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## Consultation response

# Payments Council: Updating the National Payments Plan

July 2011

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## Key points and recommendations

- Payments Council priorities over the next ten years should be: (i) inclusive design of payment systems; (ii) access to cash and (iii) security which works for consumers
- There is room for much improvement in the design of existing payment systems.
- Payment systems should be inclusively designed, to meet the needs of the broadest possible range of users
- Niche solutions have not worked well in the past, this is another reason why inclusive design is important. It also demonstrates a need for improved communication with consumers and improved bank staff training.
- Third party access or assistance is a critical issue for many older people.
- Cash remains a very important payment method for many people, however it is currently not always easy to access.
- Cost is an important issue for many consumers, although this is not something the Payments Council can address it is likely to become an increasing issue which will affect suitability of payment methods and consumer protection.

## 1. Introduction

The Payments Council is seeking views on its update to the National Payments Plan. The Consultation excluded issues around cheque replacement as at the time of publishing the consultation this was being addressed through a separate programme. Age UK is a member of the Payments Council's consumer user forum and continues to remain fully engaged with the need to innovate inclusively designed payment systems as well as improve existing ones.

## 2. Response to questions

**Q1: Where do current payment methods and delivery channels fail to meet the requirements of consumers that may be considered disadvantaged in terms of their access to and use of payment services? (e.g. rural consumers, disabled consumers and people without bank accounts)**

Age UK has recently published 'The Way We Pay: Payment systems and financial inclusion' a research report into how people actually pay today. This found a number of failings in current payment methods and delivery channels and also noted that these failings affect wide segments of the population and are not restricted to groups traditionally regarded as disadvantaged. A full copy of the report is attached, annex 3

in particular provides suggestions for improvements to existing payment systems. We are happy to discuss in further detail, however key issues raised were:

- Third Party Access: Ten per cent of people aged 75+ regularly use someone else to buy their groceries and almost one fifth of people aged 65+ use someone else to access their day to day cash needs. Even more people will need help from time to time, perhaps because of ill-health or poor weather. It is currently extremely difficult to reimburse informal carers and pay formal ones, especially if they are irregular. Possible solutions include: second cards with separate PIN and withdrawal limits on accounts (without making the account joint); accounts which the bank recognises will be used by multiple carers and where risk is reduced by keeping a small amount in the account at any one time; and coordinated practice around third party bank mandates.
- Security: Although many people we spoke to during our research used PINs, they often found them difficult to remember or use. This contributed to PIN sharing or other risky behaviour such as writing PINs down. We found this was common across all age groups – only 52% of people told us that they neither wrote their PIN down nor shared it with another person.
- Access to cash: This issue is linked to third party access, however we hear that ATM machines are not easy to use especially for people with dexterity, mobility or sight impairments. Older people strongly prefer to use ATMs within shops or banks where they feel more secure. People often seemed very aware of the risks of scams at ATMs, but not confident that they would recognise them in practice or know how to protect themselves.
- Communication with banks: Many payment methods work well providing you can easily communicate with your bank e.g. to set up or stop direct debits, make transfers between accounts, or stop a debit card on which you suspect a security breach. For people without internet banking (household internet take up among those 65+ is just 35%), or those in rural areas, this is increasingly difficult. Customers often need to travel further to a branch and we hear that telephone banking can be extremely challenging for many people, not just older customers.
- Failures of niche solutions: Some providers already offer very helpful aids, such as templates for cheques, however these often do not reach those who need them. Chip and signature cards are another example where research has shown that availability is not well known.

**Q2: What action is needed to ensure that these requirements are adequately addressed?**

The Payments industry must recognise the impact of the aging population and must be committed to ensuring that everyone has access to payment systems which meet their needs. Some of the barriers to use of relatively new technologies, such as the internet, will decrease as people become more familiar with them, however this type of change will only occur over a number of years. Barriers relating to impairments and the need for third party assistance will remain. Our experience of niche solutions to date show that these are only a sticking plaster over the problem and so should only be used where absolutely necessary and with additional measures to ensure

that they reach those who need them. Instead the needs of the broadest possible range of consumers should be taken into account at the design stage of new payment methods and should also be used to review existing ones. The Payments Council has conducted some excellent work during the cheque replacement programme and this should not be lost, but used to ensure payments providers understand the needs of the wider market place.

All new payment methods, such as mobile payments, should ensure be fully accessible. We would like to see all new products, websites and support services undergoing formal accessibility audits.

