



# Pay.UK's view on the National Payments Vision

May 2024



# Introduction

Last year, His Majesty's Treasury (HMT) commissioned a review to consider how payments are expected to be made in the future, and to offer recommendations on the next steps to successfully deliver world-leading retail payments. Authored by Joe Garner, former CEO of Nationwide Building Society, the 'Future of Payments Review' was published in November 2023 as part of the Autumn Statement.

The review considered the views of over 100 financial institutions and fintech firms. Comparing the experience of individuals and businesses in the UK with those in other countries, the report acknowledged the merits of the current payments landscape, including its security, reliability and resilience, and the efficacy of real-time payments. The review also recognised the potential for open banking, and that card payments work well. It did, however, note that change initiatives for payments in the UK lacked clear, agreed outcomes and a shared vision for the future.

HMT is taking the review's primary recommendation forward – that the Government should develop a National Payments Vision and Strategy outlining its ambition and the shared outcomes it wants to achieve. The National Payments Vision will also set out the priorities for UK payments, simplifying the change agenda and driving further competition, innovation and efficiency. This important work will help the UK to remain a leader in payments globally and we look forward to its conclusion.

Pay.UK is an independent, not-for-profit organisation, operating the infrastructure that underpins the UK economy. We are responsible for providing safe and efficient payment systems and services. Our purpose is to power payments, champion innovation and give the UK choice in how it pays. From Bacs Direct Credit and Direct Debit, to Faster Payments, and the Image Clearing System for cheques, individuals and business use the infrastructure and services that we provide every minute of every day to receive their salaries, pay their bills and send money.

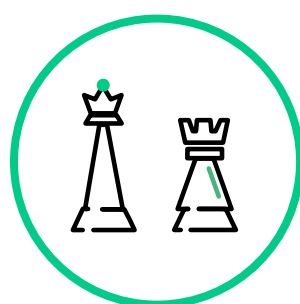
In this document, we summarise our views on how this vision can create the conditions for UK interbank payments to thrive. We ask that, as well as setting a shared direction for interbank payments, the National Payments Vision also gives us a mandate to implement it in our role as an independent payment system operator (PSO). We will then need the authority and resources to deliver against that mandate, while remaining accountable to our ecosystem.





# Our strategic asks of the National Payments Vision

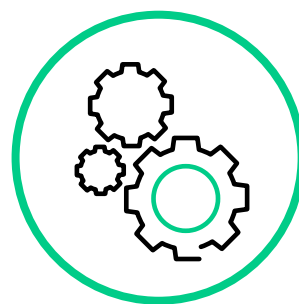
The National Payments Vision needs to set the conditions for payments to thrive now and in the future. Our international research identifies four essential features of a successful payments ecosystem.



