HM Treasury

# Payments Landscape Review:

## Call for Evidence

July 2020

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# Contents

# Executive summary

Payments in the UK have seen rapid change over recent years with people increasingly using card, mobile and electronic wallets to make payments. Payments have also become a focus for fintech developments with developments such as paying using mobile apps that provide greater convenience and security for consumers, as well as back-office innovation to make it easier for businesses to make and manage payments.

These changes offer exciting opportunities for UK businesses and consumers, with many making payments faster and cheaper. However, and as will always be the case with a rapidly changing technological landscape, they also present new challenges and risks.

Given the pace of change, a HM Treasury led review of the payments landscape was announced in June 2019. This Call for Evidence is the first stage in the review. This document sets out the government's aims for payments networks in the UK, makes a high-level assessment of how well the present system is delivering against the government's aims and asks questions about the opportunities, gaps and risks that need to be addressed in the future in order to ensure that the UK maintains its status as a country at the cutting edge of payments technology.

While the review focusses on the future of payments, it also reflects on the actions that have been taken by the government and regulators. The Call for Evidence asks questions to broadly cover whether government's aims have been achieved and what more needs to be done to both address persistent issues and in light of new opportunities and risks in the payments landscape.

## The government's aims

The government previously outlined a number of aims for payments networks in the UK to ensure that consumers and businesses who are the end users, as well as the wider economy, benefit to the fullest extent from payments networks. Over the last 10 years the government has shown significant policy leadership to drive change and has taken action across the entire regulatory framework. The action by government and the regulators has transformed the governance of the UK's payment systems, and spurred competition and innovation in payments networks. This section of the document sets out the actions taken by the government, regulators, and industry and asks what more needs to be done to meet the government's aims.

## UK payments networks that operate for the benefit of end users, including consumers

Actions include:

- the government setting up the world's first economic regulator for payment systems – the Payment Systems Regulator (PSR) and bringing UK payment systems under formal regulation
- the PSR overseeing a change in the way the main UK retail payment systems are owned and governed, opening up access, enabling greater competition and innovation in payment services and ensuring the needs of end users are taken into account when decisions are made
- the government capping interchange fees and banning surcharging to reduce costs for consumers and businesses
- the PSR's market review into the supply of card-acquiring services to ensure that the market works well for merchants, and ultimately end users

## A UK payments industry that promotes and develops new and existing payments networks

Actions include:

- the PSR overseeing the delivery of a streamlined and modernised New Payments Architecture for the UK which will aim to provide a new core clearing and settlement infrastructure to help to catalyse innovation in a variety of payment services
- the PSR requiring effective competition for the procurement of the UK payments infrastructure
- the government legislating to enable a cheque imaging system to be developed in the UK to speed up cheque processing and eliminate the need to physically transport two and a half million cheques per year by road
- the Bank of England enhancing the Real Time Gross Settlement (RTGS) service, the core settlement infrastructure in the UK, to enhance resilience and innovation
- the Financial Conduct Authority (FCA) supporting new payment services firms that that employ new technologies or business models through the FCA's Innovate programme
- the Competition and Markets Authority (CMA) driving forward Open Banking to offer the opportunity for consumers to pay for goods and services in shops and online directly from their accounts, rather than using a debit or credit card

## UK payments networks that facilitate competition by permitting open access to participants or potential participants on reasonable commercial terms

Actions include:

- the PSR requiring the payment system operators to publish criteria for direct access to payment systems and sponsor banks to publish information on their offers for indirect access to payment systems to make access cheaper, easier and more transparent
- the government and Bank of England enabling non-bank payment firms to open settlement accounts at the Bank of England in order to allow direct access to payment systems

## UK payment systems that are stable, reliable, efficient

Actions include:

- the government legislating to recognise systemically important payment systems and certain infrastructure providers to those payment systems in order to bring them under the supervision of the Bank of England

# Opportunities and risks

The UK's payments landscape is evolving quickly and this presents new opportunities and risks. This section of the document sets out the key drivers of new payment systems and services, starting with the New Payments Architecture, for which deciding on the right direction of travel for delivery of the New Payments Architecture is of critical importance, before discussing Faster Payments and how Open Banking could impact the way it is used, the broader trend towards new service providers and payment chains, and developments in cross-border payments. It asks questions about the opportunities and risks they create and the next steps that the UK should take in order to ensure the UK maintains its position as a world-leader in payments networks.

## Faster Payments

The Faster Payments system is a 24/7 real-time payment system and has been a great UK success story. However, in the UK person-to-business payments using Faster Payments are not widely used as a method for paying for goods and services. A factor that may inhibit the continued growth in use of Faster Payments and opportunities for person-to-business payments using Faster Payments for point of sale purchases is the lack of scheme rules to resolve disputes and assign liability when a Faster Payment goes wrong, which are found in other payments networks such as the major card schemes. A set of comprehensive rules within Faster Payments could also potentially tackle what happens when there are scams in which consumers are tricked into authorising a payment from their account, known as Authorised Push Payment (APP) scams. This section of the document asks about what is needed to realise opportunities for the continued growth in use of Faster Payments.

## Open Banking

A major step forward in how UK consumers and businesses pay for things is on the horizon through Open Banking, enabling account-to-account payments through third party Payment Initiation Services using Open Banking Application Programming Interfaces (APIs). If account-to-account payments were to take off in the UK this could lead to a significant change in how people pay for things in a country where debit and credit cards still account for most of the payments made by consumers in shops and online. The Competition and Markets Authority (CMA) has set out the final steps of the Open Banking journey, including their assessment of the Open Banking functionality that is required to support the take-off of Payment Initiation Services and enhance competition between payment methods. The CMA note that they consider it important that the question of consumer protection when using Faster Payments is adequately addressed. This section of the document asks about what is needed for Payments Initiation Services to take off in the UK safely and securely.

## New payments services and payments chains

Over the last 10 years, new payment services firms, including non-bank firms have entered and transformed the payments landscape. In many cases these have used new technology to provide new services and functionality, taking over some of the functions previously performed by other parts of the payment network in the UK. As the Bank of England's Financial Policy Committee has set out, the typical 'payment chain' (the set of activities necessary for a payment to be made) is therefore being unbundled and at times lengthened, with new activities being offered; some activities regulated by the FCA or overseen by the PSR, others unregulated. These changes to the payments chain could bring significant benefits for end users, including increasing choice, lowering costs and improving security and convenience. However, these changes could also bring risks if the end user does not understand the protections that apply, activities fall outside of regulation, or an activity is insufficiently resilient. This section of the document asks about what is needed to realise the opportunities and/or address the risks from innovation in payments chains.

## Cross-border payments

Rapid innovation is also taking place in the provision of new services for retail cross-border payments, to lower the cost and increase the speed of making cross-border payments. Faster, cheaper, more transparent and more inclusive cross-border payment services would deliver widespread benefits for citizens and economies worldwide, supporting economic growth, international trade, global development and financial inclusion. The G20 has made enhancing cross-border payments a priority and as part of this the Financial Stability Board and the Committee for Payments and Market Infrastructure have done work to identify the frictions in cross-border payments and the building blocks to address those frictions. This section of the document asks about what is needed to realise the opportunities and/or address the risks from trends in cross-border payments.

## Other areas of work

Cryptoassets, including stablecoins is another important area of innovation. In its March 2020 Budget, the government set out two commitments relating to cryptoassets; firstly, consulting on bringing the promotion of cryptoasset activities into regulation and secondly, consulting on the regulatory approach to global stabelcoins. The government also set out its intention to continue to take a leading role in exploring central bank digital currencies (CBDC). The government is not seeking evidence on these areas through this Call for Evidence.

## Responses

This Call for Evidence will remain open for 12 weeks and will close on 20 October 2020. Following the Call for Evidence, the government will provide a summary of responses and will set out next steps for the review.