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

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

As the Payments Council is already aware, charities and voluntary organisations often rely on older people, both for donations but also to run and administer clubs and societies. Therefore these groups have similar needs to older people as individuals. But in addition, in relation to small charities and voluntary organisations, the Payments Council should take into account the need for a clear audit trail; dual signatories; and low costs. We appreciate that the Payments Council is already aware of these issues and we are happy to continue to support through helping the Payments Council develop research and understand the needs of these groups further.

**Q4: What else, if anything, do you think we should be doing to inform users about current payment methods?**

We do not think that education on existing methods is the priority, but rather improving those methods so that they actually work for consumers. Where education/awareness raising is conducted it should be truly informative, rather than seeking to promote certain channels. The current 'Pay YOUR Way' campaign contains some questions which could be interpreted as aiming at encouraging people away from cheques, rather than providing objective information. In addition, the campaign is internet based. The Payments Council has a role to play in carrying out research on communications, providing materials and promoting good practice among members. We think that information direct from banks to customers is likely to be the best way of reaching individuals, supported by money guidance activities through third sector organisations and the Money Advice Service.

**Q5: What should be the balance between Payments Council and bank-led educational initiatives on payment options?**

We do not have a strong view on this question. Older people and advisers do value consistency, e.g. knowing that a third party mandate will be treated similarly between all branches of a bank and even between different banks. It is difficult to conduct awareness raising without this consistency. If the aim of an awareness raising programme is to reach groups who are not currently using the internet or who may have difficulty accessing existing resources this must be taken into account in the channels used.

The Payments Council must also encourage members to improve training of bank staff. We have heard of staff giving incorrect information on the removal of cheque guarantee card and also not being aware of important disability aids.

**Q6: The Payments Council believes that the National Payments Plan should continue to assume that cash will remain a major payments method for the foreseeable future. Do you agree?**

We strongly agree. Cash remains strongly preferred by older people in many payment scenarios. We hear that cash is especially valued for its flexibility and use for small payments e.g. paying someone back for a lift, buying a cup of coffee at a lunch club. These payments may not look significant in research on cash usage, but they are vital for many small, informal clubs and societies.

We urge the Payments Council to work with its members and other organisations such as LINK, to ensure easy access of cash, through free ATMs, through full access to current accounts at post offices, and where necessary through shared bank branches. However, banks must also address the very strong finding from our research that older people prefer either counter access or using an ATM in a branch. This is not irrational. People do not feel safe in the street and may be unable to queue, and this is unlikely to change in future. ATM locations should be sited to address this issue.

**Q7: What can be done to extend the acceptance of plastic cards, particularly in non-traditional sectors such as mobile/sole traders?**

Although we are not best placed to answer this question, we receive many anecdotal reports that the primary barrier is cost, both in investment and particularly in terms of ongoing fees. Other issues are the lack of an automatic audit trail or receipt function, and poor signals for card readers in some areas.

**Q8: What other steps, if any, can be taken to make plastic cards more accessible and better able to meet consumer needs?**

1. Alternatives to Chip and PIN for those who find remembering the number difficult and making sure these alternatives are widely known about and available. Banks should be required actively to promote availability, rather than just offering them when an individual seems to need them.
2. Improving the usability of the devices attached to the card e.g. ATMs and PIN pads.
3. Increasing the number of ATMs available in secure locations.
4. Ensuring that customers have good experiences with their card provider in the event of fraud on their card. A significant amount of concern was expressed around card security.

**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?**

1. Setting up and varying Direct Debits, as noted in our response to the earlier question, this requires changes to the channels through which customers can communicate with their provider.
2. We heard from older people who were uncomfortable with the 'pull' of direct debits as this was an unacceptable loss of control to them. Developing 'push'

systems, as we have seen in a number of other countries and also making one off transfers easier offline might assist.

3. Encouraging utility firms and other businesses offering direct debits to provide a wide range of payment dates and payment frequency. For example, someone who is paid weekly may find it very difficult to work with direct debits that are drawn each calendar month.

**Q10: Are there any innovations in Direct Debits which would benefit all users or particular groups of users?**

We have responded from the perspective of older users, however we expect that these changes, especially in communications with banks would benefit many other groups. Changes to enhance the control of the account holder would also assist those on a tight budget.

We note that some users do value the 'push' nature of direct debits. For example it can provide peace of mind to someone unexpectedly taken ill that all of the bills will continue to be paid whilst they are in hospital.

**Q11: What enhancements to the Faster Payments Service would be of benefit to customers?**

No comment

**Q12:What lessons can we learn from the introduction of the Faster Payment Service for how future collaborative payment services are introduced?**

Others will be better placed to comment. However, the inconsistency of services between different banks, lack of up-to-date information on when they can be used, and poor design of websites, have both contributed to the poor press this important innovation has received. In addition, the delays in implementation have also reduced confidence in the ability of banks to innovate successfully.