**A shared strategic direction**



**Appropriate roles and relationships**



**Modern infrastructure**



**A sustainable commercial model**

**These features inform our three strategic asks, that the National Payments Vision:**

1

**Is rooted in end-user outcomes**

2

**Provides a strategic direction through clear allocation of roles and responsibilities, including an independent PSO**

3

**Sets out the priorities for interbank payments**

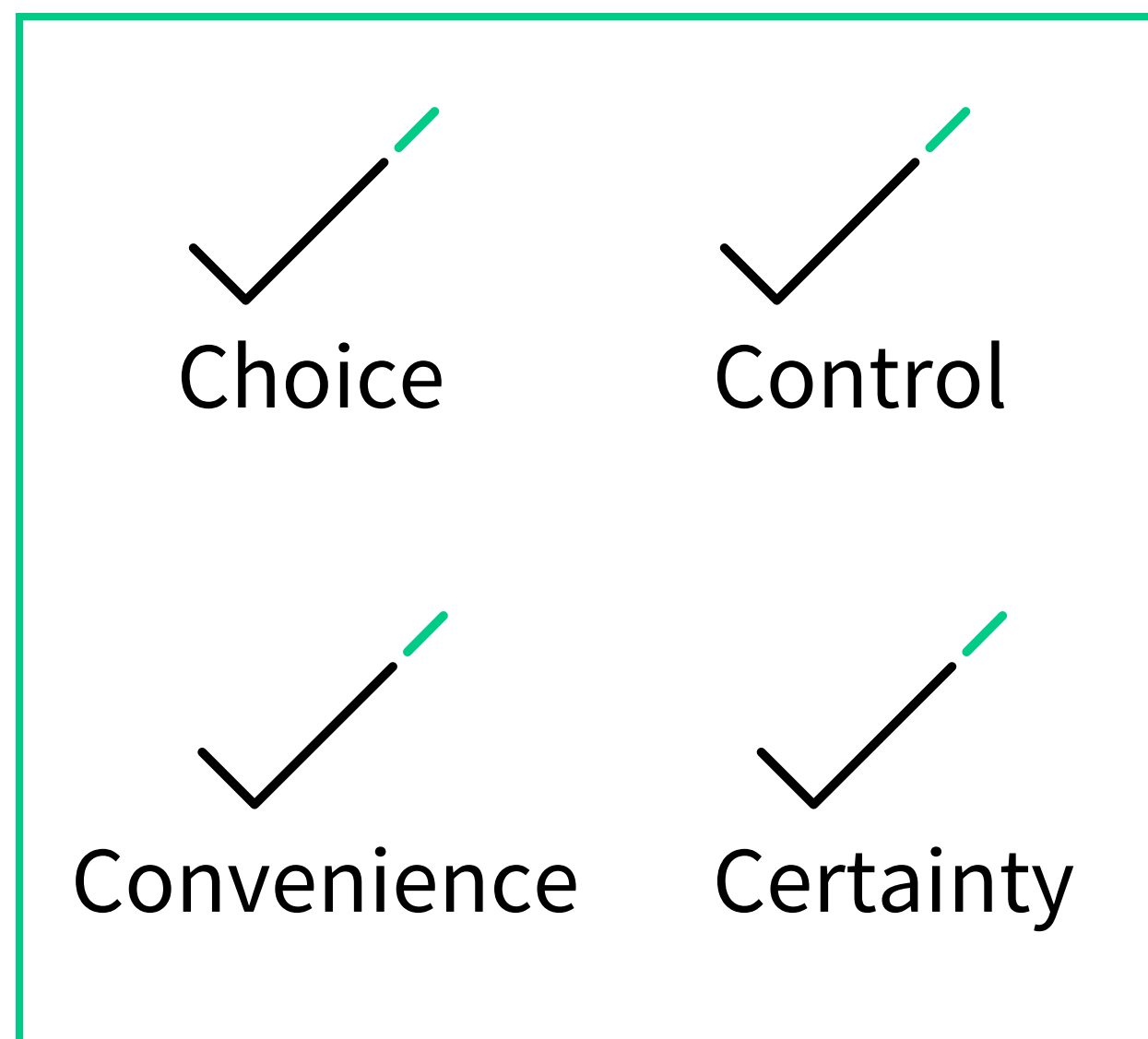


# 1. End-user outcomes

We want the National Payments Vision to ensure that payments in the UK serve the needs of the people and businesses that rely on them every single day. Our view, based on extensive research and engagement, is that end users want certainty, convenience, choice and control.

In practice this means that they can:

- Pay where and when they want, with convenience and certainty. Payments mostly blend into the background of their lives, and they can just assume that things will work
- Achieve what they want to with their preferred payment method, with choice and control. End users choose the features and functions they want, depending on the situation, rather than thinking about what payment types are available in different settings.





## 2. A shared strategic direction endorsing the role of an independent interbank PSO

The National Payments Vision is an important opportunity to set the strategic direction for payments in the UK. Just as having an end-user focus is vital, it is imperative that the industry works together to achieve a defined set of strategic goals. This will ensure that payments drive innovation and competition, and can continue to underpin the economy now and in the future.

Pay.UK occupies a unique space at the centre of the payments ecosystem. As an independent not-for-profit entity our work is focused on enabling collaboration for the benefit of end users. We need to deliver change in an ecosystem where stakeholders will have different perspectives and commercial interests, and are therefore unlikely to agree. This requires strong stakeholder engagement to gather insight from across our ecosystem, appropriate consultation, and clear accountability for our decision-making when

managing inevitable trade-offs. These are areas that we are committed to improving.

