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Pay. UK Limited
Minutes of a meeting of the Board of Directors
Held on 17 July 2024, 10:00
at 2 Thomas More Square, London, E1W 1YN

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	David Chandler (DCh)	Director of Finance
Anna Bradley (AB)	Senior Independent NED	Kate Frankish (KF)	Chief Business Development Officer
Diane Côté (DC)	Independent NED	Carolyn Gibson (CG)	Company Secretary
Helen Crooks (HC)	Independent NED	Mark Jones (MJ)	Product Development Manager
Michael Ellis (ME)	Chief Financial Officer	Gerry Mansey (GM)	Chief Internal Auditor
Marc Pettican (MP)	NED	David McPhee (DM)	Chief Policy & Engagement Officer
David Pitt (DP)	Chief Executive Officer	Lisa Mellor (LM)	Chief Risk Officer
Lesley Titcomb (LT)	Independent NED	David Morris (DMO)	Chief Operating Officer
Lars Trunin (LTR)	NED	John Mowat (JM)	Head of Strategic Policy
Ajay Vij (AV)	Independent NED	Louise Rebeck (LR)	Deputy Company Secretary
Peter Wyman (PW)	Independent NED		
		Externals	
		Simon Eacott (SE)	SPG Chair & NatWest

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

24/50 Opening Business

Quorum and welcome

24.50.1 The Chair confirmed a quorum was present.

Conflicts of Interest

24.50.2 MGH reminded directors that under the CA 2006, and Pay.UK's Articles of Association (the "Articles"), directors were required to declare their interests in relation to any proposed transaction or arrangement with Pay.UK. No new interests were declared.

Approval of minutes

24.50.3 The minutes of the Board meetings held on 22 May and 26 June 2024 were approved. The minutes from the AGM held on 26 June 2024 were also approved.

Update on actions

24.50.4 The status of the open actions was noted. MGH queried when the ecosystem map showing the redefinition of the ecosystem boundaries for Next Gen would be brought back to Board. This had been discussed at the meeting on 26 June. **ACTION: ME**

Approvals since last Board meeting

- 24.50.5 ME stated that the lease for the new property had been signed in June. The lease would commence in January 2025 to enable the premises to be fitted out prior to Pay.UK moving in mid Q2 2025. He added that there was flexibility in the lease extension for 2TMS for the planned exit date of 30 June 2025 to be moved if required.

GM joined the meeting.

Audit Committee – Internal Audit reports

- 24.50.6 [Redacted – commercially sensitive]
- 24.50.7 [Redacted – commercially sensitive]
- 24.50.8 [Redacted – commercially sensitive]
- 24.50.9 [Redacted – commercially sensitive]
- 24.50.10 DC asked for Internal Audit reports to include an assessment of any residual risks so that the risk exposure could be better understood. **ACTION: GM**
- 24.50.11 [Redacted – commercially sensitive]
- 24.50.12 [Redacted – commercially sensitive]
- 24.50.13 [Redacted – commercially sensitive]

GM left the meeting.

Remuneration Committee

- 24.50.14 AB advised that the Committee had met that morning to review the recommended LTIP Grant 2 measures for the CEO from MGH and SS. The measures had been approved by the Committee subject to three minor amendments being made. AB advised that the approved measures would be circulated to the Board.

24/51 Chief Executive Report

CEO Report

- 24.51.1 MGH advised that FMID's s204 reporting requirements for Board papers had been revised and the format of the CEO report changed to provide a more comprehensive update as well as signposting to other Board papers.
- 24.51.2 [Redacted – commercially sensitive]
- 24.51.3 DP reflected on the interconnections between NPV, regulatory requirements, the relationship with Vocalink, day to day management of the systems and customer relationships. He added that it was essential to bring the discussions taking place on each of these elements together in an approach that would ensure the right outcomes were reached.

