



Shaping a user-centric future: roundtable summary

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1 Introduction

The need for a user-centric approach to payments has never been more pressing as the cost of living and energy crises compound the ongoing impact of the COVID-19 pandemic.

With this in mind, we recently held a roundtable discussion that brought together financial service providers, policy experts and consumer representatives to consider how we can prioritise collaboration in the retail payments ecosystem to help consumers and SMEs more effectively manage their financial lives.

Chaired by Chris Pond, Chair of the Financial Inclusion Commission, the discussion covered:

- recent findings from our [SME and Payments](#) and [Financially Vulnerable and Payments](#) research. The findings reveal significant systemic payments challenges facing consumers and businesses, including fraud, reconciliation and inflexible payments;
- the tools and technology available now to help consumers and businesses better manage their money and avoid fraud; and
- how we can best work together as an industry to overcome barriers to implementation to improve end user outcomes and unlock value in the payments space.

The views recorded in this summary are a write-up of the points made during the roundtable conversation and do not necessarily reflect those of Pay.UK or of all the participants. A list of the roundtable participants can be found in the annex.

2 Findings from the ‘SME and Payments’ and ‘Financially Vulnerable and Payments’ research

a) SME and Payments research

- Businesses use a wide range of payment methods, with most using multiple methods at any one time for both incoming and outgoing payments:
 - Bacs is the most commonly used and accepted method, with more than three quarters (76%) accepting Bacs for incoming payments and 64% using it for outgoing payments.
 - Faster Payments (FPS), debit and credit cards, and cheques are also heavily used by businesses, with one in three accepting credit (27%) and debit (32%) for incoming payments, while almost half accept Faster Payments (46%).
- SMEs face several payment-related challenges, particularly around reconciliation (25% of SMEs) and high transaction fees, and lengthy times associated with card payments (35% of SMEs).
- The adoption of more efficient systems is prevented by many factors, such as: lack of knowledge about alternative solutions; lack of understanding of alternative solutions; and alternative solutions being deemed too risky.

b) Financially vulnerable and payments research

- Financially vulnerable people are more susceptible to being defrauded by criminals
- Direct Debits can prove a challenge for those with low financial and emotional resilience, who may also heavily depend on their relationships to pay their bills
- Financially vulnerable people are more likely to use buy-now-pay-later (BNPL) services than the general population – and regulation needs to keep pace
- Cryptocurrency ownership is still quite uncommon, but financially vulnerable people are slightly more likely to hold and use it than others

3 How can consumers and businesses better manage their money and avoid fraud?

a) Request to Pay

Request to Pay is a messaging service that offers a more flexible way for bills to be settled between people, organisations and businesses. Billers can request payment for a bill rather than sending an invoice, and customers can choose how they respond, driving efficiencies. It has been created to complement existing ways to pay and is especially important for financially vulnerable people who are less likely to receive their income on a monthly basis. While the service does not solve the problem of working with a tight budget, having a flexible way to manage payments may greatly benefit those who manage low or irregular incomes.

b) CASS

The Current Account Switch Service is a free service that allows consumers and businesses to easily switch current accounts. This means that regular payments, such as standing orders and direct debits, and account balance, can be easily moved to a new current account provider from an old current account provider. Consumers may benefit from switching incentives, such as monetary rewards, lower overdraft fees and cashback. Businesses may also benefit from higher ATM withdrawal amounts and cash deposit limits, free card processing devices, and free overdrafts.

c) Confirmation of Payee

Confirmation of Payee (CoP) is a name checking service for payers to validate a first-time payee's details ahead of the payment being sent. It gives payers greater assurance that their payments are being made to the intended recipient, avoiding misdirected payments. It can address particular types of authorised push payment (APP) fraud by providing a platform for payment service providers (PSPs) to issue warnings to payers about the risks associated with progressing with a payment to an account where the name does not match.

4 How can the retail payments ecosystem work together to improve end user outcomes and unlock value in the payments space?

a) Application Programming Interfaces

Application Programming Interfaces (APIs) are a type of standardised interface used by two systems to connect and exchange data which would otherwise be siloed. In the payments ecosystem, APIs are most famously used in open banking. The introduction of the EU's Payments Services Directive 2 (PSD2) required the nine main banks in the UK to open their data to Third Party Providers (TPPs) through APIs, free of charge.

APIs in the payments ecosystem have seen great success. There is increasing demand from end users for faster, safer online payment capabilities and for more financial services and apps

b) Open banking APIs

Open banking can provide enormous benefits. It can help ensure that people are aware of the choices available to them when it comes to payments and, in turn, give them greater control of the payments they make.