# Chapter 1
# Introduction

1.1 Over the last decade, the way payments policy is regarded in both the UK and in the rest of the world has undergone a complete transformation. From once having been regarded as simply the plumbing of the banking system and with a system of self-regulation in the UK, the importance of payments in the overall financial system and the importance to the economy is now well established.

1.2 Looking back over the last 10 years, the pace of change and transformation has been astonishing. 10 years ago, cash was the most commonly used transaction method in the UK, the Faster Payments Service was still in its early stages, bank accounts were complicated to switch and smart phones with banking apps were just emerging.[1] The strategy for the payments industry was being set by a self-regulatory body which was taking strategic decisions with far-reaching implications for the UK population, with the most critical being a decision to announce changes that would lead to the abolition of cheques without proper regard to the implications of that for some of the most vulnerable in society. The largest banks not only had a dominant position throughout the complex world of payment systems giving them the ability to set the terms and conditions through which their smaller competitors were or were not able to access the systems they needed to set up in business, but also owned the provider which supplied the infrastructure on which the major retail payment systems were running.

1.3 During this period, the government has shown significant policy leadership in terms of driving change. It has used its convening power to take forward significant actions by the payments industry such as the Current Account Switch Service and has used legislation to unlock barriers to innovations such as cheque imaging. The government has also taken action across the entire regulatory framework in order to establish a system in which the stability and resilience of the most important payment systems can be assured through the work of the Bank of England, where the Financial Conduct Authority (FCA) is the lead regulator for non-bank payment firms in the UK, focusing on conduct, prudential and competition and, critically, that competition, innovation and the interests of end users are the responsibility of the first economic regulator for payment systems in the world – the Payment Systems Regulator (PSR).

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1 Faster Payments is a 24/7 interbank payment system which is used, for example, when sending payments from online banking.

1.4 Given the rapid technological and regulatory change over the past decade, the then Chancellor announced in his Mansion House speech in June 2019 that HM Treasury would lead a review of the payments landscape in the UK. This Call for Evidence is the first stage in the review. This document sets out the government's aims for payments networks in the UK, makes a high-level assessment of how well the present system is delivering against the government's aims and asks questions about the opportunities, gaps and risks that need to be addressed in the future in order to ensure that the UK maintains its status as a country at the cutting edge of payments technology.

# Chapter 2

# The government's aims

2.1 This review considers developments across the payments landscape and payments networks in the UK. A payment network describes the entirely of participants, processes and systems, and the links between them, that constitute the process for transmitting money from a payer to the payee using any particular payment instrument. It describes the entire chain from payer to payee. For example, payments made by card form a single payment network for that method of payment.

2.2 As the payments landscape has evolved over the last decade, the government's high-level strategy has been to ensure that consumers and businesses who are the end users,[2] as well as the wider economy, benefit to the fullest extent from payments networks. In order to deliver against this strategy, the government set out a number of high-level aims:[3]

- UK payments networks that operate for the benefit of end users, including consumers
- a UK payments industry that promotes and develops new and existing payments networks
- UK payments networks that facilitate competition by permitting open access to participants or potential participants on reasonable commercial terms
- UK payment systems that are stable, reliable and efficient

2.3 This Chapter considers the progress that has been made against each of these aims over the last 10 years.

## UK payments networks that operate for the benefit of end users

2.4 10 years ago, the government's view was that there were serious shortcomings in the governance of the UK's payment systems.[4] The Payments Council, which was a self-regulatory industry body responsible for setting the strategy for UK payment systems, had not been able to adequately perform its strategy setting function in a way that was reflective

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2 End users in this document refers to both customers and businesses who initiate and receive payments.

3 'Setting the strategy for UK payments', HM Treasury, July 2012.

4 'Setting the strategy for UK payments', HM Treasury, July 2012.

of the needs of all stakeholders. This stemmed from the strong position of the large banks in the UK, which were joint owners of the payment systems and the dominant force in Payments Council decision-making. This led to decisions being taken by the Payments Council that did not fully take into account the needs of stakeholders beyond the large banks, including businesses and consumers who were end users.

2.5 For example, in late 2009 the Payments Council took the decision to announce changes that would lead to the abolition of cheques, which caused significant concern amongst bank customers, and was ultimately reversed following pressure from the government and the Treasury Select Committee. This failure was one of the key factors which informed the government's decision to bring payment systems under formal regulation.

2.6 The PSR was brought into existence through the Financial Services (Banking Reform) Act 2013 and opened for business in April 2015. The PSR was provided with suitable objectives and a broad range of powers to allow them to tackle issues in payment systems.

2.7 The PSR's objectives are:

- to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them
- to promote effective competition in the markets for payment systems and services – between operators, payment services providers and infrastructure providers
- to promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems

2.8 Under the first objective, the PSR has had a programme of activity to ensure that the needs of consumers and businesses are fully considered when decisions are being taken on payment systems developments.

2.9 One of the key ways that the PSR set about delivering against the first objective was to initiate and oversee a change in the way the main UK retail payment systems are owned and governed. The PSR established the Payments Strategy Forum, which was tasked with developing a long-term strategic vision for UK payment systems. The Payments Strategy Forum set out its vision in its November 2016 document 'A Payments Strategy for a 21st Century'. The Payments Strategy Forum recommended the consolidation of the separate operators that managed Faster Payments (which provides near-real time payments such as online bank transfers), Bacs (which provides batch payments such as salaries or pensions and direct debits), and Cheque and Credit into a single payment system operator.

2.10 Under the old model, these payment systems were owned and governed by slightly differing combinations of the large banks in the UK. Although from 2013 there were independent representatives on the Boards of the payment systems with a public interest mandate and the power to veto decisions, in practice, the power to veto was never used and decision making was therefore in the hands of the large banks. In seeking to address these issues, the ownership and governance of the payment systems have come together under a single payment system operator, Pay.UK. Pay.UK, a private company limited by guarantee, has a Board that takes the strategic decisions for the Bacs, Faster Payments and Cheque Imaging payment systems and is responsible for the evolution of rules and standards that govern those systems. The Board is ultimately accountable to guarantors, of which there are currently 40 representing banks, e-money institutions, payments technology providers, industry associations and consultants. The Board also takes into account the interests of a much wider range of stakeholders, including end users, in all decision making.

2.11 The existence of a regulator charged with ensuring that the needs of end users are taken into account when decisions are made by payments networks has been important to achieving more balance in decision making. The PSR has taken direct action on issues which would not have been adequately addressed under the previous self-regulatory model. A key example of this is demonstrated by the PSR's work with LINK to maintain access to cash through the ATM network.

2.12 The key development over the last 10 years in terms of card payments networks has been the government's work on interchange fees and on card surcharging to reduce costs for consumers and businesses. The government supported pan-European action to tackle high interchange fees (the fee a consumer's card issuer charges the merchant's card acquirer) by the setting of a cap which came into force in 2015. As a result of the cap, consumers and merchants saved around £500 million in 2016.[5] The government also took the decision to go further than pan-European action on card surcharging by banning surcharges on all credit or debit cards, as well as banning surcharging for other payment methods such as PayPal, in the UK. This has helped ensure that consumers know the price they are going to pay for a good or service upfront and will not be penalised for choosing to pay in a certain way.

2.13 The PSR is conducting a market review into the supply of card-acquiring services to ensure that the market works well for merchants and end users. This is in response to complaints about the card-acquiring services that merchants need to buy in order to accept and process card payments. The government will build the outcome of the PSR's interim findings into the follow up to this Call for Evidence.

**Question 1: To what extent do you consider that the government's objective that UK payments networks operate for the benefit of end users has been met?**

**Question 2: What do you think industry, regulators and government should do in order to further ensure that UK payments networks operate for the benefit of end users?**

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[5] 'Study on the application of the Interchange Fee Regulation', European Commission, March 2020.

