



# 2022 End User Advisory Council Annual Report

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# Contents

<b>1</b>	<b>Chair's overview - the year in summary</b>	<b>4</b>
<b>2</b>	<b>Stakeholder engagement</b>	<b>6</b>
<b>3</b>	<b>Research</b>	<b>8</b>
3.1	Small and medium-sized enterprises and payments	8
3.2	Buy Now Pay Later	10
3.3	Financially vulnerable consumers	12
3.4	Account-to-Account in retail payments	14
<b>4</b>	<b>Systems and product development</b>	<b>16</b>
4.1	Request to Pay	16
4.2	Bacs	18
4.3	Paym	19
<b>5.</b>	<b>Consumer protection</b>	<b>20</b>
5.1	Feedback from the Payment Systems Regulator consultation on authorised push payment reimbursement	20
<b>6</b>	<b>New Payments Architecture</b>	<b>22</b>
<b>7</b>	<b>Looking forward</b>	<b>24</b>



# 1 Chair's overview - the year in summary



Anna Bradley  
Chair  
End User Advisory Council

We are delighted to present our fifth Pay.UK End User Advisory Council (EUAC) report, covering the period from January 2022 to December 2022. The EUAC has continued to advise the Pay.UK Board on the interests of end users who use the services that Pay.UK delivers today, through its current payments platform, and in the future through the New Payments Architecture (NPA)<sup>1</sup>. During this time, we have discussed Pay.UK's stakeholder engagement review, various pieces of end user research, Request to pay (RtP),<sup>2</sup> Bacs,<sup>3</sup> the decommissioning of Paym<sup>4</sup> and the NPA.

We began the year with an update on the stakeholder engagement review which we had discussed as it had developed. We confirmed that we are happy with the direction of travel. Completion of the review resulted in us recruiting six new EUAC members who are able to reflect the interests of larger corporate end users and merchants, or who can bring expertise in the use of technology for end user benefit. We already have members with expertise in areas covering consumer insight, competition, vulnerability & exclusion, policy and regulation, business practices, research, communications, government and tax, health & pensions, transport, diversity and inclusion and we are delighted to add the link to all of their profiles [here](#).

Our discussions have included the findings of research on small and medium-sized enterprises (SME's), Buy Now Pay Later (BNPL),<sup>5</sup> the financially vulnerable customers and Account-to-Account (A2A)<sup>6</sup> in retail payments. This first set of research was gathered with help from EUAC working groups who gave advice on research approaches and the advantages of using some different agencies. We were delighted to receive the results and give recommendations on next steps.

In thinking about building demand for RtP, EUAC emphasised the benefits for end users in phasing payments and for SMEs in tracking invoice payments. We reminded Pay.UK of the work that had been done with the payments strategy forum (PSF) to identify the needs of end users, billers and customers in these respects. We gave our view on the proposal for a rule change emphasising the context of the cost of living and energy crisis. We suggested some further research, a clear benefit case for banks and the potential need for a mandate from the Payment Systems Regulator (PSR), as tools that might help to move this work forward.

The Bacs product strategy was supported by EUAC and we asked to be involved in shaping how Pay.UK will engage with end users as part of the overall engagement approach and migration planning at the appropriate times.

The decision in 2022 to decommission Paym, although understandable, was thought regrettable. So, we advised that the closure should be used as an opportunity to learn lessons, ahead of any new service that might be offered on the NPA.

Pay.UK's approach to the PSR's consultation on the proposal for authorised push payment (APP) scam reimbursements was supported by the EUAC. We agreed with Pay.UK that it needed to recognise the boundaries of its responsibilities. We also asked that they make consumer facing groups aware of the the implications of the proposals to ensure their views are understood. We suggested that Pay.UK be mindful about the way in which the cost and burden was shared and the impact on bulk payments.

Having been asked to look at a draft statement of potential benefits that could be delivered through NPA, we were happy to advise on where the potential benefits to end users could be drawn out further.

At the close of the year, the Pay.UK executive was asked to consider establishing some future contact between the newly formed Industry Advisory Council (IAC) and EUAC with the potential for a joint workshop in due course. In our annual review of our effectiveness, we agreed that the new membership had re-invigorated EUAC and everyone looks forward to working together and with Pay.UK during 2023.