We want the National Payments Vision to clearly set out the role and responsibility of the interbank PSO. This will give us a mandate to deliver change where collaboration is required, improving resilience, and driving innovation and growth.

While the safety and security of our payment systems is our primary focus, Pay.UK has an important role to play in enabling innovation and competition in interbank payments. Since our creation in 2018, we have improved both direct and indirect access to our systems.





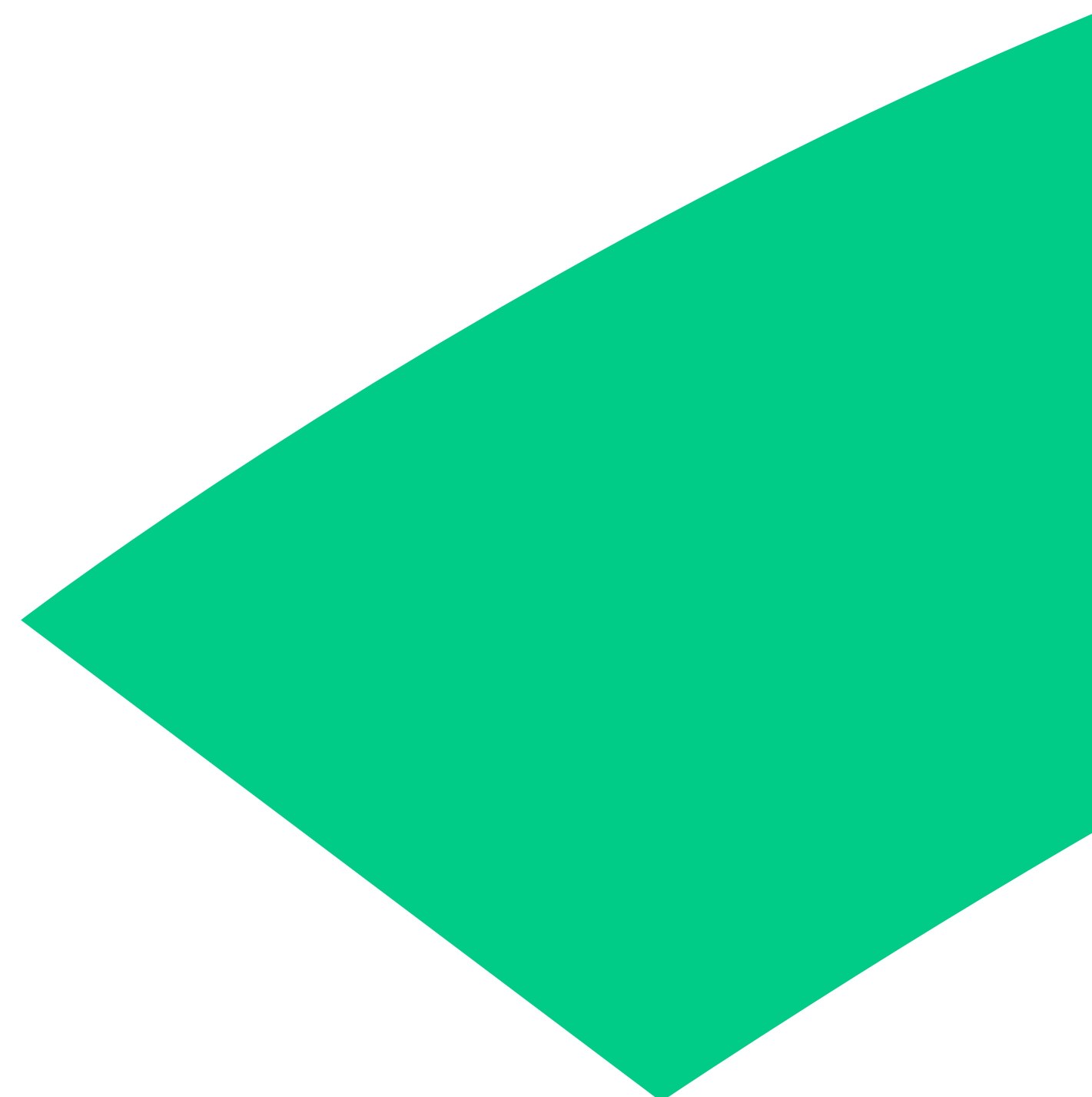
The ecosystem we manage has evolved significantly. It presents different challenges to those present in 2018 and continues to grow in complexity.