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- 24.51.4 DP added that he had met David Geale from the PSR and had also attended the UK Finance payments board. The payments board stated it wanted more control and input to the delivery of the Next Gen programme.
- 24.51.5 Referring to Account to Account retail transactions (A2ART), specifically VRP, DP stated that progress was being made. Outcomes needed to be defined with the regulators and Open Banking, before pilots were initiated. This was particularly important when stakeholders held differing opinions and commercial views.
- 24.51.6 [Redacted – commercially sensitive]
- 24.51.7 A shortlist of candidates for the role of Chief Transformation Officer (CTRO) had been compiled and the first round of interviews was scheduled to take place. Work was taking place on talent and succession planning. DP advised that he would provide an update on the organisational structure once it had been discussed at the September Nomination Committee. **ACTION: DP**
- 24.51.8 AV queried whether the change in government could impact the outcome of NPV. DP advised that the timing of the decision would be impacted. Letters had been sent to the new Home Secretary and Tulip Siddiq, with further letters prepared ready to send to the chairs of HMT and the Home Office Select Committee, once announced. MGH stated that he had a meeting scheduled with HMT.
- 24.51.9 [Redacted – commercially sensitive]
- Operational Incident (28.06.2024)
- 24.51.10 [Redacted – commercially sensitive]
- 24.51.11 DMO provided a detailed chronological breakdown of the events in the run up to, and during, the incident. [Redacted – commercially sensitive]
- 24.51.12 [Redacted – commercially sensitive]
- 24.51.13 DMO highlighted a number of areas for Pay.UK and Vocalink that were looked at as part of the root cause analysis. [Redacted – commercially sensitive]
- 24.51.14 [Redacted – commercially sensitive]
- 24.51.15 [Redacted – commercially sensitive]
- 24.51.16 [Redacted – commercially sensitive]
- 24.51.17 [Redacted – commercially sensitive]
- 24.51.18 [Redacted – commercially sensitive]
- 24.51.19 [Redacted - commercially sensitive]

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24.51.20 Members discussed the options available to Pay.UK to ensure that any identified customer issues with an associated contagion risk were dealt with promptly. DMO observed that customer performance reviews were carried out monthly, providing an opportunity to identify and progress the resolution of any identified issues. The scope of these reviews would be revised to include capacity management. DP added that an eleven Stage Escalation Process was in place that set out the process to be followed in the event that a customer issue was identified with the final escalation resulting in the removal of the customer from the payment system. MGH queried whether the escalation process was sufficient and timely.

24.51.21 [Redacted – commercially sensitive]

24.51.22 [Redacted – commercially sensitive]

24.51.23 [Redacted – commercially sensitive]

24.51.24 DC requested that the Incident management annex in the Business Continuity policy was exercised during simulated incident scenarios on a regular basis. DMO confirmed this was being incorporated, and that longer customer response times would be modelled as part of capacity management.

24.51.25 DC queried whether a further check was carried out to see what might have been missed when an incident occurred in an area or function that had recently been audited, reviewed or assured. She added that incidents were learning opportunities that could be used to ensure continuous improvement. DMO confirmed that there would be a full review of the incident response.

24.51.26 [Redacted – commercially sensitive]

24.51.27 [Redacted – commercially sensitive]

24.51.28 [Redacted – commercially sensitive]

24.51.29 [Redacted – commercially sensitive]

24.51.30 [Redacted – commercially sensitive]

24.51.31 MGH requested that the Post Incident Review report was made available to the Board via the Reading Room. **ACTION: DMO**

KPIs

24.51.32 DC noted that customer satisfaction was being monitored through the use of surveys. She queried whether reputation and stakeholder mood were monitored regularly by monitoring social media and online activity. DP advised that this was not yet in plan as the focus was on benchmarking the customer satisfaction survey however it was something that would be considered in the future.

DCh joined the meeting.