# A UK payments industry that promotes and develops new and existing payments networks

2.14 There have been a number of major developments in payments networks in the UK over the last 10 years.

## The Payment Infrastructure

### Supporting innovation through design – The New Payment Architecture

2.15 The first relates to the work, initiated and overseen by the PSR (set out in paragraph 2.9 above), to consolidate the separate operators that managed Faster Payments, Bacs, and Cheque and Credit into a single payment system operator, Pay.UK. By reducing the complexity and costs associated with separate operators and enabling a single view of the strategic development of the systems, the aim is to support the development of greater capability and capacity. This includes responsibility for delivering a streamlined and modernised New Payments Architecture for the UK, which was a key recommendation of the PSR established Payments Strategy Forum as part of its vision for UK payment systems.

2.16 As envisaged by the Payments Strategy Forum, the New Payments Architecture will aim to provide a new core clearing and settlement infrastructure that would take over the processing of interbank payments. The aim of the New Payments Architecture is to help to catalyse innovation in a variety of payment 'overlay' services - to enable better payments services for everyone – by simplifying the rules, standards and processes that banks and others need to follow to use the systems.

2.17 The new core infrastructure will be built to ISO 20022 standards, which is the global standard for payments messaging. This standard creates a common language for payments data across the globe. This will be the first time the UK's main retail payment systems will be using the same messaging standard. This is a major step towards interoperability of the UK payment systems. CHAPS payments, for which the Bank of England is the payment system operator, will also use ISO 20022, further enhancing interoperability.

### Supporting innovation through competitive procurement

2.18 In the PSR's 2016 review into the ownership and competitiveness of infrastructure provision, the PSR found that there was no effective competition for the procurement of the UK payment's infrastructure.[6]

2.19 This lack of competition was in part because of the common ownership by a small number of banks of both the payment systems and the single infrastructure provider, Vocalink. The PSR concluded that the acquisition of Vocalink by Mastercard, alongside the changes to the ownership and governance of the payment systems, would address the issues identified in that market review.

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6 'Final report: market review into the ownership and competitiveness of infrastructure provision', PSR, July 2016.

## Cheque imaging

2.20 The second major change was in response to an industry ask to allow a cheque imaging system to be developed in the UK. The government introduced amendments in the Small Business, Enterprise and Employment Act 2015 and to the Bills of Exchange Act 1882, to allow UK banks and building societies to introduce this technology. The changes made it clear that an image of a cheque that has been created may be exchanged with the payer's bank for payment, rather than the physical cheque.

2.21 In order to make cheque imaging operational, The Cheque and Credit Clearing Company took forward a major project to upgrade the underlying cheque system. Despite some challenges with the programme delivery, 100% of cheques now clear through the cheque imaging system. This system has speeded up cheque processing significantly for end users across the UK, with cleared funds now being received 1 day after deposit rather than the previous 6 days. Implementation of the cheque imaging system has also eliminated the need to physically transport two and a half million cheques per year by road, meaning considerable environmental benefits.[7]

2.22 In addition, a number of banks have innovated and offer customers the opportunity to pay in an image of a cheque through their mobile banking app. As well as offering much greater convenience, this has also helped customers in rural areas or with limited mobility. If a customer still wants to pay in and receive a paper cheque, they are able to do so.

## Real Time Gross Settlement System (RTGS)

2.23 The third major development relates to the multi-year renewal programme of the Real Time Gross Settlement System (RTGS) that the Bank of England has been driving forward to enhance resilience and innovation to meet the needs of a diverse range of users, and to meet future demands placed upon it.[8]

2.24 The RTGS is the core settlement infrastructure for the UK, providing the ultimate settlement for payment systems. It provides accounts for banks, building societies, financial market infrastructure and non-bank payment service providers at the Bank of England. The balances in these accounts can be used to move money in real time between these account holders. This delivers final and risk-free settlement.

2.25 The renewed RTGS is designed to give greater direct access to the RTGS, wider interoperability, improved user functionality, increased resilience and strengthened end-to-end risk management. This will ensure RTGS remains at the leading edge of global best practice.

2.26 In 2017, during the renewal programme of the RTGS, the Bank of England also became responsible for operating CHAPS, used to settle high-value wholesale payments as well as time critical large retail payments, such as house purchases. This follows the conclusion by the Financial Policy

[7] 'A blueprint for a new RTGS service for the United Kingdom', Bank of England, May 2017.

[8] The RTGS systems is used to settle payments for the CHAPS, FPS, Bacs, Cheque and Credit, Link and Visa payment systems. Around £350 billion per day was settled for those payment systems across RTGS in 2020 Q1.

Committee that financial stability would be enhanced by bringing together the operation of CHAPS and RTGS in line with international best practice for high-value payment systems.

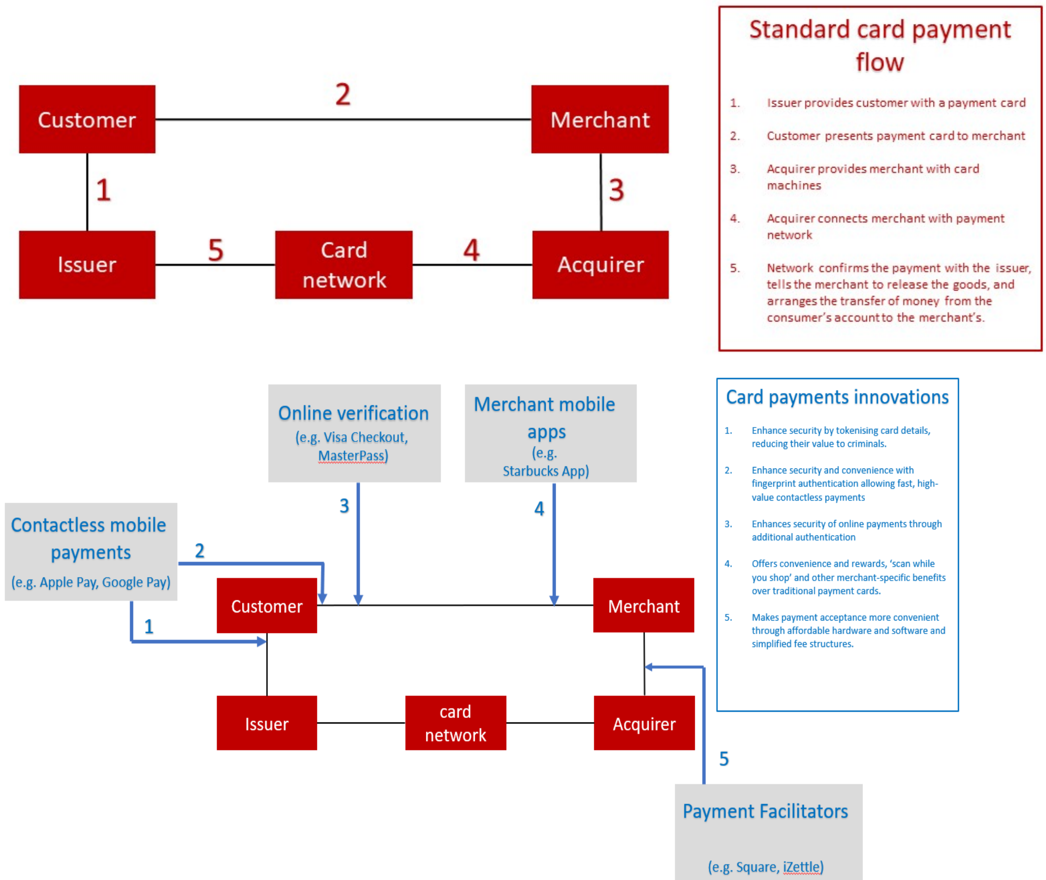
## New payments services

2.27 The fourth major development has been the growth of new payments services firms, including non-banks, using new technology to provide new services or functionality, or take over some of the functions previously performed by other parts of the payment network in the UK.

