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Pay. UK Limited

Minutes of a meeting of the Board of Directors held on 31 May 2023

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	Michael Ellis (ME)	Chief Finance Officer
Anna Bradley (AB)	Senior Independent NED	Carolyn Gibson (CG)	Head of Corporate Governance
Diane Côté (DC)	Independent NED	Dave McPhee (DM)	Chief Policy & Engagement Officer
Helen Crooks (HC)	Independent NED	Lisa Mellor (LM)	Chief Risk Officer
Marc Pettican (MP)	NED	David Morris (DMO)	Chief Technology Officer
David Pitt (DP)	Chief Executive Officer	Jiggy Rawal (JR)	Director of Finance
Lesley Titcomb (LT)	Independent NED	Shane Warman (SW)	NPA Programme Director
Lars Trunin (LTR)	NED	Louise Rebuck (LR)	Company Secretary & Special Projects
Ajay Vij (AV)	Independent NED		
Peter Wyman (PW)	Independent NED		
Apologies		Externals	
		Justin Jacobs (JJ)	BoE FMID - Director
		Simon Morley (SM)	BoE FMID - Head of Supervision Division
		Hammad Bin Hassan (HBH)	BoE FMID - Manager
		Becky Walker (BW)	BoE FMID - Lead Supervisor
		David Gonnelli (DG)	Audit Partner, BDO

**Board members and attendees met using a hybrid meeting model with some attending in person and others joining remotely by video conference*

23/38 Opening Business

- 23.38.1 Quorum and welcome –The Chair confirmed a quorum was present. He referred to the ongoing need for heightened confidentiality.
- 23.38.2 Conflicts of Interest – MGH reminded directors that under the CA 2006 and Pay.UK’s Articles of Association (the “Articles”), directors were required to declare their interests to the other directors in any proposed transaction or arrangement with Pay.UK. MGH highlighted the importance of directors ensuring their entries in the Register of Directors’ Interests were correct.
- 23.38.3 The Register of Directors’ Interests and the Gifts and Hospitality Register were made available for members’ review prior to the meeting.
- 23.38.4 Minutes– The minutes of the meeting held on 26 April 2023 had not been made available to the Board. MGH stated the importance of ensuring that they were reviewed and approved so that

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they could be shared with FMID. CG agreed to circulate the minutes outside the meeting for feedback and approval by the Board. **ACTION: CG**

23.38.5 Action Log – Progress with the current open action items was noted. MGH requested that the action log was reviewed to ensure that all actions, both open and closed, from redacted sections of the minutes, were clearly highlighted as such. **ACTION: LR**

23.38.6 Approvals since last Board meeting – MGH confirmed no approvals had been given since the last meeting.

23/39 Committee Reports

Audit Committee

23.39.1 PW advised the Audit Committee had met again on 26 May to discuss feedback on the 2022 Annual Report and Financial Statements, and associated documentation. This matter would be covered later in the meeting.

Risk Committee

23.39.2 Following comments from the National Cyber Security Centre (NCSC) that the Operational Risk Appetite Statement was too stringent, DC advised that slight modifications allowed some tolerance for minor incidents. As part of its review the Committee had requested the definition of ‘minor’ be revisited. This change had been made and the Committee recommended the amended Risk Appetite Statements (RAS) to the Board for approval.

23.39.3 DC added the RAS would be reviewed again, later in the year, as part of its annual review cycle and be brought back to the Board later in the year. The RAS, as presented, were **approved**.

23.39.4 HC observed that each severity in the impact scale for the Operational Statement except ‘critical’ included a data integrity issue. She requested that the ‘critical’ Operational Statement be updated to include a description of the type of data issue that would result in a critical operational issue. **ACTION: DC/ LM**

23.39.5 [Redacted – Commercially sensitive]

Nomination Committee

23.39.13 MGH provided a summary of the discussions held regarding both the appointment of Independents for the Switching Services Customer Committee (SSCC) and the governance of CASS.

MGH and AB left the meeting.

23.39.14 CG advised that the Nomination Committee had discussed the reappointment of MGH, AB and LT, as each was coming to the end of their term of appointment.