24/52 Finance Report

CFO report

- 24.52.1 ME provided a brief summary of the finances. [Redacted – commercially sensitive]
- 24.52.2 DCh provided a brief update of the 2025 estimated pricing discussion at the Customer Engagement Forum meeting in June. Pay.UK had been asked to provide the pricing for the last five years as customers wanted to understand how pricing had changed. DCh noted that this would be provided at the next CEF meeting. Customers were aware of the uncertainty of the cost of the NextGen work.
- 24.52.3 ME highlighted that the internal audit report on Third Party Risk Management had identified some improvements that were being actioned. It was expected that new processes would be introduced. ME added that the report had been green for management awareness. [Redacted – commercially sensitive]
- 24.52.4 DCh stated that as in prior years, a guarantee was required from the parent company to maintain the audit exemption for the group subsidiaries. The Board **approved** the parent company guarantees and for ME and DP to sign the subsidiary guarantees on its behalf.

DCh left the meeting.

LM and GM joined the meeting.

24/53 Vocalink

- 24.53.1 LM briefed the Board on her engagement with Vocalink on risk management. [Redacted – commercially sensitive]

LM and GM left the meeting.

DM, JM, DCh joined the meeting.

24/54 National Payments Vision

Constraints Update

- 24.54.1 DM stated that His Majesty's Treasury (HMT) had not yet recommenced work on NPV after the election. It was likely that the new government would look at NPV in light of its own views on growth and technology and the NPV could be linked to the autumn budget or be published in 2025.
- 24.54.2 [Redacted – commercially sensitive]
- 24.54.3 DP reflected that on APPR, customers had challenged the costs and not the pricing structure. He added that Pay.UK's services should be priced commercially, and overheads managed transparently and efficiently. Members discussed how a funding model could be built that enabled funds to be collated upfront with a predefined explanation of costs to customers annually. Members agreed that the model should cater for significant service change as well as major technical change and discussed potential use cases for the model. PW highlighted alternative models and the risks they represented including provision of a set price for customers

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who wanted to participate. He reflected that this model would also require a change in mindset for Pay.UK.

- 24.54.4 LTR highlighted the importance of articulating the value of the innovation Pay.UK introduced.
- 24.54.5 Members requested that the points in the ‘forward plan to discuss with Board’ section of the presentation be developed for funding for the Next Gen infrastructure. MGH asked for the regulatory support required to be set out along with the framing of the obligation on the industry to fund the development of core services. [Redacted – commercially sensitive]
- 24.54.6 [Redacted – commercially sensitive]

JM left the meeting.

Project Clifton Update

- 24.54.7 [Redacted – commercially sensitive]
- 24.54.8 [Redacted – commercially sensitive]
- 24.54.9 Members discussed the need for regulatory support to move forward thereby providing continuity of supply and ongoing resilience. The timeliness and clarity of the regulators’ decisions was key to ensure that the Board could make its decision in January 2025 and that customers would have confidence to commit resources. [Redacted – commercially sensitive]
- 24.54.10 LT highlighted that papers and communications needed to better reflect that Pay.UK had created an alternative plan at the request of the regulators.
- 24.54.11 Members agreed that the stage gates were comprehensive and ME confirmed they would continue to be refined and shared with the Board.

DM left the meeting.

MJ and KF joined the meeting.

24/55 Product

Product Portfolio Strategy

- 24.55.1 KF stated that product strategies had been shared with the Board previously. The portfolio strategy linked the overall product strategy to the corporate strategy and provided a framework that was already in use to gather end user insight.
- 24.55.2 Members considered that Pay.UK provided its services to its customers and not directly to end consumers and how this was reflected in the product strategy.
- 24.55.3 AB reflected that discussions had taken place previously regarding the need to address market failures particularly for vulnerable segment end users. She queried how market failure would drive the product strategy and whether Pay.UK should look at its overall approach to vulnerable end users. ME noted that Bacs strategy workshops had been held with customers that focused on

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end user outcomes where it was clear that customers' and Pay.UK's thinking overlapped. DP suggested that the provision of services to customers be more explicit in the product portfolio strategy. **ACTION: KF**

- 24.55.4 Members discussed building products that customers would want to sell onto their end users. This would generate the volume needed to make the commercial model work and was linked to the pricing strategy.