## 2 Stakeholder engagement

Throughout 2021 Pay.UK had provided the EUAC with regular updates on the stakeholder engagement review that was taking place alongside work to develop the new strategy. EUAC welcomed the energy and perspective which had been brought to the review and we were happy to think about developments that could be made to enhance EUAC. With this in mind, recruitment of new members began in Q1 2022.

EUAC noted that to date there had been a considerable amount of discussion about consumer protection issues, but less consideration of corporate end user needs. Pay.UK updated the terms of reference to reflect the desire to get a wider spectrum of views and in September 2022 we had six new members join that brought more SME, merchant and technology expertise.

Subsequently we have created a skills directory for EUAC members so that Pay.UK can access the breadth and depth of expertise available through engagement with individual members and small groups, as well as from the full EUAC.

## 3 Research

EUAC was delighted to see the research programme emerge during this year, having previously advised about the need for a better understanding within Pay.UK about end user needs.

### 3.1 Small and medium-sized enterprises and payments

The first piece of work to be discussed was on SMEs; the backbone of the UK economy, making up 99% of all businesses. SMEs drive economic growth by generating local jobs and boosting communities, this makes them key to delivering on Pay.UK's vision. This was an exploratory research project, supported by the EUAC research sub-group and designed to understand the payment challenges faced by SMEs. The aim was to identify the opportunities that exist for Pay.UK and the wider payments ecosystem to help drive the UK economy forward.

To understand why and how SMEs make their payment choices, the research looked at the payment behaviours, attitudes and preferences of SMEs in the UK. The research can be found in our Knowledge Hub [here](#) and helped us build a picture of the following: SME payment and banking behaviours; drivers and barriers to adopting new payment methods; 'pain points' that SMEs have with their current

payment systems that are impeding their business activities; and awareness and attitudes to new and emerging payment methods and technologies.

EUAC discussed the key pain points for SMEs and some of the ways these could be addressed: delayed payments; need for manual reconciliation; card fees; friction in the payment journey; and costs associated with international/cross-border payments

EUAC asked Pay.UK to look at what was required within the implementation of the ISO 20022 standard, to facilitate bolt-ons which allow for easier reconciliation. We highlighted digitisation as a significant driver for tax reconciliation, with changes to software and communication between systems being key.

We noted that RtP could be used by both end users for phasing payments and suppliers for tracking invoice payments. EUAC was reminded that RtP was originally designed in the payments strategy forum to have this double benefit, including the reconciliation of large tax payments to HMRC.

Overall, EUAC was encouraged to see this evidence of research and the beginnings of discussions about potential solutions for both SMEs and consumers.



### 3.2 Buy Now Pay Later

Pay.UK presented the findings of its BNPL research in Q1 2022 and asked EUAC to consider what role Pay.UK should have with BNPL providers and how this might balance against any reputational risks of becoming more engaged with this sector. The Financial Conduct Authority (FCA) and government had already recognised the risks around affordability and over-extension without compulsory credit checks or credit markers, and were considering interventions.

EUAC acknowledged the potential reduction in the poverty premium through BNPL use, as products are offered to the consumer at the same price as paying in full. But also thought there were some important issues to be considered as BNPL providers started to use Pay.UK rails and before Pay.UK actively promoted to this group of service providers.

We suggested that, along with talking to consumers, Pay.UK should explore why BNPL service providers might choose to use Pay.UK rails instead of card rails. In particular we suggested Pay.UK should identify what benefits could be provided in terms of functionality or certainty; examine how risks could be mitigated; and consider whether protection levels on Pay.UK rails would be sufficient for end users.

Further, enhanced data functionality for BNPL payments could support enhanced credit risk monitoring, especially if used in conjunction with Open Banking capabilities.

Pay.UK could also look at whether RtP could be used to communicate between the BNPL provider and the end user, with the consumer being able to feed back that they disagree with a bill, would like to restructure the payment, or that they could not afford the payment and needed help.

