



BRC response to CMA consultation on the future oversight of the CMA's open banking remedies

March 2021

Introduction

- 0.1 The British Retail Consortium (BRC) is the trade association for the retail industry with a membership accounting for half of all UK retail by turnover. Our diverse industry spans large multiples, independents, high street and out of town retailers, from online to bricks and mortar, selling goods across all sectors to increasingly discerning consumers.
- 0.2 All BRC members have an interest in the payment system as end users, in fact retailers are one of the most significant end user groups, processing more than 50 million transactions per day and around £394 billion per year for products & services sold in store, online & over the phone. A priority for the BRC has therefore been to ensure an innovative, transparent and competitive payments market for all retail end users and their customers.
- 0.3 Today, insofar as retail is concerned, payments are almost exclusively made involve those for cash and for cards. We are yet to see just how much the pandemic has shifted retail payments for the long-term towards cards but, prior to the pandemic, card payments constituted approximately 80% of retail purchases by value, or almost two thirds by volume.
- 0.4 The dominance of cards in UK retail payments is a long-standing concern for the retail industry given that the cost of processing card transactions remains very high. Debit cards are around four times as expensive as cash to process, whilst credit cards are more than three times as expensive to process than debit cards.

PIS Trustmark

- 1.1 The BRC welcome the positive contribution to competition and innovation brought by the CMA order and the open banking remedies – most of all in relation to Payment Initiation Services (PIS).
- 1.2 There has been a great deal of interest from the retail industry in the potential for PIS, which represents a significant opportunity to introduce real competition in the UK retail payments landscape – offering merchants instant access to funds and lower costs for accepting payments, relative to cards. Open banking could also benefit consumers through additional functionality, as well as rewards and incentives offered by retailers to support this more cost-effective channel.
- 1.3 The retail industry is hopeful for the widespread adoption and swift expansion of PIS in the UK, aware that the full benefits of open banking can only be realised if both consumers and merchants adopt them *en masse*.



- 1.4 To facilitate mass adoption of PIS, the BRC regard it as essential that a Trustmark is created for licensed PIS providers – a common brand denoting mandatory commonalities in the customer journey, user experience and, most importantly, consumer protections. A Trustmark would be the crucial factor for establishing consumer trust and understanding of PIS as a payment channel.
- 1.5 For the average consumer, open banking is still an unknown retail payment proposition. There is no reason why the average consumer would comprehend that a payment solution offered by one merchant or provider is akin to a solution offered by another.
- 1.6 Without a Trustmark there is a major risk that PIS is scuppered by atomisation of around 55 providers registered with the Financial Conduct Authority (FCA) as well as some merchants considering white-labelled solutions. Trust, understanding and awareness of open banking is not likely to be well served by a plethora of individual communication and marketing strategies.
- 1.7 The BRC would have serious doubts as to whether open banking can achieve its potential without a PIS Trustmark. With so much “noise” by a proliferation of new payment brands it is plausible and likely that confused consumers cease listening altogether and instead stick with what they already know, ultimately undermining the objective of open banking.
- 1.8 The development of a Trustmark should be prioritised and a clear timeline for its implementation established, along with the development of a consumer protection regime for open banking.

A new service company

- 2.1 The UK Finance proposal suggests that the service company will provide a set of service capabilities which meet the needs of the Open Banking ecosystem and help ensure its stability and resilience, whilst levying a charge on Third Party Providers (TPPs) reflecting the additional services they receive from the Future Entity.
- 2.2 A Trustmark would be an asset for PIS providers through its ability to generally foster trust and understanding of PIS among consumers and maintain the integrity of PIS. The monitoring and enforcement of the series of requirements and responsibilities in relation to a Trustmark could therefore be an important service provided by a new service company to “meet the needs of the Open Banking ecosystem and help ensure its stability and resilience.”
- 2.3 A more specific benefit of membership of the service company for PISPs, ensuring value for money for the service company charge, should involve the provision of a common consumer-facing service to handle and resolve PIS disputes irrespective of the PIS provider.

Independent & accountable leadership

- 3.1 The BRC shares the CMA’s concerns for the potential of the CMA9 to dominate the Board of a new service company as it has been proposed by UK Finance. We would suggest that the selection of the Chair and wider Board is subject to approval of an outside authority with an interest in safeguarding the objectives of the CMA’s open banking remedies – whether that is the CMA itself, the FCA or HM Treasury. The same authority should hold the new service company accountable



through a simple yet robust annual assessment of its Board decisions and performance against a mandate for independence and serving the interests of consumers and SMEs.

For further information

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