

Summary:

National Payments Plan: consulting on change in UK payments

February 2008

The Payments Council was established in 2007 with an objective of leading the future development of co-operative payment services in the UK. It is now consulting on a draft National Payments Plan, which is intended to provide a framework for the development of payments in the UK over the next five to ten years. The consultation:

- invites views on improving market efficiency in the future development of payment systems, including cheques and the cheque guarantee card scheme, direct debits, credit cards, debit cards and cash machines
- what action should be taken, if any to support the development of new methods of payment, including contactless and prepaid cards
- issues relating to financial inclusion and financial education, payment system integrity and security, standards and payment costs.

Key points and recommendations

- Age Concern welcomes this consultation and supports moves to help people get the best out of new payment methods, provided that these meet the criteria of convenience, trust and low cost, and provided that there are alternatives that do not penalise those with particular needs.
- We agree that there should be a plan to manage the decline of cheques, but would not support the setting of a target date for the closure of cheque clearing without a full consideration of the alternatives available. Alternatives should include secure payment methods for people who cannot cope with PINs, or who are reliant on others to shop or collect cash for them.
- The Payments Council should work with the Department for Work and Pensions (DWP), as the agency responsible for benefit payments, to develop a consistent approach to developing new payment methods.

- The payments industry should work with retailers to publicise alternatives and help people to use them – not rely on those with special needs seeking them out. Getting to grips with new technology involves a cost to individuals and support systems, and this cost needs to be acknowledged and built into the programme.
- Credit clearing should not be withdrawn without more research on who uses the services, what alternatives they have, and the knock-on effect of the decline in cheque usage.
- The National Payments Plan should also cover access to cash and action to reduce financial abuse.
- Age Concern recommends that all current accounts should be accessible through post offices.
- To encourage greater take-up of direct debits, the Payments Council should pursue the recommendations of the House of Commons Treasury Committee.
- We do not support the introduction of a time-limited guarantee for direct debits, instead of the current unlimited guarantee.
- The Payments Council should look at all payment methods, including developing systems such as contactless cards and prepaid cards, to ensure that a consistent approach is taken to the market as a whole, and that innovation is not hampered by problems in one area.
- The Payments Plan should ensure that mobile payments are not developed to the exclusion of other alternative forms of payment – a range of alternatives is needed.
- The Payments Council should assess the impact of new standards or services on people with particular impairments, and people at risk of financial exclusion, and ensure that their needs are met.
- Consumers need clear and consistent information about services at the point of use, and the Payments Council should coordinate this work, and liaise with the FSA, the DWP, the Financial Inclusion Taskforce and other groups, including Age Concern.
- The Payments Council should require members to test all new systems with people with a range of impairments, to offer a range of authentication methods, and to build time and consumer information into their introduction.
- It is vital that the Payments Council recognises the 'hidden' costs of change and fraud prevention that are borne by consumers, carries out research to quantify them, and builds them into any cost-benefit analysis, rather than basing decisions purely on efficiency savings to business.

A list of Age Concern England policy papers is available from the Policy Unit at the address given below on receipt of a large sae. The list is revised in March and September of each year. Most of our policy responses and summaries are available to download on our website: www.ageconcern.org.uk.

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age Concern England has been obtained for influencing or developing policy and practice.

Policy Unit, Age Concern England, Astral House, 1268 London Road, London SW16 4ER. T: 020 8765 7200 E: policy@ace.org.uk. Registered charity no 261794.

Jane Vass/February 2008
Jane.vass@ace.org.uk