2.28 This has been supported by initiatives like the FCA's Innovate programme which provides support to firms that employ new technologies or business models. Support includes testing new propositions with real consumers in a controlled environment, and offering authorisation pathways and guidance to such firms.

2.29 The payments services and e-money regulatory regime is set by the Electronic Money Regulations 2011 and the Payment Services Regulations 2017.

### Box 2.A: Diagram illustrates the types of new payments services in cards payments networks




2.30 New technology makes it more convenient for consumers and businesses to initiate payments. Consumers are increasingly using smart devices and digital wallets to make contactless mobile payments in stores and payments online. In 2019, nearly 10 million people in the UK had already registered for a mobile payment app such as Apple Pay, Google Pay or Samsung Pay. These digital wallets use smart devices to offer enhanced security through enabling a fingerprint, facial recognition or passcode to confirm the identity of the payer. Digital wallets can hold the details for multiple payments methods, such as cards and bank account details, in one place and make payments more secure using a process called 'tokenisation', in which card numbers are replaced with dedicated 'tokens', reducing their value to criminals.

### Box 2.B: Card usage[9]

- In 2019 over half of all payments made in the UK were made using cards
- Debit cards accounted for 42% of all payments in the UK

2.31 COVID-19 has increased usage of contactless payments in shops. As a result of COVID-19, industry rapidly agreed to raise the contactless card payment limit from £30 to £45. Contactless mobile payments enable consumers to make larger value payments using biometric authentication, such as a fingerprint or facial recognition.

2.32 In addition, digital banks and e-money firms have entered the market offering services which allow customers to more easily send and request payments from their account. E-money wallet and account providers, such as PayPal, also make payments across the accounts that both customers and merchants hold with them. This allows consumers to make payments and access advanced features, such as instant peer-to-peer payments or credit offerings, without using traditional payment systems except when topping-up or withdrawing money from their bank account. Since the introduction of the Electronic Money Regulations in 2011, that created an updated regulatory framework for electronic money, the amount customers hold in e-money firms in the UK is estimated to be in the region of £10bn.

2.33 Finally, technology-focused firms are offering new ways for merchants to accept payments. Payment facilitator firms such as iZettle and Square, for example, offer small handheld card machines and online payment software with simplified fee structures to enable small or temporary businesses to more easily accept card payments. Firms such as Uber have also simplified the payment process for their in-app purchases by saving customers' payment details, reducing hassle. Some merchants, such as a number of supermarkets, have gone further, introducing their own in-store payment applications that add additional functionality over traditional payment methods, for example by allowing customers to scan food while they shop, avoiding queueing for the checkout. In parallel, the card schemes are improving the security of online card payments, for example through Visa Checkout and MasterPass, and technical gateway providers such as

9 'UK Payment Markets 2020', UK Finance, June 2020.

Bottomline Technologies are making it easier for financial institutions to access multiple payment systems.

## Open Banking

2.34 A major step forward in terms of the way UK consumers and businesses pay for things is on the horizon through the work driven by the Competition and Markets Authority (CMA) on Open Banking. Open Banking is a world-leading project which uses standardised Application Programming Interfaces (APIs) to allow consumers and businesses to safely and securely:

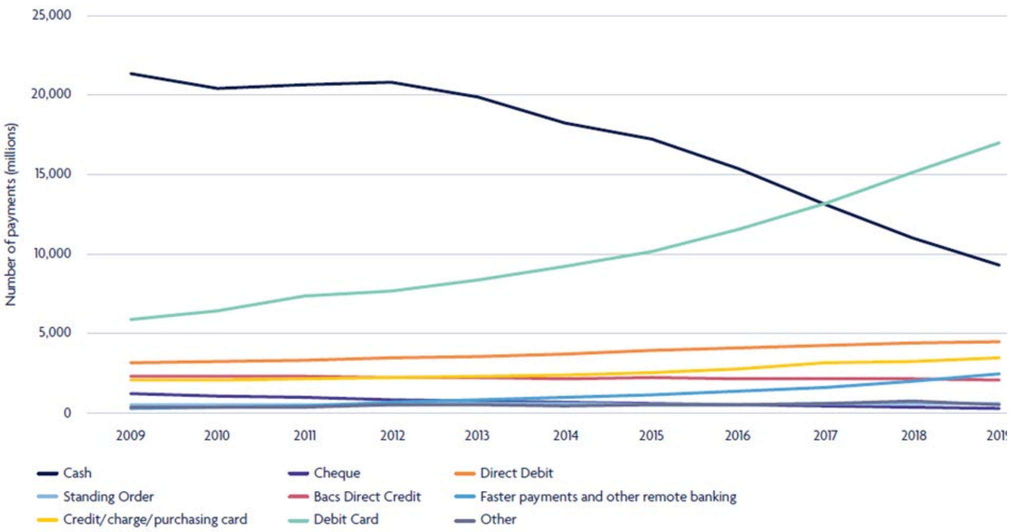
- share their current account and credit card data with regulated third-party providers in order to enable them to perform a regulated activity (account information services)
- initiate payments using third-party providers (Payment Initiation Service providers) from their payment accounts

2.35 Much of the focus of Open Banking to date has been on the sharing of data and Account Information Services that both consumers and businesses can benefit from, leading to new product offerings such as personal financial management tools and offering easier and efficient means to verify income and assess credit worthiness for the purpose of providing loans or mortgages. In addition, Payment Initiation Services that make use of Open Banking have also started to grow. They offer the opportunity for consumers to pay for goods and services in shops and online directly from their accounts over the Faster Payments system, rather than using a debit or credit card. Using Payment Initiation Services will cut out the need for other steps to process a payment and be a direct, potentially cheaper and faster way for merchants to be paid. Since the introduction of Open Banking in the UK, the FCA has authorised 55 Payment Initiation Service providers. The COVID-19 period has seen an increase of transactions initiated by Payment Initiation Service providers, largely driven by donations made to charities.

2.36 It is worth noting that although Open Banking should provide a boost to these types of account-to-account payment services, they are not new. Previous examples include: Paym, a service that allows consumers to pay a merchant directly from their accounts using the recipient's phone number, rather than sort codes and account numbers; PingIt, a Barclays service that allows consumers to pay a merchant directly from their accounts using the recipient's phone number; and Pay by Bank (previously Zapp), a service that similarly allows customers to pay a merchant directly from their accounts but which uses a unique code sent to their smart phone.

2.37 Chart 2.A illustrates the trends in payments methods in the UK over the last 10 years and the shift from cash to digital payment methods. Debit cards dominate digital payment methods in the UK. While, to date account-to-account payment services have not been widely used as a method for paying for goods and services, Open Banking offers the opportunity for new services.

## Chart 2.A: Payment volumes (millions) 2009 to 2019




*'UK Payment Markets 2020', UK Finance, June 2020.*

Question 3: To what extent do you consider the government's objective for a UK payments industry that promotes and develops new and existing payments networks has been met?

Question 4: What do you think industry, regulators and government should do in order to further promote and develop new and existing payments networks?

# UK payments networks that facilitate competition by permitting open access to participants or potential participants on reasonable commercial terms

2.38 Another one of the key factors which informed the government's decision to bring payment systems under formal economic regulation was concerns about the lack of open and fair access. Access to payment systems is critical to the ability to compete in the provision of payment services and is therefore an important driver of competition and innovation in payment services.

2.39 As set out earlier in this Chapter, before the government created the PSR, the main UK retail payment systems were owned and governed by slightly differing combinations of the large banks in the UK. As a result, the UK had a situation where a small group of the most powerful users of the payment systems were also the owners. This produced a situation whereby smaller players and new entrants had to seek access, whether directly or indirectly, to payment systems that were jointly owned by a number of their competitors. As set out in the March 2013 document 'Opening Up UK Payments', where incumbents control a vital shared network, this can create perverse incentives and/or unnecessarily burdensome conditions for access, or a situation where there is a preferential service to owners.