**Q13: What enhancements, if any, should be made to Bacs Direct Credits?**

No comment

**Q14:What steps do you think might be taken to increase confidence in internet banking and in making payments by this route?**

The primary barrier to internet banking for the older age groups in general is access to the internet. We note that the Payments Council is already connected with Race Online. If the payments industry wants to encourage older people to take up internet banking it should also consider supporting projects which provide support to older people getting online. Once online, there is still a significant jump between using the internet occasionally for email and moving to online banking. Part of this may be connected to the users' confidence in their own ability, however we also here concerns around internet security, ID theft, and audit trail. The older people we spoke to during our research highly valued proof of transaction. They accepted that mistakes would be made and this was not a problem in itself, however they wanted to understand how things would be put right. Firms could help by providing information about how this would be done. Providing additional support to those new online might also assist, for example having a dedicated telephone number to assist people with online banking. It will be critical to ensure that consumers are treated fairly and considerately when dealing with complaints.

It should go without saying that websites should be accessibly designed. This is an area where practice is continually evolving, and we would like to see the banking industry engaging with initiatives such as the Government's e-accessibility action plan.

**Q15: What other actions(s) might facilitate transactions made using internet banking?**

See response to previous question.

**Q16: What steps do you think might be taken to increase confidence in telephone banking and in making payments by this route?**

Many of the same issues referred to in internet banking apply here. Older people were concerned that they would not be able to prove a transaction they had made by the telephone. Recording transactions and giving the customer the benefit of the doubt in the event that mistakes are made here might assist. It is also important that customers receive accurate information when they use telephone banking. We heard from people who had used telephone banking but been given poor information and consequently ceased to trust it.

Other issues are ID verification, and problems arising from minor issues such as being hard of hearing or finding it difficult to speak clearly (eg following a stroke). This is particularly difficult for carers who may need to phone a bank on someone's behalf, but who may be prevented from doing so by security systems. A balance needs to be struck between security and accessibility.

**Q17: What, if anything, can be done to make telephone payments more accessible to users?**

The primary barrier here is again accessibility of the telephone banking system. Automated systems and the current structure of security questions act as significant barriers. We also heard from people who advised and supported others in money management that telephone banking was one of the hardest ways to advocate for someone.

We would like to see the Payments Council investigating options such as account flagging for people who may have difficulties on the phone.

**Q18: What further steps should be taken to match payments and supporting information effectively?**

No comment

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

No comment

**Q20: What issues should the Payments Council consider in relation to the user of an alternative address for bank account details within a mobile payments bank account to bank account service?**

We think this development could be attractive to older consumers who are especially concerned about security and often cite an aversion to providing account details as a reason for avoiding internet and other similar payments.

**Q21: What collaborative actions (if any) could be taken by the Payments Council to make a service by which payments can be made via a mobile phone more attractive to users?**

Ensuring that systems are robust and secure through setting appropriate standards will be important. This should include ensuring that the responsibilities of the different parties involved in provision and the consumer are clear and well known. Standardisation of processes will make new systems easier for consumers to understand and accept.

**Q22: How would you like to see contactless payments develop in the UK?**

We would like to see contactless payments develop as an attractive method of payment, but an optional one. We do not want to see older people forced into using methods that they are not comfortable with. One reason why people may be reluctant is the difficulty of easily being able to check balances. The Payments Council should ensure that a range of balance checking mechanisms is available, particularly taking into account the needs of people who are unable or unwilling to use the internet.

**Q23: What role do you think the Payments Council should play in respect of contactless mobile payments?**

Similar to those for Q21.

**Q24: How should the Payments Council review the success of work to address standards and interoperability on contactless cards and what role should it look to play in this area?**

No comment

**Q25: Do you think that the transparency of information to consumers on prepaid cards is being adequately addressed?**

Some prepaid cards have inherently more complex charging structures than consumers are accustomed to with bank accounts. The Payments Council might also wish to consider the relationship between the information provided and the way the cards are marketed (e.g. we have seen some cards advertised as basic bank accounts). We anticipate that this market will grow considerably in the future and will require active monitoring.