Open banking refers to the use of APIs to share financial data and services with third parties. Understanding customers and their individual transactions, how they use their accounts and why they make the payments they make, can help PSPs ensure that their customers are aware of, and use, the products and services that help them the most.

c) Future of switching

In 2022, we commissioned research into the future of switching. The research explored what an ideal future switching service would look like, in a world that provided very successful open banking propositions and other services, such as digital ID. The research identified what products and features make switching more attractive in the short term, and what future drivers will impact the adoption of banking and financial product switching.

The purpose of the research was to understand what outcomes the act of switching drives for end users, and how the ecosystem can more effectively utilise switching in the future. Alongside this, we have conducted an internal technical assessment and analysis of potential enhancements to our Current Account Switch Service. This will allow us to understand how we can best meet the evolving needs of end users as technology advances and preferences change.

d) Fraud prevention overlay

We are determined to create new tools to help prevent fraud and play a part in fighting its devastating emotional and financial impacts. The fraud prevention overlay will enable the market to use the data that runs across our platform to detect and prevent fraudulent transactions. Third parties will be able to offer innovative fraud mitigation services to augment existing fraud and financial crime management tools. This

will ensure that all consumers and businesses can freely benefit from our continuously evolving and world-leading payment system, with security and confidence. The fraud prevention overlay will go live upon the launch of our new payments platform, the New Payments Architecture.

e) The New Payments Architecture

The New Payments Architecture (NPA) will use the ISO 20022 messaging standard, which offers enriched data and greater interoperability with other systems that use ISO 20022. The NPA will help to reduce the levels of fraud by delivering the fraud prevention overlay (as mentioned above) and enhanced fraud data sharing capability, which allows PSPs to share fraud information in real-time.

In 2022, we commissioned research into account-to-account (A2A) payments, which highlighted a desire from banks, retailers and consumers to see A2A used as a credible payment method in retail transactions. As a result, we are currently exploring consumer protection measures that are supported by an economic model for A2A payments. In this way, we can ensure that A2A is a reliable payments option that suits the needs of consumers and businesses. This includes the financially vulnerable and SMEs, whose payment 'pain points' can be more effectively addressed by A2A payments.

In order to provide businesses and retailers with an alternative solution to debit and credit card payments, the NPA will support our aim to grow A2A for retail transactions, and establish the rules for the safe and efficient use of A2A payments. It will also encourage broader participation in payment initiation from non-traditional players, such as merchants and fintechs, in the market.

Conclusion

The various focus areas detailed above look to deliver a wide range of benefits for consumers and businesses in the way that they manage their financial lives. By working together as one retail payments ecosystem, we can further ensure:

- improved flexibility of payments to help respond to the financial needs of all segments of society. There are no 'one-size-fits-all' solutions.

Request to Pay hugely benefits the financially vulnerable who may struggle to pay their bills on time, while SMEs are easily able to request payments from their customers to tackle the issue of late payments.

- greater personalisation of services.

PSPs are better able to provide tailored and/or flexible services to specifically identify and help those that need support (as opposed to a 'one-size-fits-all' solution). APIs can better serve the financially vulnerable and SMEs by offering faster and more secure online payment capabilities and financial management apps.

- customers are given greater control over their payments and that those in need are fully aware that this greater control exists.

CoP gives payers peace of mind that they are paying who they intend to. CASS incentivises end users to switch to bank accounts that better serve them, while their new and old current account providers work behind the scenes to seamlessly transfer payments.

- a network of 'trusted intermediaries' is created to identify and troubleshoot payment 'pain points'.

The fraud prevention overlay brings third party fraud mitigation specialists together to detect and prevent fraud. A2A payments delivered by the NPA will encourage wider participation from new and longstanding payment players. By working together, new innovations will be developed to make A2A payments in retail a credible reality for consumers and businesses.

We will continue to engage with the industry by delivering end user focused research that identifies opportunities for innovation. As we build the NPA, we will ensure that propositions that are enabled by our new platform are future-proofed to meet evolving consumer and business behaviours.

We welcome the ecosystem to co-create with us the future of payments.

Annex

List of roundtable participants	Representative
Cashflow	Marion King
CBI	Megan Coulson
Demos	Amelia Stewart
EUAC	Anna Bradley
Financial Inclusion Commission	Chris Pond
Government Banking	Debbie Wells
HM Prison and Probation Service	Sharon Weeks
MHP Communications	Ian Kirby
Pay.UK	Colin Bilkus
Pay.UK	Daniel Jonas
Pay.UK	Humera Yakub
Pay.UK	Kate Frankish
Pay.UK	Mark Bowerman
PSR	Nicole Coates
Revealing Reality	Damon De Ionno
UK Small Business Commissioner	Liz Barclay



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