2.40 The PSR has tackled the issue from different angles. First, through the work the PSR has initiated and overseen to change the way the main UK retail payment systems are owned and governed, consolidating the ownership and governance of the payment systems under a single payment system operator Pay.UK, and ensuring that the Pay.UK Board takes into account the interests of a much wider range of stakeholders, including service users such as smaller players and new entrants, in decision making.[10]

2.41 Secondly, to make direct access cheaper, easier and more transparent, the PSR requires the payment system operators to publish criteria for access and to report annually on how these criteria are being applied and are working to increase transparency.

2.42 The government and Bank of England have also played a key role in helping to facilitate direct access to payment systems. In 2017, following a request from the Bank of England, the government legislated to enable non-bank payment firms to open settlement accounts at the Bank of England. This was a key change in terms of enabling direct access to payment systems and, since then, 6 non-banks have opened settlement accounts and have joined the Faster Payments system as direct participants. Overall, the action taken has resulted in direct access to the Faster Payments system more than tripling over the last 10 years, from 7 direct participants to 26 direct participants.[11] The Bank of England intends to consult in 2020 on further opening up access to Bank of England accounts for non-bank payments firms.

2.43 Not all service users access payment systems directly. Some service users may instead choose to access payment systems via larger banks through agency arrangements, for example if their volume of payments is low and it is more cost-effective. Therefore, to make indirect access via agency arrangements cheaper, easier and more transparent, the PSR requires all sponsor banks to publish clear and up-to-date information on their indirect access offers, and provide certain information to payment service providers applying for indirect access. In 2016 the PSR published their final report on their indirect access market review, looking into the supply of indirect access. This review found that while competition was delivering some good outcomes, there were specific concerns about the quality of access, limited choice for some payment service providers and barriers to switching.[12] Since this review there have been new indirect access providers in the market, providing more choice for some payment service providers. However, the PSR has found that some smaller payments service providers have limited or no choice in provider.[13] The PSR keeps the sector under review and has powers to act if providers do not provide access on a proportionate, objective and non-discriminatory basis.

10 Service users in this document refers to institutions that initiate payments on behalf of others as well as on their own behalf.

11 'Access to UK Payment Schemes for Non-Bank Payment Service Providers', Pay.UK, December 2019.

12 'Final report: market review into the supply of indirect access to payment systems', PSR, July 2016.

13 'Access and governance report on payment systems: update on progress', PSR, June 2019.

**Question 5: To what extent do you consider the government's objective to facilitate competition by permitting open access to participants or potential participants on reasonable commercial terms has been met?**

**Question 6: Are there further barriers preventing open access to participants or potential participants on reasonable commercial terms?**

**Question 7: What do you think industry, regulators and government should do in order to remove these barriers?**

## UK payment systems that are stable, reliable and efficient

2.44 As part of the post-financial crisis reforms, the government recognised that there were risks within the payment systems that could, if not appropriately managed, threaten UK financial stability. The government therefore legislated, in the Banking Act 2009 to recognise systemically important payment systems and certain infrastructure providers to those payment systems in order to bring them under the supervision of the Bank of England.

2.45 Initially, HM Treasury recognised 7 payment systems in 2010. Since then, responding to the changing landscape, HM Treasury has recognised Visa Europe in 2015, LINK in 2016 and VocaLink as a critical service provider in 2018.

2.46 The Bank of England monitors and responds to the risks from systemically important payment systems and service providers to ensure financial stability.

**Question 8: To what extent do you consider the government's objective for UK payment systems that are stable, reliable and efficient has been met?**

**Question 9: What do you think industry, regulators and government should do in order to further ensure UK payment systems that are stable, reliable and efficient?**

2.47 As this Chapter has set out, there have been huge steps forward in delivering against the government's aims over the last decade. As a result of government and regulatory action, the UK's payments networks have been opened up to greater competition and innovation, allowing technological innovation to flourish. Chapter 3 goes on to explore how the payments landscape is continuing to evolve as well as the opportunities and risks this creates.

# Chapter 3
# Opportunities and risks

3.1 The UK's payments landscape is evolving quickly, and as will always be the case with a rapidly changing technological landscape, this creates new opportunities and risks. Through the Payments Landscape Review, the government is seeking views on these opportunities and risks and the next steps that the UK should take in order to ensure the government continues to meet its aims and the UK maintains its position as a world-leader in payments networks.

3.2 This Chapter sets out the key drivers of new payment systems and services, starting with the New Payments Architecture, before discussing Faster Payments and how Open Banking could impact the way it is used, the broader trend towards new service providers and payment chains, and developments in cross-border payments. In doing so it asks questions about the opportunities and risks they create. Finally, the Chapter explains the link between the Payments Landscape Review and wider work on cryptoassets and stablecoins.

## New Payments Architecture

3.3 As set out in Chapter 2, Pay.UK (the payment system operator for Faster Payments, Bacs and cheques) is planning to deliver a streamlined and modernised New Payments Architecture for the UK. Given the technological innovation that is happening in the payments landscape, deciding on the right direction of travel for delivery of the New Payments Architecture is of critical importance.

3.4 The PSR is monitoring the delivery of the New Payments Architecture by Pay.UK, and issued a Call for Input in January 2020, seeking views on how both the design and procurement of the new core infrastructure can support innovation and competition between different types of payments services and payment systems, and drive better outcomes for end users.[1] The PSR plans to publish a policy statement setting out their regulatory approach for the New Payments Architecture later in the year. Alongside this, the Bank of England has set out its expectations for Pay.UK to ensure the new core infrastructure is robust, resilient and secure and that the migration to it minimises any risk of discontinuity or degradation in service.[2]

3.5 The government will build the PSR's approach to the New Payments Architecture into the follow up to this Call for Evidence.

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1 'Competition and Innovation in the UK's New Payments Architecture', PSR, January 2020.

2 'The Bank of England's supervision of financial market infrastructures — Annual Report', Bank of England, February 2019.

## Faster Payments

3.6 The Faster Payments system has been a great UK success story. In 2018 more than 230,000 Faster Payments were sent every hour, on average, compared to fewer than 3,000 in 2008.[3] The real take off for the Faster Payments system came in January 2012, following a provision in the Payments Services Regulations 2009 requiring payments to reach the recipient's account by close of business the next working day after an end user has initiated a payment.

3.7 Faster Payments is a 24/7 real-time payments system. As one of the first countries in the world to launch such a system the UK has been at the forefront of innovation in real-time payments, selling the same system or variants of it across the world. UK consumers and businesses have got ever more used to being able to make payments in real time and the delays inherent in the traditional methods of banking have been greatly reduced as a result. Speeding up payments has had wide benefits for the UK economy. Consumers and businesses can transfer funds in real time with the certain knowledge that funds have been sent and received. With Open Banking, it is expected the growth in use of Faster Payments will continue, as Payment Initiation Services enable person-to-business payments over the system.

3.8 One factor that may inhibit the use of Faster Payments for person-to-business payments (and therefore limit the ability of Faster Payments to offer competition to the card schemes) is the lack of comprehensive scheme rules to deal with how participants should collectively act to resolve disputes and assign liability when a Faster Payment goes wrong. In case of a dispute when a consumer has paid via a card, the card issuer and the acquirer engage in a 'chargeback' process. This involves the exchange of claims and rebuttals via electronic messages, within a rules framework laid down by the card scheme. The card issuer is generally required by MasterCard and Visa chargeback rules to immediately refund the entire value of the transaction while they investigate. Assuming the cardholder is not found to have acted negligently or fraudulently, the rules will determine which of the issuer, acquirer or merchant is ultimately liable for the redress paid to the customer. While such a scheme costs money to run, it may make card schemes more attractive for point of sale purchases compared to Faster Payments.