- Today our Faster Payment System (FPS) has 46 direct customers – from banks to fintechs and other non-bank payment providers – compared to 10 at launch in 2008
- We are expanding our Confirmation of Payee service to over 330 institutions in 2024
- Around 900 firms will be part of upcoming authorised push payment fraud reimbursement requirements – a step change from our current customer numbers
- We are also a crucial enabler for open banking payments, allowing new fintech innovators to provide payment services using our systems.

We are an independent organisation, with a governance process that ensures that we consider the views of all of our stakeholders. We do, however, often need the unanimous consent of our customers when introducing change that extends beyond protecting the robustness and resilience of our systems – even where changes have broad assent in the ecosystem.

Requiring the agreement of all customers can hinder our ability to progress at pace and match the innovation seen in other interbank payment systems around the world, for example to support development of an alternative to cards. This in turn delays the realisation of end-user benefits and results in more regulation, as the Payment Systems Regulator is required to mandate adoption of change more often than should be necessary.

We look forward to working with the payments ecosystem to address these issues.



## 3. Set out the priorities for interbank payments

The National Payments Vision is a timely opportunity to provide clarity of direction for the next phase of innovation and development in interbank payments.

We consider the three priorities for interbank payments to be:

### 1. Infrastructure renewal

We can work with our regulators and the payments ecosystem to deliver the much-required next-generation infrastructure. The National Payments Vision could underpin this with a long-term set of priorities.

- The current FPS infrastructure is now over 15 years old and will require renewal to remain robust and resilient, and to deliver the certainty, convenience, choice and control desired by end users. We should also consider implications for both Bacs and the Image Clearing System for cheques as part of this process
- Any direction from the National Payments Vision should be outcomes-focused, leaving us, working together with industry, to design specific technical technical solutions to deliver benefits

for end-users. We currently think these benefits are likely to include enhanced resilience, wider access, real-time capability, certainty of fate, and interoperability with other payment types and platforms, including digital and tokenised assets

### 2. Fraud

A key detriment, fraud has the potential to impact overall confidence in UK payment systems. The National Payments Vision should prioritise fraud and back the safe and secure sharing of relevant data to prevent and detect it.

- This is not something that can be solved by the payments industry alone, but we are working together to develop and deploy whole-of-market solutions that can better detect and prevent fraudulent transactions. These build on the

- power of unlocking and sharing both the data we hold centrally, and that of payment providers
- The design of the future infrastructure will also support our work in the fight against fraud.





