

# Smart money

THE PACE OF CHANGE IN THE MOBILE PAYMENTS LANDSCAPE IS ACCELERATING, WITH TECHNOLOGY CHANGING THE WAY PEOPLE AND COMPANIES MAKE PAYMENTS, SAYS **MIKE WALTERS**.

The payments market for consumers is moving rapidly, with access to Faster Payments in the UK driving an expectation of immediate settlements. Change is being driven by a number of service providers including money service businesses, large-scale collecting businesses, non-bank online organisations (such as Paypal and Amazon) and financial services organisations. Consumers are demanding greater visibility and control over their

payments, and their purchasing habits are changing. Not only has this led to the increasing use of online stores, it has also supported, and indeed precipitated the increasing use of smartphones and the development of mobile banking.

Many would argue that mobile banking is now in its adolescence in comparison to the early days of WAP-based phone technology. The launch of Apple's iPhone and phones based on Google's Android



operating system, complete with their stores of apps, have certainly accelerated the pace of development of mobile banking. This growth trajectory is set to continue.

Smartphone ownership is approaching 50% in the UK, having nearly doubled from 24% in February 2010 to 46% in August 2011. Stereotypical assumptions such as the smartphone owner being typically under 30 are no longer true – smartphones are pervading all generations. And today's consumers use their phones throughout the day and night, browsing online, engaging with social networks and making purchases. Indeed, many people are more likely now to have their mobile on them than they are their wallet or purse.

**MOBILE PAYMENTS** These trends have supported the logical progression for consumers to move from viewing payments and purchases via a mobile app to actually making payments via their mobile device. Unlike, say, a direct debit, payment via a mobile app gives the consumer direct control of the transaction. The mobile app has the added advantages of ease of use, greater accessibility and real immediacy. Additionally, there is a consumer-driven requirement for the mobile banking payment process to be streamlined and to utilise funds from a bank account.

At Barclays we have responded with the launch of a mobile application called Pingit, which allows users to make simple and safe payments with direct access to their bank accounts. Pingit launched in the consumer market in February and is now being developed for corporate clients.

But while consumers have evidently discerned the benefits of mobile payments, research suggests that some treasurers and CFOs are less convinced. The onus is on financial service providers to convince them that it also has significant untapped value for them.

**CORPORATE PAYMENTS** Many companies have started to use mobile technology as an adjunct to online banking activities and for notification purposes. For example, treasurers who are travelling can use their mobile to be informed of the settlement of large-value transactions. However, the focus has started to move away from how treasurers run their department and towards how companies interact

**THE LAUNCH OF 4G LONG TERM EVOLUTION (LTE) SERVICES NEXT YEAR WILL ACCELERATE CHANGE AND MAKE FURTHER ENHANCEMENTS POSSIBLE. ALREADY IT IS HAPPENING AT SUCH A PACE THAT DEVELOPMENTS DESCRIBED IN THIS ARTICLE WILL QUICKLY BECOME HISTORY AS THEY ARE SUPERSEDED BY NEW AND MORE ADVANCED APPLICATIONS.**

**THERE IS A CONSUMER-DRIVEN REQUIREMENT FOR THE MOBILE BANKING PAYMENT PROCESS TO BE STREAMLINED AND TO UTILISE FUNDS FROM A BANK ACCOUNT.**

with their consumers. The recent significant advances in mobile technology provide an opportunity to revolutionise the way that corporates interact with consumers. Mobile payments provide the conduit.

Innovation in the payment arena is certainly overdue. Other than the launch of the Faster Payments Service four years ago, there has been little change for a number of years. Companies need to keep abreast of the new payment channels that are increasingly being used by their customers. They must also bear in mind that consumers want infrastructure that supports them, that is readily available and gives them control over when, where and how they use it.

Retailers are perhaps the most keenly aware of this new environment and are busily rolling out sophisticated mobile payments systems. Other sectors such as utilities and charities are also providing phone apps that give consumers greater visibility of their usage and bills.

Adding an effective and efficient new mobile method alongside the conventional cheque, debit card and credit card options will offer us new opportunities to add value for our corporate clients, through improved referencing, reduced reconciliation costs and lower payment processing costs.

Companies are looking to utilise the most efficient electronic forms of settlement available, through big files of payments or collections. The major obstacle to this is where customers' bank account or credit/debit card details are lacking. In this instance, companies must resort to the increasingly outmoded traditional methods such as writing and receiving cheques. Mobile payments offer a means to make the collecting and distributing processes quicker, easier to use and significantly more cost-effective. It also extends these benefits to customers, who don't have to go through the same screening and layers of security that would be required with a non payments-focused banking app.