3.9 Other examples of such rules within payment systems include the Direct Debit scheme's guarantee in Bacs. The guarantee is offered by all payment service providers who accept direct debits and offers consumers a refund for any payments that shouldn't have been taken. PayPal's Buyer Protection programme entitles consumers to reimbursement for the full purchase price of the item plus the original shipping costs paid, if any, when consumers don't receive item from a seller, or when the consumer receives an item, but the item isn't what the consumer ordered.[4]

3.10 A set of comprehensive rules within Faster Payments rules to deal with how participants should collectively act to resolve disputes and assign liability when a Faster Payment goes wrong could include, but is not limited to,

3 'Press release: Faster Payments Celebrates 10th Anniversary', Pay.UK, May 2018.

4 'PayPal User agreement', PayPal, June 2020.

what happens when there are scams in which consumers are tricked into authorising a payment from their account, known as Authorised Push Payment (APP) scams. Rules within the Faster Payments scheme to deal with the situation of where payments go wrong could potentially tackle the issue of APP scams. Such rules could sit alongside the recent changes, introduced following an instruction from the PSR, for the 6 biggest UK banking groups to introduce a process whereby the bank account and sort code number is checked against the name for the bank account into which funds are being paid, known as Confirmation of Payee. Although this rule change is still bedding in, it represents an important step forwards in building the rules into Faster Payments which are needed for the system to flourish.

3.11 The government also notes the concerted efforts by the PSR and industry to improve the level of protection provided to consumers through a voluntary code (known as the Contingent Reimbursement Model Code).[5] Consumers who bank with a provider who has signed up for the Code will be reimbursed if they have been the victim of an APP scam, provided they have taken a reasonable level of care when making a payment. The Code has been effective since May 2019 and the Lending Standards Board, with responsibility for governing the Code, are carrying out a review of the effectiveness of the Code.

3.12 The government is seeking views on the impact of not having scheme rules to deal with how participants should collectively act to resolve disputes and assign liability when a Faster Payment goes wrong. The government would also like views about what is needed to realise opportunities for the continued growth in use of Faster Payments and for person-to-business payments over the system to effectively compete with major card schemes.

3.13 Not all bank to bank payments are made through Faster Payments and some are sent via UK's other payment schemes. Bacs is typically used for high volume, regular scheduled payments such as payroll. A Bacs payment typically takes 3 business days.[6] The government would also like to explore why payments with a longer clearing cycle are still used and what are the barriers to moving these payments to a platform with faster clearing, e.g. Faster Payments.

**Question 10: What is the impact of not having comprehensive scheme rules to deal with how participants should collectively act to resolve disputes and assign liability when a Faster Payment goes wrong?**

**Question 11: Are additional scheme rules needed to ensure opportunities for person-to-business payments over the system can effectively compete with major card schemes? If so, how could scheme rules achieve this?**

**Question 12: Why are payments with a longer clearing cycle still used and what are the barriers to moving these payments to a platform with faster clearing, e.g. Faster Payments?**

5 'Contingent Reimbursement Model Code for Authorised Push Payment Scams', LSB, May 2019.

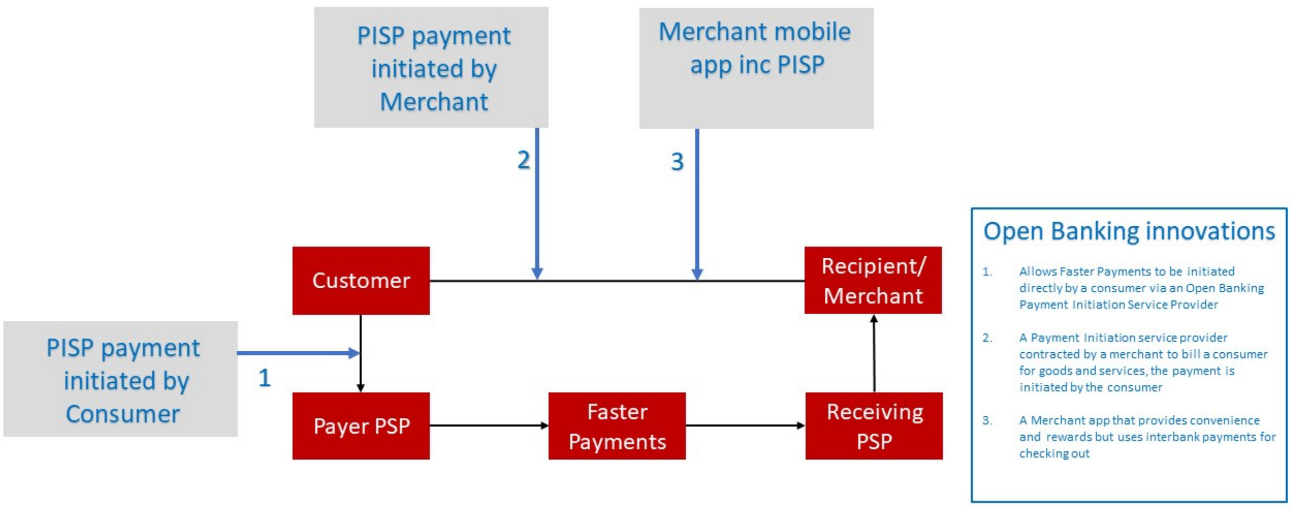
6 'An introduction to the UKs interbank payment schemes', Bacs, 2016.

# Open Banking

3.14 As set out in Chapter 2, a major step forward in how UK consumers and businesses pay for things is on the horizon through Open Banking, enabling account-to-account payments through third party Payment Initiation Services. Payment initiation using Open Banking APIs has the potential to significantly expand the scope and demand for account-to-account payments when paying for goods or services.

3.15 The CMA has set out the final steps of the Open Banking journey, including their assessment of the Open Banking functionality that is required to support the take-off of such Payment Initiation Services and enhance competition between payment methods.[7] The future roadmap features additional functionality for reverse payments such as refunds, and variable recurring payments such as regular purchases from the same merchant. In addition, the CMA note that they consider it important that the question of consumer protection when using Faster Payments including Payment Initiation Services is adequately addressed, for which the PSR is the responsible regulator.

## Box 3.A: Diagram illustrates the types of new Payment Initiation Services in Open Banking and Faster Payments




3.16 The government supports the development of Payment Initiation Services as part of Open Banking and is seeking to gather views on what is required to enable Payment Initiation Services to take off in the UK and to do so safely and securely.

3.17 As set out in the discussion of Faster Payments, the government would like to explore if additional rules are needed to protect the consumer when making Faster Payments and is particularly interested in how Open Banking and the advent of Payment Initiation Services interacts with this question.

Question 13: What is required to enable Payment Initiation Services to take off in the UK in a way which is safe and secure for the consumer?

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7 'Approved Roadmap for the final stages of Open Banking implementation', CMA, May 2020.

**Question 14: How does the advent of Payment Initiation Services through Open Banking interact with your answer in the last section as to whether additional rules are needed as part of Faster Payments?**

3.18 If account-to-account payments were to take off in the UK this could lead to a big change in how people pay for things in a country where debit and credit cards still account for most of the payments made by consumers in shops and online. By contrast, in some other countries consumers more typically pay merchants in shops and online directly from their accounts, rather than using a debit or credit card. For example:

- in the Netherlands iDEAL is a payment app launched in 2005 by Dutch banks that allows consumers to pay merchants online directly from their accounts and is used for over 60% of online payments[8]
- in Sweden, Swish is a payment app launched in 2012 by 6 large Swedish banks and Riksbank that allows consumers to pay merchants online directly from their accounts using the recipient's phone number (similar to Paym in the UK). Swish has grown rapidly, with 60% of the Swedish population now using it, up from 10% in 2014[9]
- India has developed its Unified Payments Interface (UPI), a real-time payment system that works by instantly transferring funds between two bank accounts on a mobile platform

3.19 The government is also seeking to gather views on whether Open Banking will deliver (and go beyond) the developments in account-to-account payments seen internationally and what are the lessons from international experiences that should be adopted in the UK, and what are the costs and benefits of doing so.