**Q26: What changes need to be made to prepaid cards to make them more attractive to users?**

Although we recognise this is outside of the remit of the Payments Council, we think that for many cards cost remains a key issue. Other issues are:

The need for a range of ways to top them up, not just the internet

- Trapped balances
- As with contactless cards, the need to easily check the balance
- Fair terms and conditions
- Poor selling practices at the margins – for example, BBC News last year highlighted the cases of benefit recipients encouraged to have payments made into expensive cards

Pre-paid cards of various kinds are increasingly used by local authorities in the provision of direct payments of care budgets. We would like to see good practice lessons developed and disseminated.

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

**Q28: What role do you think the Payments Council should play in respect of this type of online service?**

**Q29: What collaborative actions (if any) could be taken by the Payments Council to make such a service more attractive to users?**

Our primary concern in this area is security.

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

Please see our response to the question on direct debits.

**Q31: What are the opportunities and barriers to growing third party services like those described above and what do users want from these type of services?**

Although some of these services may be useful and valued by consumers, we are concerned by the trend that sees an increasing number of parties involved in payments with consequent rise in cost. So, for example, text payments for parking often involve an extra cost, while the costs of handling cash may mean that service providers reduce maintenance of machines that accept cash. We want to ensure that affordable, efficient, simple payment systems remain available so that those who do not want or cannot afford these additional services continue to have access to appropriate payment services. It also places greater emphasis still on the need for financial inclusion. Someone who has no debit or credit card may in due course be unable to pay for essentials. As the Payments Council is aware, Age UK has called on the Government to treat payments systems as an essential service, and our views in this respect have not altered in the light of the decision to abandon the 2018 target date for cheques.

**Q32: How can the Payments Council best innovate developments by third party services that benefit users?**

No comment

**Q33: What other payment services could be delivered through the ATM network that would be of benefit to users?**

Bill payments and ability to make personal transfers through ATMs may be useful, however if the use of ATMs is to be expanded then even more thought will need to be given to their usability and location.

**Q34: Are there any areas of cross-scheme integrity which we should be focussing on to maintain the integrity of payment services in the UK?**

No comment

**Q35: What further actions, if any, should the Payments Council now be considering with respect to customer authentication? To what extent do these need to be addressed across the payments sector?**

**Q36: Should minimum standards be introduced for customer authentication of remote transactions? If so, should a common measure of authentication be recommended/mandated?**

Standardisation can be helpful for consumers as it can provide certainty over what they should expect. It can also make awareness raising efforts easier and more effective. We are not in a position to comment on the benefits of minimum standards in this area, however if they are introduced they must take into account the needs of the wider population, including older people. Current security procedures effectively exclude many people from using remote forms of payment.

**Q37: How can fraud threats associated with new technology such as mobile devices and other innovation be identified at an early stage and planned for?**

The Payments Council could consider an approach used by the Financial Services Authority and conduct a risk outlook assessment with input from all sectors, including consumer groups.

**Q38: What part should the Payments Council play in getting other parties beyond the payments industry to the table that might be able to assist in the fight against fraud?**

No comment

**Q39: How can the Payments Council act as a catalyst for moving on the debate around sharing of information and intelligence between public and private sectors and encouraging closer working?**

Although we are not best placed to answer this specific question, we would strongly support sharing of information and intelligence in this way. We would also encourage the Payments Council to consider including third sector organisations where appropriate. The Council and its members might wish to consider whether more joint cross sector working would be productive to encourage direct discussion between the various groups.

**Q40: Is there anything that the Payments Council can do to ensure that policing of economic crime is dealt with consistently and at an appropriate level across the UK?**

Age UK is especially concerned that financial abuse is treated as a serious economic crime and dealt with appropriately. Payment systems have an important role to play in increasing the independence of individuals and so reducing their vulnerability to financial abuse. There is clearly a tension between ensuring that individuals can access their money and ensuring that they are protected from abuse. The Payments Council can directly and through its members facilitate open discussion on these issues and help members to develop protocols for reference to the police and other authorities.

**Q41: Are there any other areas where you feel collaborative action might be taken to improve the experience of making payments for users, or to promote integrity, innovation or efficiency?**

Given the recent developments in respect of the cheque replacement programme this is the most obvious area where the Payments Council will need to reconsider its role. Although we are pleased that the target date has been withdrawn the need for innovation clearly remains, as does the need for banks to ensure that cheques

remain fully available. We look forward to hearing how the Payments Council sees its role in this area going forward.

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

We would prioritise research into the usability of ATMs, PIN pads and similar devices. Also into alternative security and authentication measures.

**Q43: Is there anything further the Payments Council should be doing to catalyse innovation?**

No comment

**Q44: Looking across the board, what do you think the three most important priorities are for the Payments Council over the next ten years?**

1. Inclusive design of all payment systems
2. Access to cash
3. Usable security.