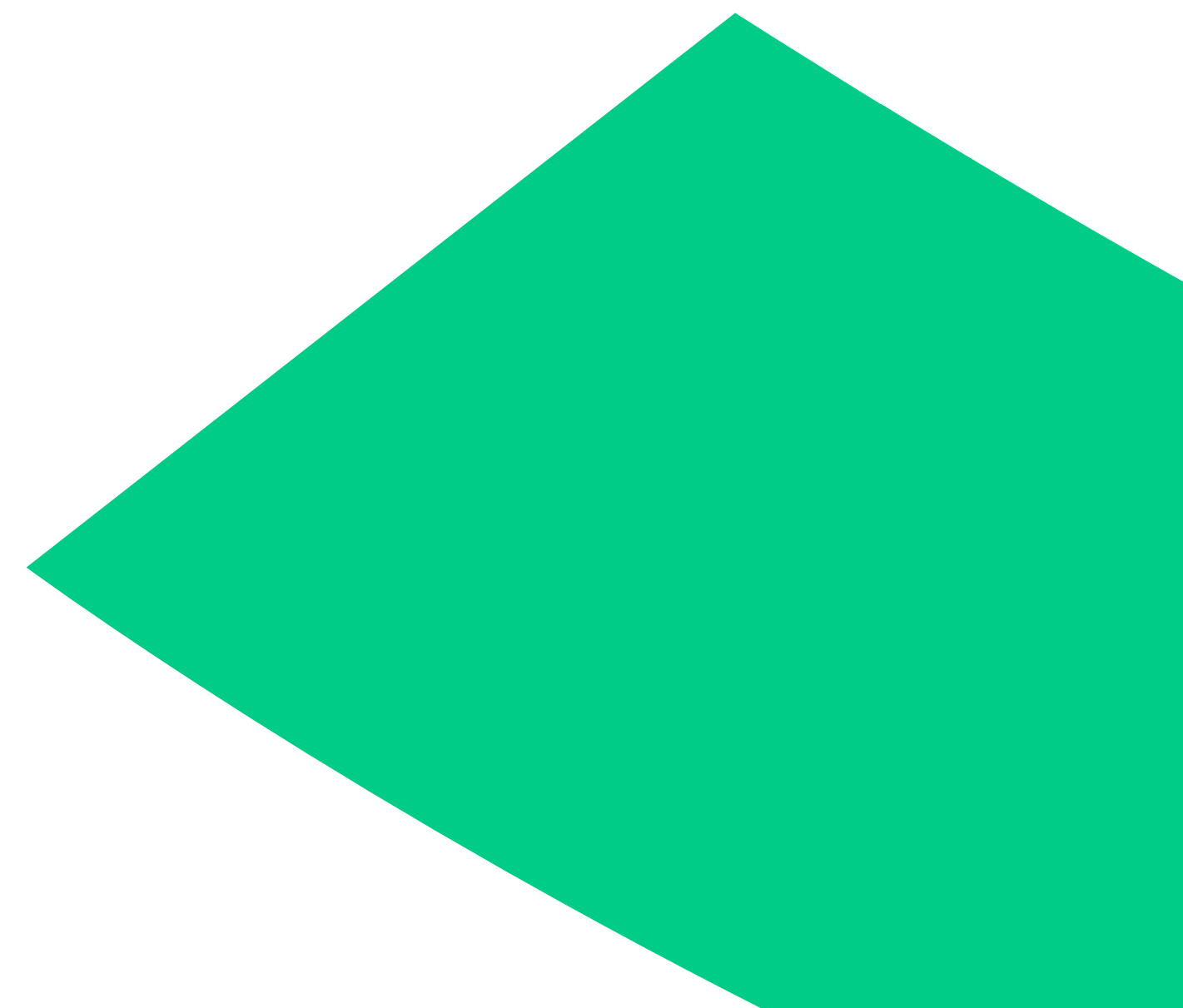
### 3. Creating the conditions for interbank transactions to thrive in retail

Although card payments work well, the Future of Payments Review recognised that retailers want more choice in how to accept payments.

- Infrastructure renewal can support open banking payments in progressing to the next level, enabling them to enhance the use of interbank payments in a retail setting
- The evolution of our systems can support open banking payments to provide merchants with certainty of fate, and choice in how to accept payments. This will also afford consumers greater convenience and control

- We want the National Payments Vision to set out the conditions to successfully develop interbank payments for retail. These include a common set of rules and standards, open access to initiation routes for all payment types, appropriate protections, widespread availability, and a recognisable brand.

As payments increasingly move onto consumer devices, there are significant ‘gatekeeper’ advantages for the providers of operating systems and app stores, particularly their digital wallet offerings. If the National Payments Vision is to foster real and effective competition and choice among payment types, this will require access for all of them to gateways representing potential bottlenecks to competition.







# Conclusion

Pay.UK is committed to contributing to the cross-sector effort to assist HMT in delivering the outcomes the National Payments Vision will require to power payments in the UK, driving innovation and competition, and underpinning the economy. This will give us a mandate for our role as an independent PSO and set us up with the authority and resources to deliver for the benefit of the industry as a whole, end users and the UK economy.