**Question 15: Will Open Banking deliver (and go beyond) the developments in account-to-account payments seen internationally? What are the lessons from international experiences that should be adopted in the UK, and what are the costs and benefits of doing so?**

## New payments services and payments chains

3.20 As set out in Chapter 2, over the last 10 years, new payment services firms, including non-bank firms that have entered and transformed the payments landscape. In many cases these have used new technology to provide new services and functionality, taking over some of the functions previously performed by other parts of the network in the UK. This has been facilitated by pro-competition legislation, for example the payment services and e-money regulations brought new innovative providers within the regulatory framework, bringing competition to the market whilst simultaneously applying prudential controls and conduct requirements.

3.21 As the Bank of England's Financial Policy Committee (FPC) has set out, the typical 'payment chain' (the set of activities necessary for a payment to be made) is therefore being unbundled and at times lengthened, with new

[8] 'iDEAL information', iDEAL, March 2019.

[9] 'About-swish', swish.nu, March 2020.

activities being offered; some activities regulated by the FCA or overseen by the PSR, others unregulated.

3.22 These changes to the payments chain could bring significant benefits for end users, including increasing choice, lowering costs and improving security and convenience. However, these changes could also bring risks if the end user does not understand the protections that apply, activities fall outside of regulation, or an activity is insufficiently resilient.

3.23 The type of services firms provide, determines how these firms are regulated, the regulatory requirements they are subject to, and the protection that must be offered for consumers. For example, large payment institutions and e-money firms must safeguard customer funds to ensure that, if a firm becomes insolvent, a customer's funds are returned in a timely and orderly way. Unlike funds held at banks, these funds are not protected by the Financial Services Compensation Scheme. The FCA is closely supervising payments services and e-money firms, the number of which have grown significantly since their creation and has recently communicated clear messages on its expectations to this sector, in particular around the way in which firms safeguard customers funds.[10]

3.24 In contrast, some new payments services firms and the activities they perform, may fall outside the scope of regulation. For example, pass-through digital wallets on mobile devices and gateway providers providing technical solutions for e-merchants to accept payment.

3.25 The FPC has also recently set out its assessment of systemic risks in payments chains to inform this review. The FPC set out that firms that are systemically important in payments chains should be subject to end-to-end standards of operational and financial resilience that reflect the risks they pose, and the regulatory framework should allow for monitoring of emerging risks.[11]

3.26 The government supports continued innovation in payments chains for the benefits that they bring to consumers and businesses and is seeking to gather views on these trends and what further trends are expected in payments chains over the next 10 years (including but not limited to the impact of Open Banking), the opportunities and/or risks these trends pose, and on what industry, regulators and government should do in order to realise these opportunities and/or address these risks.

3.27 As set out in Chapter 2, there has been a lot of change in payments regulation to date. The government is also keen to understand whether regulation needs to evolve further to keep pace with these changes in the payments chain and new technologies.

**Question 16: Do you agree with the trends in new service providers and payments chains identified?**

**Question 17: What further trends do you expect to see in payments chains in the next 10 years?**

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[10] 'Coronavirus and safeguarding customers' funds: additional guidance for payment and e-money firms', FCA, July 2020.

[11] 'Financial Stability Report', Bank of England, December 2019.

Question 18: What opportunities and/or risks do these trends in new service providers and payments chains pose?

Question 19: What do you think industry, regulators and government should do in order to realise these opportunities and/or address these risks?

Question 20: Do you think any changes are needed to payments regulation to ensure it keeps pace with the changing technological landscape?

## Cross-border payments

3.28 Cross-border payments are essential to the functioning of a modern outward looking global economy. At its most basic, cross-border payments refers to transactions involving parties operating in at least two different countries. For example, many UK businesses serve customers abroad and need to be able to receive payments from those customers. Similarly, UK businesses may have suppliers aboard and therefore may need to pay them. Many people depend on the ability to make cross-border payments, be it sending money to family and friends in a different country or individuals making online purchase from foreign retailers.

3.29 Cross-border payments may be processed via long chains between financial institutions operating in different currencies and each stage imposes costs. Smaller firms offering money remittance generally rely upon payment accounts provided by banks, which makes them vulnerable to these accounts being withdrawn or denied.

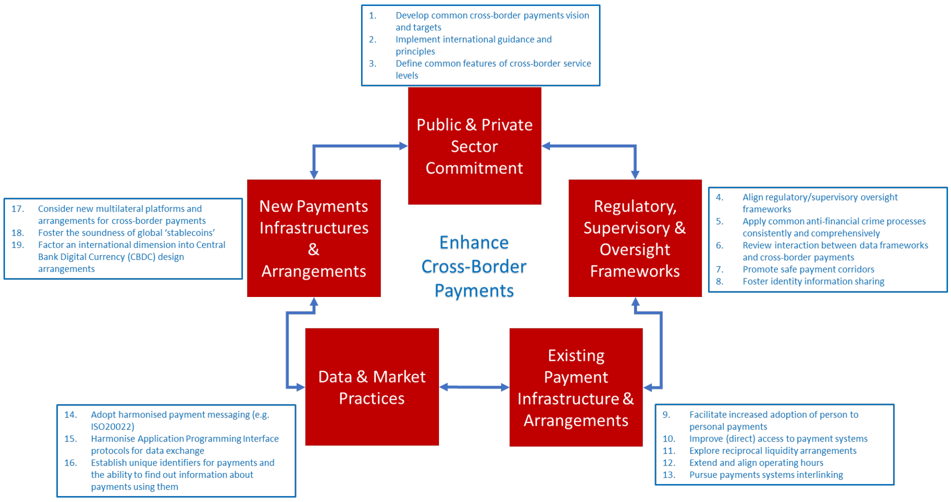
3.30 The G20 has made enhancing cross-border payments a priority. Faster, cheaper, more transparent and more inclusive cross-border payment services would deliver widespread benefits for citizens and economies worldwide, supporting economic growth, international trade, global development and financial inclusion.

3.31 As part of the work to enhance cross-border payments the Financial Stability Board (FSB) presented a report to the G20 in April 2020, which identified seven underlying frictions that together contribute to cross-border payments facing challenges around costs, speed, access and transparency.[12] The Committee on Payments and Market Infrastructures (CPMI) have since proposed a set of 19 'building blocks' to the G20, which together will enhance cross-border payments and mitigate the underlying frictions.[13]

### Box 3.B: Diagram shows the 'building blocks' proposed by the CPMI

[12] 'Enhancing Cross-border Payments: Stage 1 report to the G20', FSB, April 2020.

[13] 'Enhancing cross-border payments: building blocks of a global roadmap', CPMI, July 2020.




3.32 The next stage of this work will be for the FSB to develop a roadmap to pave the way forward for the implementation of these building blocks across jurisdictions.

3.33 New services for retail cross-border payments are being developed and operated, for example TransferWise matches customers sending money in the opposite direction and uses its pools of funds to pay out transfers via local bank transfer. SWIFT's GPI services seek to increase the transparency in cross-border payments by allowing end users to track where their payments are in the system and have more information about costs. There is also innovation in cross-border payments in the cards market, for example with Visa Direct and Mastercard Send.

3.34 There are also examples of collaborative private sector initiatives, such as the P27 project that plans to cover Denmark, Sweden, Norway and Finland. The P27 project aims to create the first real-time cross-currency infrastructure, lowering the cost and increasing the speed of making cross-border payments, bringing associated benefits to consumers and business using the service. 16 European banks have also launched the European Payments Initiative. This initiative aims to create a unified payment solution for consumers and merchants across Europe, encompassing a payment card and a digital wallet and covering in-store, online and person-to-person payments as well as cash withdrawals.

3.35 The government is seeking to gather views on these trends and what further trends are expected in cross-border payments over the next 10 years, the opportunities and/or risks these trends pose, and on what industry, regulators and government should do in order to realise these opportunities and/or address these risks.