23.39.15 CG confirmed all three members had expressed their willingness to continue in post and asked the Board to consider and approve these reappointments, for a further three-year term, in each case. It was confirmed that the Committee had discussed the need to consider succession planning as several directors would be coming to the end of their tenure simultaneously in 2026. Having taken this point into consideration, the reappointment of MGH, AB and LT was **approved**, for a further term until the end of December 2026.

MGH and AB joined the meeting.

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Remuneration Committee

23.39.16 [Redacted – Commercially sensitive]

End User Advisory Council (EUAC)

23.39.17 The report was taken as read.

Industry Advisory Council (IAC)

23.39.18 ME provided a brief update on the inaugural meeting of this council, noting there had been good representation from across the industry. The discussion and debate had been both useful and lively at the inaugural meeting and covered CoP, Account to Account and the upcoming Bacs consultation.

23.39.19 MGH requested written reports be provided for future IAC meetings and that Lorraine Brady, the IAC Chair, be invited to a Board meeting. **ACTION: CG**

23.39.20 LTR stated that there seemed to be confusion at UK Finance regarding the current state of IAC. ME agreed to pass this feedback to Kate Frankish for attention. **ACTION: ME**

23/40 Executives Reports

CEO Report

23.40.1 [Redacted – Commercially sensitive]

23.40.12 Referring to Pay.UK's best newcomer award for CSR excellence, DP added there was further work to do on CSR.

23.40.13 The Board discussed the KPIs, particularly the spike in staff sickness to 4.5% and the potential reasons behind it. Members considered whether the change reflected a shift in culture with higher expectations or whether stress levels were being impacted by non-work related issues.

23.40.14 DP stated there had been a dip in volumes across Bacs and FPS. Volumes had gone up again in May and DMO noted there was nothing that suggested a downward trend. The Board considered the correlation between economic growth and payment volumes. DP observed that Pay.UK volumes were predictable and consistent. Whilst there was a broad correlation with long term volume trends impacted by economic fluctuations, ME noted that volumes were not noticeably impacted by inflation.

23.40.15 Looking at the volume projections underpinning FPS, ME stated that growth in volume was relatively small, with overall growth being driven by a higher number of payments for the same value, with actual volumes ahead of the forecasted projections.

23.40.16 MP referred to the intraday payments being seen in the gig economy and how these would drive FPS volumes. The Board considered the impact of innovation on volumes including the availability of functionality by challenger bank end user applications that made it easier to split payments.

JR joined the meeting.

23/41 Finance

23.41.1 [Redacted – Commercially sensitive]

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JR left the meeting.

NG joined the meeting.

23/42 Strategy

- 23.42.1 NG advised that information from the Board Strategy Day would be circulated for those members of the Board who had been unable to attend the whole session. **ACTION: NG**
- 23.42.2 NG reiterated the key messages from the Strategy Day. He noted that there was considerable work to do which needed to be prioritised to ensure there was sufficient capacity and capability to fulfil Pay.UK's PSO and mandatory responsibilities. Pay.UK would continue to better understand end users and regulators to inform effective decision-making. NG stated this would be underpinned by data and fraud work making payment systems safer.
- 23.42.3 Further to the discussions held during the Board's Strategy Day and the overview provided, the redefined strategic priorities were **approved**.
- 23.42.4 The regulatory advocacy style, which had been debated at the Strategy Day, in-between insightful and assertive, was appropriate and it was **agreed** it would be adopted.
- 23.42.5 Members considered the strategic roadmap and requested that wording was added to make clear all initiatives would continue beyond their 'go live' year. The Board **approved** the strategic roadmap subject to the inclusion of the additional wording discussed.
- 23.42.6 NG stated there were over twenty detailed actions from the Board Strategy Day that would be tracked through the Executive Committee. The Board requested that substantive updates and propositions be brought back rather than status-driven updates.
- 23.42.7 LT asked when the strategy would be communicated externally. DP confirmed that the plan for communicating the strategy to the market would be brought to the July Board meeting and would include the overriding principles for some of the strategic decisions to be made throughout the year.
- 23.42.8 The Board discussed Pay.UK's principles on its not for profit position in the market and what alternative models there could be for the business. DP added that how Pay.UK could use its position to its advantage and to create opportunities should be looked at as part of the work. It was agreed that whilst this would not be looked at yet, Bacs would need a number of issues related to the not for profit position to be addressed, including funding and the overlay model.
- 23.42.9 AB requested that a forward plan showing the items needed to progress the Bacs strategy be produced to inform when decisions and Bacs-related items needed to come back to the Board.
ACTION: NG
- 23.42.10 MGH requested that funding models be brought back for discussion at the November meeting.
ACTION: ME / NG
- 23.42.11 NG stated that the KPIs would be refreshed in line with the development and strategic delivery. The new KPI dashboard would reflect Pay.UK priorities and its position relative to the strategic goals.
- 23.42.12 LTR observed that the supporting data from November 2022 evidencing that the Fraud KPI was on track was not available in the paper.