In summary, EUAC agreed that although BNPL is a high-risk area, FCA interventions should help to manage the risk of engaging with the sector. But Pay.UK would also need to ask and answer questions about the end user value add that it could offer to this proposition, before it considers actively attracting BNPL providers to its' rails.

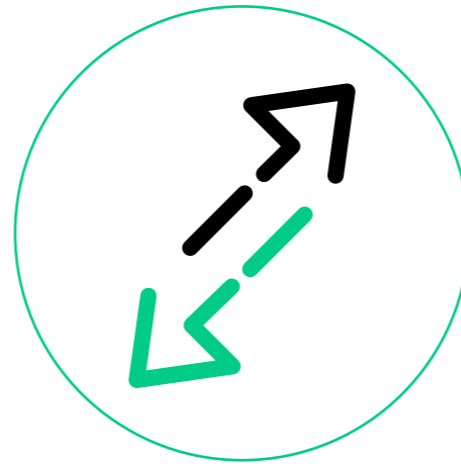
**Pay.UK should identify what benefits could be provided; examine how risks could be mitigated; and consider if protection levels on Pay.UK rails would be sufficient for end users**

### 3.3 Financially vulnerable consumers

End user research on financially vulnerable consumers was presented to EUAC in Q2 2022. This was an exploratory project looking at the financially vulnerable population in the UK and the way they interact with the payments ecosystem. For the purpose of this project financial vulnerability was defined according to the criteria used by the FCA which identifies the following four factors as drivers of financial vulnerability in the UK:

- Health vulnerability: having a mental or physical health condition that affects the ability to carry out day-to-day tasks
- Life events vulnerability: experiencing major shocks such as divorce or job loss
- Low financial resilience: struggling to keep up with bills and being unable to withstand financial shocks
- Low financial capability: lacking an understanding of financial matters or lacking confidence in managing money.

EUAC had been asked to help focus the research and once it was completed we were taken through the key findings. Pay.UK research found that 54% of the UK population had displayed at least one of the above characteristics of financial vulnerability and that financially vulnerable consumers were more susceptible to fraud and to entering a debt cycle through such things as missing BNPL re-payments.



The research showed there was a general lack of understanding of and confidence in the tools that are available to help with planning expenditure and budgeting. EUAC advised that there needed to be more emphasis on education as to how these tools could help. For example, RtP could potentially help by allowing end users to put money aside when they have it, rather than being led by the recipient withdrawing funds. Notification of an impending payment was also suggested as something that could help end users decide when to make payments. The importance of continuing focus on the end user perspectives in the development of products and service was highlighted.

EUAC suggested that further research into topics such as financial abuse and control would be valuable, perhaps by working with organisations such as Age UK, Action on Elder Abuse, and domestic abuse charities. We suggested that these sorts of partnerships could help Pay.UK to understand the implications of financial vulnerability better.

EUAC also noted that credit agencies were running a significant marketing campaign focussing on the way credit scoring can help financially vulnerable consumers to manage their finances. Pay.UK confirmed that this was being considered within its developing data strategy. EUAC advised that the cost of living crisis could be used as a catalyst for action in the end user space.

Overall, we commended the quality of the research, and said we hoped it would be published with an action plan for the next steps. We also suggested that the findings could be used in risk assessment of Pay.UK products, system and overlays<sup>7</sup>services.

### 3.4 Account-to-Account (A2A) in retail payments

EUAC was invited to look at the options for supporting the development of A2A payments in retail, with a particular focus on what would be needed to improve the user experience. Our SME members asked Pay.UK to differentiate between the levels of consumer protection required for different payment types. We noted that the consumer protection model could add unnecessary friction to high-volume business to business (B2B) payments, and that procurement payments could be made by card where protection was needed.

There was a discussion about the fact that it is often merchants who determine the payment method by charging extra for card use. EUAC advised that end users needed to know the risks, benefits and unintended consequences of A2A payments to be able to make informed choices between payment methods.

It was acknowledged that in the UK there is a strong bias for card-based payments, including contact-less, so successfully establishing an alternative will require research into market segmentation, risks, benefits and cost implications. Banks make profit on card payments, so it will be important to understand the value chain and develop an economic model that is equitable, if A2A is to succeed.