Open Banking

- 24.55.5 MJ stated that where Open Banking (OB) offered new payment initiation processes Pay.UK provided the means of execution. This provided a strong basis for both organisations to collaborate. The evolution of new features within Pay.UK's payment systems would be needed to support payments, such as refunds, in a retail setting.
- 24.55.6 DP highlighted that Variable Recurring Payments (VRP) provided an opportunity for Pay.UK to own its role and ensure the right end user experience and commercial model were in place. He reflected that it was important to be clear on the outcomes before initiating pilots for services and products to ensure that unwanted products were not built.
- 24.55.7 MJ referred to the learnings from Request to Pay, to ensure that the commercial model was fair and equitable. He observed that whilst OB's design principle was to be payment system independent, that Pay.UK and OB were dependent on each other to offer an efficient payment experience. Closer ties had been built over the last 18 months and work continued to support the integration of OB offerings and Pay.UK payment systems using common standards.
- 24.55.8 LTR highlighted an important nuance that the challenges were mainly commercial, and service related. There were opportunities to solve a number of these challenges with non-technical solutions.
- 24.55.9 KF noted that an update would be brought to Board at the November meeting as part of the A2ART agenda item.

MJ left the meeting.

24/56 Fraud

- 24.56.1 KF stated that the go/ no go criteria for CoP expansion had been published and these ensured that a single PSP not being ready could not stop the market switch. The decision would be made on 3 September as to whether the market would switch from the Open Banking directory to Pay.UK's CoP directory would go live on 8 September.
- 24.56.2 KF advised that there was good engagement with CoP customers and the majority of the existing 141 customers were ready to test and were likely to be ready to switch on 8 September. DMO stated that internal testing was on track with security testing being executed. [Redacted – commercially sensitive] had suggested industry PSP to PSP testing should take place and Pay.UK had agreed to lead testing with a small cohort of PSPs.

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- 24.56.3 Referring to APPR KF confirmed that the PSR had provided an update on the outcome of its last consultation on APP scams pre go-live of October 7. This update has driven minor changes to the FPS rules and the compliance management regime.
- 24.56.4 DP advised that all customers had to sign up to use core RCMS, providing access to the directory and the compliance data reporting mechanism. The aim would be to have all customers on Claims+ in 2025 as this provided the end-to-end full workflow capability where the claim involved parties both using Claims+.
- 24.56.5 [Redacted – commercially sensitive].
- 24.56.6 ME stated that he was seeking Board approval to sign the APPR customer contracts that would be issued at the end of July. The contracts offered limited risk exposure to customers beyond that backed off by Pay.UK's contract [Redacted – commercially sensitive]. The Board **approved** ME to sign the APPR customer contracts, as discussed.
- 24.56.7 ME added that initial pricing for Core and core + Claims was based on FPS volume allocation. Pricing options would be revisited when claims volumes came through providing more data.

DM and SE joined the meeting.

24/57 SPG Chair

- 24.57.1 SE provided an update on the engagement and process undertaken for project Clifton. He reflected that detailed planning could not take place until the regulators had provided their response. Early planning would, however, help customers with their 2025 budgets and resource allocation.
- 24.57.2 SE noted that delivery of major change was an issue for many in the industry. There had been a number of discussions on alternative delivery vehicles. MGH advised that he and DP had discussed this topic with UK Finance and agreed it was important to recognise that there were strong feelings in the industry on the best way forward.
- 24.57.3 Reflecting on the COP Expansion project SE highlighted the need to ensure that the right implementation support was provided.
- 24.57.4 SE stated that sectors of the industry were concerned about the level of the APPR cap. Customers were focused on the October delivery and their concerns were primarily on the end to end model and what would happen on day one. SE observed that a number of banks had experience of the existing reimbursement scheme and were aware of the amount of work that this required. He added that there was considerable noise regarding pricing and the transparency of how the costs were put together with some customers feeling that the pricing and cost allocation did not feel fair or right. SE reflected that there were limited alternatives available and proposed that it would be beneficial for Pay.UK to commit to an early review of the pricing.
- 24.57.5 Whilst the benefits of the fraud overlays were clear, SE referred to the initiatives and remedies that customers had already put in place since Pay.UK entered this space. He highlighted the need to focus on resolving issues around data sharing noting, that the reconstituted User Interest Group was a helpful forum, to work through the associated legal and liability aspects.