NG left the meeting.

23/43 Consumer Duty

- 23.43.1 The Board agreed with the assessment that although the Consumer Duty requirements did not apply to Pay.UK, and Pay.UK should be mindful not to take on additional responsibilities if not required to, the spirit of the relevant requirements should be built into Pay.UK's product and service development process. It was agreed that this would be progressed with the Chief Business & Development Officer. **ACTION: DM**
- 23.43.2 It was also agreed that a mapping exercise of how Pay.UK could support customers so that they could meet their requirements under the new regulations would be helpful. **ACTION: DM/ DP**

LM and DM joined the meeting.

[Redacted – Commercially sensitive]

23/44 Preparation for Bank of England

[Redacted – commercially sensitive]

SM, JJ, HBH, BW joined the meeting.

23/45 Bank of England – Annual Risk Review

[Redacted – commercially sensitive]

- 23.45.22 MGH thanked SM, JJ, HBH and BW for attending.

SM, JJ, HBH, BW left the meeting.

23/46 Post Bank of England Discussion

[Redacted – commercially sensitive]

DM and LM left the meeting.

SW joined the meeting.

23/47 NPA

[Redacted – commercially sensitive]

SW left the meeting.

DG joined the meeting.

23/48 2022 Annual Report & Financial Statements

- 23.48.1 PW stated that the Audit Committee was happy to recommend the approval of the 2022 Annual Report and Financial Statements.
- 23.48.2 DG confirmed BDO would provide an unqualified audit sign-off once the letter of Representation had been received.
- 23.48.3 The Board **approved** the 2022 Annual Report and Financial Statements and Letter of Representation. The Board **authorised** MGH to sign the Directors' Responsibility Statement and Directors' Report and DP to sign the Strategic Report and Statements of Financial Position on its behalf.

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23.48.4 The Board **approved** the reappointment of BDO as the Company's Auditor.

DG left the meeting.

23.48.5 ME thanked CG for her work and leadership in producing the 2022 Annual Report and highlighted the improved process that had been followed for its creation.

23/49 Annual General Meeting

23.49.1 CG reminded the Board that all directors would be standing for re-election for a further year. All directors confirmed they were eligible to stand and, where relevant, that their status as an Independent Non-Executive remained unchanged.

23.49.2 The Notice of Meeting, the proposed resolutions and the proxy form were **approved**. Furthermore, the Board authorised CG to issue the Notice of Meeting to the Company's Guarantors.

23.49.3 CG advised that the AGM would be virtual. It would be held before the July Board meeting and all directors were expected to be present.

23.49.4 DP reflected that consideration needed to be given to the questions likely to be raised at, or prior, to the meeting given the key activities underway that would be of interest to the guarantors.

23/50 Date of next meeting

23.50.1 MGH advised there was a requirement to publish the Modern Slavery statement within six months of the company's financial year-end. The Board **approved** DP to sign the Modern Slavery Statement on its behalf.

23/51 Post Meeting Feedback

23.51.1 The Board agreed that conversations had been interesting, particularly those exploring the boundaries of where Pay.UK had grown its understanding of its role and purpose. These had highlighted that whilst thinking had progressed within the business, it was not yet clear to customers, whose perception was often based on the scheme companies preceding Pay.UK.

23.51.2 [Redacted – Commercially sensitive]

23/52 Any Other Business

23.52.1 [Redacted – Commercially sensitive]

23.52.2 As there was no further business the Chair thanked everyone present, closed the meeting. He invited the NEDs and INEDs to remain for a private session.

Chair