**Question 21: What further trends do you expect to see in cross-border payments in the next 10 years?**

**Question 22: What do you think industry, regulators and government should do in order to improve the functioning, speed and cost of cross-border payments for end users, taking into account the G20 work?**

Question 23: Are there other opportunities and risks not captured by the questions elsewhere that you wish to highlight? If so, what do you believe the role is for government, regulators, and industry in responding to them?

## Cryptoassets and stablecoins

3.36 Cryptoassets, including stablecoins (cryptoassets that seek to maintain a stable value in relation to a reference asset, such as pound sterling or the US dollar) is another important area of innovation.

3.37 As the Cryptoasset Taskforce (comprising HM Treasury, the Bank of England and the FCA) noted in its 2018 report, cryptoassets are not widely used as a means of exchange in the UK, and they are not widely accepted as a form of payment.[14] This remains true in the UK today.

3.38 However, developments in the market, including the innovation of stablecoins, have the potential to expand the role of cryptoassets as a means of exchange and to be used as a means of payment for retail consumers more widely.

3.39 In its March 2020 Budget, the government set out two commitments relating to cryptoassets; firstly, consulting on bringing the promotion of cryptoasset activities into regulation and secondly, consulting on the regulatory approach to global stabelcoins. The government is not seeking evidence on these areas through this Call for Evidence.

## Central bank digital currency

3.40 In the March 2020 Budget, the government also stated its intention to continue to take a leading role in exploring central bank digital currencies (CBDC), and the wide-ranging opportunities and challenges they could bring. The government welcomed the Bank of England’s discussion paper on this topic in March, which closed to responses in June 2020.[15] HM Treasury is now engaging with the Bank of England to continue to consider CBDC, in light of responses to the discussion paper and ongoing work.

[14] ‘Cryptoassets Taskforce: final report’, Joint HM Treasury, FCA, Bank of England, October 2018.

[15] ‘Discussion Paper Central Bank Digital Currency’, Bank of England, March 2020.

# Chapter 4

# Responding to this Call for Evidence and next steps

4.1 This Call for Evidence will remain open for 12 weeks, and close on 20 October 2020. The government is seeking views through this Call for Evidence to develop evidence to feed into HM Treasury's longer-term legislative work. Following the Call for Evidence, the government will provide a summary of responses and will set out next steps for the review.

## Who should respond?

4.2 A range of groups will be interested in the questions and evidence presented. Responses are welcome from all stakeholders, including:

- Consumer groups
- Payment institutions
- Financial institutions including banks and building societies
- Businesses
- E-money institutions
- FinTech payments firms

## When and how to submit responses

This Call for Evidence will remain open for 12 weeks, and close on 20 October 2020.

Please submit your responses at:

Paymentslandscapereview@HMTreasury.gsi.gov.uk

Address:

Payments Landscape Review

Payments and Fintech Team

HM Treasury

1 Horse Guards Road

SW1A 2HQ

# Confidentiality

## Payment Landscape Review: Call for Evidence – Processing of Personal Data

This notice sets out how HM Treasury as the data controller, will use your personal data for the purposes of Payment Landscape Review: Call for Evidence and explains your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

## Your data (Data Subject Categories)

The personal information relates to you as either a member of the public, parliamentarians, and representatives of organisations or companies.

## The data we collect (Data Categories)

Information may include your name, address, email address, job title, and employer of the correspondent, as well as your opinions. It is possible that you will volunteer additional identifying information about themselves or third parties.

## Legal basis of processing

The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this Call for Evidence the task is consulting on departmental policies or obtaining opinion data in order to develop good effective government policies.

## Special categories data

Any of the categories of special category data may be processed if such data is volunteered by the respondent.

## Legal basis for processing special category data

Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

This function is consulting on departmental policies, or obtaining opinion data, to develop good effective policies.

## Purpose

The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, or generally to obtain public opinion data on an issue of public interest.

## Who we share your responses with

Information provided in response to a Call for Evidence may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

Where information about respondents is not published, it may be shared with officials within other public bodies involved in this Call for Evidence to assist us in developing the policies to which it relates (including with the Bank of England, Financial Conduct Authority and Payment Systems Regulator). Examples of these public bodies appear at: *https://www.gov.uk/government/organisations*.

As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

## How long we will hold your data (Retention)

Personal information in responses to Call for Evidence will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

Personal information in responses that is not published will be retained for three calendar years after the Call for Evidence has concluded.

## Your rights

- You have the right to request information about how your personal data are processed and to request a copy of that personal data.
- You have the right to request that any inaccuracies in your personal data are rectified without delay.
- You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.

- You have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted.
- You have the right to object to the processing of your personal data where it is processed for direct marketing purposes.
- You have the right to data portability, which allows your data to be copied or transferred from one IT environment to another.

## How to submit a Data Subject Access Request (DSAR)

To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit
G11 Orange
1 Horse Guards Road
London
SW1A 2HQ

dsar@hmtreasury.gov.uk

## Complaints

If you have any concerns about the use of your personal data, please contact us via this mailbox: privacy@hmtreasury.gov.uk.

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent regulator for data protection. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF
0303 123 1113
casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

## Contact details

The data controller for any personal data collected as part of this Call for Evidence is HM Treasury, the contact details for which are:

HM Treasury
1 Horse Guards Road
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020 7270 5000

public.enquiries@hmtreasury.gov.uk

The contact details for HM Treasury's Data Protection Officer (DPO) are:

The Data Protection Officer
Corporate Governance and Risk Assurance Team
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1 Horse Guards Road
London
SW1A 2HQ
London
privacy@hmtreasury.gov.uk

# Annex A
# List of Questions

- Question 1: To what extent do you consider that the government's objective that UK payments networks operate for the benefit of end users has been met?
- Question 2: What do you think industry, regulators and government should do in order to further ensure that UK payments networks operate for the benefit of end users?
- Question3: To what extent do you consider the government's objective for a UK payments industry that promotes and develops new and existing payments networks has been met?
- Question 4: What do you think industry, regulators and government should do in order to further promote and develop new and existing payments networks?
- Question 5: To what extent do you consider the government's objective to facilitate competition by permitting open access to participants or potential participants on reasonable commercial terms has been met?
- Question 6: Are there further barriers preventing open access to participants or potential participants on reasonable commercial terms?
- Question7: What do you think industry, regulators and government should do in order to remove these barriers?
- Question 8: To what extent do you consider the government's objective for UK payment systems that are stable, reliable and efficient has been met?
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- Question 13: What is required to enable Payments Initiation Services to take off in the UK in a way which is safe and secure for the consumer?
- Question 14: How does the advent of Payment Initiation Services through Open Banking interact with your answer as to whether additional rules are needed as part of Faster Payments?
- Question 15: Will Open Banking deliver (and go beyond) the developments in account-to-account payments seen internationally? What are the lessons from international experiences that should be adopted in the UK, and what are the costs and benefits of doing so?
- Question 16: Do you agree with the trends in new service providers and payments chains identified?
- Question 17: What further trends do you expect to see in payments chains in the next 10 years?
- Question 18: What opportunities and/or risks do these trends in new service providers and payments chains pose?
- Question 19: What do you think industry, regulators and government should do in order to realise these opportunities and/or address these risks?
- Question 20: Do you think any changes are needed to payments regulation to ensure it keeps pace with the changing technological landscape?
- Question 21: What further trends do you expect to see in cross-border payments in the next 10 years?
- Question 22: What do you think industry, regulators and government should do in order to improve the functioning, speed and cost of cross-border payments for consumers taking into account the G20 work?
- Question 23: Are there other opportunities and risks not captured by the questions elsewhere that you wish to highlight? If so, what do you believe the role is for government, regulators, and industry in responding to them?

## HM Treasury contacts

This document can be downloaded from www.gov.uk

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