

The Association of Corporate Treasurers

Comments in response to
The 2011 Review of the National Payments Plan
Payments Council,
20 April 2011

July 2011

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. Further information is provided at the back of these comments and on our website www.treasurers.org.

Contact details are also at the back of these comments.

We canvas the opinion of our members through seminars and conferences, our monthly e-newsletter to members and others, *The Treasurer magazine*, topic-specific working groups and our Policy and Technical Committee.

General

The ACT welcomes the opportunity to comment on this matter.

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We agree with the overall aims of the consultation to take a fresh look at the strategic direction of the National Payments Plan. We have not commented on each of the areas set out in the review but have selected those which are of particular interest to non-financial-company corporate treasurers. Accordingly we have only responded to the questions in those areas.

3.2 Ensuring payments meet the needs of everyone

3.2.1 User needs

Q3 Is there any additional action the Payments council should be taking to make payments work better for:

- *Small and medium sized businesses?*
- *Large corporates, public sector bodies and government departments?*

The growth in online, mobile and telephone transactions relative to other forms of retail payments will continue. Given there is significant crossover between the parties interested in card and non-card payments it is felt that there should be a more joined up approach.

Even though pricing policies are not within the scope of the National Payments Plan and the Payments Council is not able to influence prices, the cost of clearing payments is a concern to many corporates. Of particular concern to small retailers is the cost of clearing credit card payments (typically 2.5% of the value of the payment) compared to the cost of processing a cheque (up to 50p including the bank account transaction charge). Whilst big retailers can negotiate very competitive terms – suggesting that the cost of provision is small – smaller retailers cannot and end up bearing the higher cost which is often passed onto the consumer.

3.3.4 Direct debits

Q9. What challenges do you think users face in relation to Direct Debits and what changes, if any, do you think should be made as a result?

Given the relative instantaneous processing of faster payments and card transactions there is an expectation that direct debts should take less than the current three day cycle. Speeding up the cycle would benefit the cashflow of businesses.

In addition to the Payments Council educating bank and call centre staff on the Direct Debit scheme, users also need educating on the continuous nature of the Direct Debit mandate.

3.3.5 Automated credits

Q11. What enhancements to the Faster Payments Service (FPS) would be of benefit to customers?

The full adoption of FPS by all banks/building societies as a form of payment was stressed as beneficial.

Whilst the banks' individual limits are available on the UK Payments website the size varies widely by bank and not all high-street banks offer FPS payments. We received comments that the size of the limits should be increased and standardised across banks. One corporate recommended that FPS payments should be unlimited in value and replace CHAPS altogether.

3.3.8 Information associated with payments

Recipients of payments need information such as an invoice or a customer reference number to match a transaction. The Payments Council is undertaking work in three areas:

- investigating the potential to develop a central database of biller reference information;
- promoting the use of timely bank reference data; and
- facilitating wider use of modulus checking, so that typing mistakes when entering account and sort code information are identified for correction at the earliest possible stage.

Q19. What level of information is needed for receivers of payments to identify who the payment is from and what it is for?

Automated payments made from a wide variety of automated purchase systems results in considerably different customer/payee details being received depending on the parameters set up. Suggested payee details include:

- Customer number and details of customer including postcode;
- Sort code, account number and name of account holder.

The above customer identification should bear in mind that payments are often made “on behalf of xxxx” by payment factories and shared service centres.

In order to identify what the payment is for treasurers want enough information with the payment to allow clearance of the sales ledger by way of straight through processing (STP). In addition to the payee details above, invoice numbers covering the payment would provide this detail.

3.4 Emerging payment methods

3.4.4 Payments to online retailers from internet banking

In a number of countries, including the Netherlands and Germany, a relatively new type of online payment service has been launched. Online merchants include a new payment option on their checkout page whereby customers are redirected to a specially adapted version of their bank’s own internet banking site. The advantages are that customers do not have to pre-register to use it, payments can be completed very quickly, are low cost and that payments are often guaranteed.

Q27. How would you like to see this type of online service develop in the UK?

We have had mixed reactions to the development of this online service by corporates. Whilst those that receive copious amounts of low value card payments on line each month were positive, they did stress that the cost of these transactions would be critical to its success. Others were not as positive and stressed that clarification was needed on who has the liability to the customer and noted that it lacked the consumer protection that is currently provided by credit card payments.

3.4.5 A new pull payment scheme (with individual payments authorised by the payer)

Q30. Do you have any comments on the potential development of a new pull payment scheme?

Overall a pull payment scheme seems to have some use to corporates but fraud has been highlighted as one of the measures that need to be considered. Corporates have also commented that if the pull payment scheme allowed a reduction in the three day BACS/direct debit cycle it would be very attractive.

3.6 Other action and priorities

Q42. Is there any additional research or analysis the Payments Council should be undertaking to facilitate improvements?

Whilst it is evident that some overseas payment practices have been reviewed by the Payment Council, for example the payments to online retailers in section 3.4.4, we would suggest a global best practice review is performed for current and emerging payment methodologies.

We would also recommend that new account providers, such as PayPal, are included in future updates to the National Payments Plan.

The Association of Corporate Treasurers

The Association of Corporate Treasurers (ACT) is the leading professional body for international treasury providing the widest scope of benchmark qualifications for those working in treasury, risk and corporate finance. Membership is by examination. We define standards, promote best practice and support continuing professional development. We are the professional voice of corporate treasury, representing our members.

Our 4,200 members work widely in companies of all sizes through industry, commerce and professional service firms.

For further information visit www.treasurers.org

Guidelines about our approach to policy and technical matters are available at <http://www.treasurers.org/technical/manifesto>.

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