressed until discussions take place with HMT; is there anything that a new version of CASS can do in a few years' time; how can CASS help consumers with overdrafts to switch. This issue has been ongoing for quite some time.

Pay.UK advised that has previously agreed that the priority is to make end users aware that they can switch if they have an overdraft. The criteria ultimately lie with the end users new bank, conversations must be had regarding the new account and what facilities they require prior to the switch commencing. Pay.UK confirmed this matter had been discussed a number of times and at present it is out of CASS's control to mandate to its Customers how they manage those conversations.

An INED requested Pay.UK seek HMT's view and share feedback on this particular problem and whether it thinks Pay.UK/CASS should be doing more or are they content that actually what is being done is sufficient. It was after all a key challenge identified by the CMA; end users are still struggling and see this as a barrier to switching. Has CASS done as much as it can within the confines of the remit and would external parties hold the same view. Pay.UK advised this was not an HMT matter, and would need to be discussed with the CMA and whilst there is a cross market review being undertaken by HMT, the Pay.UK contacts are not those undertaking the review. Pay.UK acknowledged there was a wider piece of work that would involve sitting down with all of its regulators to look at the regulatory requirements applied to CASS; it may be more appropriate to raise this once CASS has defined its future position and how to better serve the market as we look ahead.

An INED agreed there was merit in discussions, however what emerged from the strategy day raised questions about the CASS remit and is the product still relevant in terms of the challenges that end users are facing. The Chair agreed with the benefits of getting individual regulatory views and believed it would be better to start those discussions with an already formed proposal rather than a "what do you think" approach. Pay.UK confirmed it was working with the internal Regulatory Team to gain an understanding on discussion topics and how to approach the regulator. Especially important now that CASS is approaching its ten-year milestone and therefore validating if the regulations that sit with the product have essentially been met or not. In terms of future discussions, this would cover areas where inroads have not been as successful and Pay.UK would propose options that could address these shortfalls.

An INED asked if there was any interest in drawing up a future state of the service or is it a case that CASS is effectively saying this isn't something it can deal with, and the regulators need to act if they want it fixed?

Pay.UK advised a KPI review was underway and is focused mostly on the marketing and operational efforts which may lead to redirecting the marketing activity towards underserved groups and areas where the message has not landed so well.

The Chair observed the CASS service existed to remedy a market problem, therefore the question should be does it remedy that market problem? The current account market is not as fluid or easy for consumers, compared to insurance or energy. So, when discussions take place with the regulators, Pay.UK need to be mindful of the original vision, and consider the bigger question of whether the service has fixed the original request.

An INED suggested the service had reached a point where an evaluation was required, which would identify success and where there was room for improvement. An INED also stressed the cost of living crisis needs to be factored into any work, in the current environment what does a barrier to switching actually mean. **Pay.UK agreed to carry out analysis on what CASS set out to achieve and what it believes it has achieved in the first ten years, followed by a “what now”. (Pay.UK DELETED [COMERCIALY SENSITIVE]21/06/2023).**

Date of Next Meeting: 21 June 2023