In summary, EUAC said that new payment options should be equivalent to or better than those existing from the consumer perspective.





## 4 Systems and product development

In 2021, EUAC had given advice to Pay.UK on the promotion of new products.

In 2022 the newly formed product development team came to talk about the way they planned to operate. Branding and ubiquity were considered important components in product development and market testing would help to clarify the needs of end users and the payments ecosystem

In 2022, the following updates were given to EUAC on Pay.UK's products:

### 4.1 Request to pay (RtP)

Pay.UK confirmed that RtP had not been taken up widely by billers to date.

The lack of take-up was in part, because billers were waiting for banks to adopt the service, and the banks had not so far prioritised RtP for investment. EUAC was keen for Pay.UK to make billers aware that they did not need the banks to sign up, they could do so independently and so offer the benefits of the service to end users. We discussed that buy-in from a large utility biller could escalate take-up, and that there might be an opportunity to encourage this in the face of increasing energy prices and cost of living pressures.

A further update on RtP was received in Q3 2022 when Pay.UK brought a proposal for a proposition change to simplify the proposition. EUAC challenged this proposal to make the payment options discretionary, referencing the work carried out as part of the Payments Strategy Forum which identified a need for the full range of options for consumers and billers. We pointed out that making the five payment responses optional could risk RtP no longer being fit for the identified purpose.

On the other hand, EUAC recognised that there could be a case for adjusting the proposition, given there had been no take up of RtP. EUAC suggestions for moving this work forward included further research, a benefit case for banks and seeking a mandate from the PSR to implement the service.

**EUAC recognised that there could be a case for adjusting the proposition, given there had been no take up of RtP**

## 4.2 Bacs

In Q3 2022, EUAC welcomed an explanation of the options for the Bacs product strategy for when NPA goes live. We said we were keen to be involved in helping with the design consultation and ultimately with potential migration plans at the appropriate time.

We advised Pay.UK to pay attention to building de-risking for end users into the planning, especially for ageing customers. We supported engagement with key utilities, social housing organisations and local authorities with consideration of the impact on the most vulnerable, suggesting that the approach was built into the research programme.

## 4.3 Paym

EUAC regretted the decision in 2022 to decommission Paym. We advised that the closure be used as an opportunity to learn lessons ahead of any new product that might be offered on the NPA. Finding out more about why it worked for some end users and not for others, including looking at those areas which were beyond Pay.UK's control including how the banks communicated the benefits to influence take-up. Carrying out qualitative research with the remaining service users was recommended before they were lost, and as the service closed. Even though the number of service users was small, EUAC advised that a close eye be kept on social media, with proactive responses to avoid any potential reputational damage, as a result of closure.



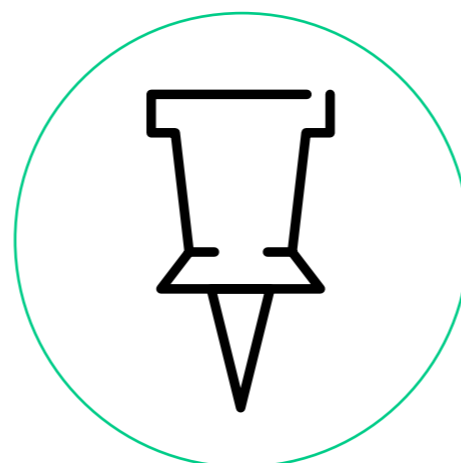
# 5 Consumer protection

## 5.1 Feedback from PSR consultation on APP scams reimbursements

In September 2022, EUAC received an update on Pay.UK's position regarding <sup>8</sup>APP fraud reimbursements. We were happy to have the PSR in attendance to give an overview of its consultation on their proposal for APP fraud reimbursements. EUAC welcomed the approach overall, agreeing that it would be important for the boundaries of Pay.UK's responsibilities to be made clear.

EUAC suggested that, as the proposals develop, more consumer facing groups should be made aware of the changes, to enhance confidence in the reimbursement scheme. We warned that if costs were passed on to the consumer or businesses by the banks, the incentives could become neutral. The PSR confirmed that the consultation document would include a cost benefit analysis to explore this.