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- 24.57.6 PW asked for an indication of the scale of the customers' issues that SE had outlined. SE advised that the key issue that did not have a ready solution, was whether the delivery of large-scale change, was right. He referred to the NPA programme and the upgrade of the existing payment systems. Participants wanted more of a say in how programmes were developed rather than being part of an arm's length advisory body.
- 24.57.7 Referring to views on APPR SE observed that pricing seemed out of kilter to where the risk resided. 42 FPS members were paying for 1,000 users. There were differing opinions across customers regarding ability to deliver and the end to end model.
- 24.57.8 [Redacted – commercially sensitive]
- 24.57.9 MGH reflected that work on Clifton seemed to be more collaborative. SPG was now broader with a different mix of constituents. The project focused on the original outcomes of NPA and formed a foundation on which to build. MGH added that Pay.UK was keen to invest time to get the delivery model right. Focus was needed over the next few months on points on which customers and Pay.UK agreed so that the points of the larger banks, funders and other customer could be reconciled whilst ensuring that representation reflected the ecosystem and the end users.

KF and SE left the meeting.

- 24.57.10 Members questioned whether the UKF paper represented the unanimous view of all UKF members.

24/58 Stakeholder Engagement

- 24.58.1 DM noted that a number of the themes identified in the paper were consistent with those expressed by SE.

SS and TW joined the meeting.

24/59 ESG

- 24.59.1 SS stated that the paper evidenced progress against the ESG maturity map. A considerable part of the progress was focused on the environmental aspects of ESG, including a baseline carbon emissions report and TCFD reporting roadmap. In addition to this a social impact report was being created. The paper was supported by additional material in the Reading Room. TW reminded members that ESG would form part of the October Board training session. He asked that members contact him if there were any specific aspects of ESG they wished to cover at the training session.
- 24.59.2 DC asked when the ESG risk assessment would be available noting that the majority of Pay.UK's CO2 emissions would likely come from Vocalink. DC questioned how cooperative Vocalink had been in providing information. TW confirmed that Vocalink had provided its actual emissions and was engaging well. SS advised a climate related risk assessment needed to be carried out under TCFD requirements. This was a large piece of work that would need to be carried for the first time

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in Pay.UK and therefore external support would be needed. DC requested that this risk assessment was brought to the Risk Committee when available. **ACTION: SS**

24.59.3 Members considered the targets and LT requested a focus on disability as well as ethnicity. TW stated that a number of activities were taking place to raise awareness of disability within the organisation including participation in the Disability Confident Charter. SS acknowledged that the reporting emphasis should be on achieving best practice.

24.59.4 MGH observed that 31% of Pay.UK's CO2 emissions came from its investments in government bonds. SS confirmed that this was the case and it was due to the way that the bonds were constructed. The People team was working with Finance to determine if greener investments with the same risk profile could be identified however this work was at a very early stage.

TW and SS left the meeting.

24/60 Date of next meeting

24.60.1 The dates of the next meeting on 25 September and the training session to be held on 16 October were noted.

24/61 Any Other Business

24.61.1 LT observed that the voice of colleagues should be reflected more in the Board room. She added that a Colleague Consultation forum was being established, chaired by TW. ME highlighted the Colleague Strategy Day scheduled for September and invited members to attend.

24.61.2 As there was no further business MGH thanked all present and closed the meeting. He invited the NEDs and INEDs to remain for a private session.

Chair