The feedback so far from corporate clients who have reviewed the consumer-to-consumer app confirms two things in particular. First, many are keenly aware that some of their payment channels are overly cumbersome and expensive. Second, they recognise how individual consumers are benefiting from mobile payments and they want those same advantages for their business.

A major attraction of mobile payments is that the company doesn't have to make a major investment in new infrastructure or connections in order to accept them. It can simply use existing facilities, such as the Faster Payments network. This lack of upfront investment cost makes it an easy and fairly painless process to introduce new apps into the market and discover whether they work as an efficient new payments channel.

Barclays Pingit for Corporates will allow corporate clients to receive mobile payments in a simple and straightforward manner with money appearing in their account with a corresponding reference number. The method by which they take their referencing information and statement information remains the same as before.

### SECURITY IS KEY

Of paramount importance to the continued rise and success of mobile payments is the issue of security. Trust in online banking is regularly jolted by reports of leaked data, stolen cards and customers' personal details being leaked. The dynamic growth of mobile

**PINGIT WILL BE ATTRACTIVE FOR CORPORATES AS IT WILL ENABLE THEM TO RECEIVE PAYMENTS. THIS NEW PAYMENT SOLUTION IS EFFICIENT BECAUSE, AS WITH ONLINE BANKING, ALL PAYMENTS HAVE REFERENCE DETAILS ATTACHED, SO RECONCILIATION IS STRAIGHTFORWARD.**

payments would be severely limited if customers suspected that their transactions were not safe. At the same time, requiring too many levels of security for customers to navigate before a transaction is authorised would nullify the desire for speed and simplicity.

Development of the Pingit app was therefore centred on a level of high-grade security that does not impinge too heavily on the user experience.

Consumers are familiar with chip and PIN technology, so asking for a PIN number to access a transaction is nothing new. The only other requirement of users is that they reregister if either their bank account moves or their mobile number changes, so the essential ease and convenience of an app-based payment are preserved.

### What is Pingit?



Barclays Pingit is Europe's first person-to-person service for sending and receiving money using mobile phone numbers. It allows users to send and receive money, for free, to anyone with a UK current account and UK mobile phone number. There is no need to share bank details because the user's mobile number is linked to their current account.

Money is sent via the Faster Payments Service, meaning payments are in real-time, with transfers safe and secure – the app is protected by a five-digit personalised passcode.

The app can also be linked to a tablet and used by mobiles less sophisticated than a smartphone – albeit with more restricted functionality.

Within the first four weeks of its launch, Pingit attracted more than 200,000 downloads and well over 100,000 registered users. The breakdown of these first recruits shows that, against expectations, more than half were outside the 18- to 25-year-old age group that is keenest on new technology and a sizeable number were in the over-40 bracket. There was also a broad geographical spread across the UK, rather than a heavy concentration of London-based users, highlighting the widespread nature of the opportunity.

With the service quickly gaining widespread popularity for person-to-person payments, we are extending it to include consumer-to-corporate payments. We believe corporate sectors characterised by a high volume of consumer transactions will welcome this development. The speed at which apps are growing in sophistication should allow us to build on and consolidate the range of mobile payment services we can offer to corporates.

Indeed, Pingit will be attractive for corporates as it will enable them to receive payments. This new payment solution is efficient because, as with online banking, all payments have reference details attached, so reconciliation is straightforward.

**THE REGULATORY BACKDROP** Regulation has so far proved less of an issue. Mobile payments utilise well-established faster payments technology to transfer money. Banks have to ensure that they know who is instructing them to send money and who it is being sent to and that the whole process does not contravene any local regulation. As the service develops further and extends to more complicated transactions, the regulatory challenge may become more demanding.

But a few minor hurdles are trivial compared with the significant benefits that mobile payments can bring to both the banking sector and its corporate clients. While as a settlement type it is not going to render credit cards, debit cards, bank transfers and cash obsolete, it does have the potential to become a major channel for much of a company's receiving and disbursement processes.

The next stage for mobile payments – from its adolescence to coming of age – will prove an exciting one and it is anticipated that this journey will continue at pace. The sheer volume of media attention devoted to new mobile technology guarantees it.

The launch of 4G Long Term Evolution (LTE) services next year will accelerate change and make further enhancements possible. Already it is happening at such a pace that developments described in this article will quickly become history as they are superseded by new and more advanced applications.

Obviously it is not only Barclays that is active in the mobile space. Online e-wallet-type organisations are competing with the banks, and mobile operators are seeking to create e-wallets of their own. But as a financial institution holding current accounts for both consumers and corporates, we believe Barclays is well positioned to add value for both parties.

Mike Walters is head of corporate payments for Barclays Bank.  
[mike.j.walters@barclays.com](mailto:mike.j.walters@barclays.com)  
[www.barclays.com/corporatebanking](http://www.barclays.com/corporatebanking)