At the end of 2022, Pay.UK sought further assistance from us to finalise its response to the PSR ahead of Board approval. Pay.UK was clear that it should not be required to act as an enforcer between the consumer and the sending



bank, but to monitor compliance with the requirements put in place. EUAC was supportive of this role and the focus on FPS, but thought it important that any requirements were capable of being broadened out or retrofitted to other payment methods. It was also important to think about the way in which the 50:50 split of costs and burden between the sending and receiving bank, was shared, and the impact on bulk FPS, as well as to understand any unintended consequences. EUAC emphasised the need for continued focus on prevention and detection provided by the development of Pay.UK's fraud overlay service and were told that more details about this service would be provided in 2023.

**EUAC suggested that, as the proposals develop, more consumer facing groups should be made aware of the changes, to enhance confidence in the reimbursement scheme. We warned that if costs were passed on to the consumer or businesses by the banks, the incentives could become neutral**

## 6 New Payments Architecture (NPA)

In Q2 2022 we received an update on the NPA. Pay.UK confirmed that there was engagement with vendors for the request for proposal.

Later-on in the year, EUAC was invited to feed back on the six key objectives used to support delivery of benefits across the ecosystem value chain. We advised Pay.UK to draw out the key benefits to end users further and emphasised any potential reductions in price for all end users, including merchants, SMEs and consumers. EUAC also recommended that Pay.UK should highlight access for fintechs, and promote the benefits presented to wider society through the development of a world leading product, which could bring business to the UK. There was also a request to see more evidence of how real-time payments would benefit consumers and what the data benefits would be to end users and customers.



# 7 Looking forward

Our members only sessions throughout 2022 have been invaluable in giving us the opportunity to assess what has been done as a result of advice offered by EUAC.

In 2023 we will use these sessions to reflect on how EUAC is working with the new broadened membership. We will review our objectives to look at how EUAC supports Pay.UK by encouraging ever-stronger end user focus in Pay.UK's strategic thinking, and to see how we can add value collectively and individually. We will provide measures on key areas of strategic interest and suggest when further end user research is needed.

Throughout 2023 EUAC will contribute to work in specific areas according to the roadmaps presented and continue to work with Pay.UK on a wide range of issues. We look forward to working collaboratively with IAC and receiving presentations jointly where applicable and in particular to further elaboration of the stakeholder engagement work and discussions relating to Pay.UK's platform leadership role. It is very clear to EUAC that the most significant benefits to end users of Pay.UK's work will emerge on the back of NPA, in particular the opportunities this will provide for innovation and new products that address the concerns of end users and bring new possibilities and choices. However, EUAC members continue to press the point that these benefits will not materialise for end users from the new infrastructure alone. They will depend on the actions of others which are beyond Pay.UK's control. So there remains a clear role for Pay.UK to influence across the payments landscape to help ensure that benefits for end users flow from the NPA. ■



<sup>1</sup> New Payments Architecture (NPA) is the new payment processing infrastructure that Pay.UK will deliver that will replace Faster Payments in the UK and in time Bacs.

<sup>2</sup> Request to Pay (RtP) is a secure messaging service providing a new flexible way to manage and settle bills between businesses and organisations as well as among friends

<sup>3</sup> Bacs is a payment that is made through the Bacs Payments System, and could be either a Direct Debit or a Bacs Direct Credit.

<sup>4</sup> Paym was a service that enables payments to be made using a proxy, such as a mobile phone number, to make a payment via Faster Payments or LINK. Paym is the trading naming of MPSCo.

<sup>5</sup> Buy now pay later (BNPL) is a type of short-term financing that allows consumers to make purchases and pay for them over time, usually with no interest.

<sup>6</sup> Account-to-account (A2A) payments are a payment method that allows end-users to directly transfer money from one party's account to the account of a second party.

<sup>7</sup> Overlays are a value-added payment service or payment-related service owned and operated by a third party, which can be deployed on the core infrastructure to deliver value to a specific group of subscribers and end users.

<sup>8</sup> APP stands for Authorised Push Payments which are bank transfer payments that individuals make themselves, by entering the recipient's bank details on the e-banking website or mobile banking app.

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