

Confirmation of Payee Consultation
Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

5 June 2019

Dear sirs

CP 19/4 – Confirmation of Payee

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions in the UK – aside from several key exceptions – operate on an indirect non-agency PSP basis operating through a HOCA to make payments on their members' behalf and accept inward payments for the same. It should be noted that their primary business is in the provision of savings and loans services and not the provision of payments but nevertheless to a lesser or greater extent all credit unions do facilitate payment services for their members.

Our members are generally smaller institutions with limited third party transaction traffic and constrained resource capabilities to deliver systems upgrades as would be required under Confirmation of Payee to the originally envisaged timescales. It would also be of limited wider benefit to the payments system in general given our limited footprint to do so.

For these reasons we would like to express our strong support and that of our members for the proposal to limit the direction on Confirmation of Payees to phase one introducers of the system in the largest banking groups. To require CoP capability of credit unions would imply significant investment and expense for limited benefit. It also relies on Open Banking developments which are yet to take shape.

On the other hand, we are also concerned at the assumptions that might be made in relation to the operational practices and protocols around indirect non-agency PSPs. While credit unions do operate on the basis of a HOCA, it is not always the case, for example, that they would have such an account simply for the collection of inbound payments – other own-account payments traffic for e.g. staff wages and other operating expenses, may go through these accounts also.

In addition, we are keen to understand better how the Open Banking Directory is likely to be used in relation to phase two roll out as is alluded to in the consultation. We are keen for credit unions to benefit from accessibility via the Directory but want to understand how this is best achieved and what expectations and requirements might be placed upon our members in order to comply.

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In general, our concern is to ensure that credit unions are not left behind in the process of development and system evolution which is being driven forward by initiatives such as CoP and their reliance upon Open Banking which credit unions today do not typically participate in. It is important for the integrity and coherence of the payments system as a whole that providers of services in some niche markets, like credit unions, are brought along on the journey so that all participants have fair and reasonable access to systems which are being developed for the benefit of all.

The risk, if adequate provision is not made to accommodate smaller PSPs, is that a space is created in which fraud and other malfeasance can preponderate – undermining the purpose of CoP, for example – and where exclusion and vulnerability are compounded as those providers supporting the excluded are themselves excluded from systems which are built with only the mainstream consumer in mind.

The key considerations for providing adequately for credit unions and other small PSPs to participate will be: flexibility of timescales, engagement and openness around standard-setting and recognition of limited capacity to invest and upgrade on the part of small PSPs.

We would welcome a dialogue with the Payment Systems Regulator around the particular challenges faced by our members and we are pursuing the same with Pay.UK.

I would be very happy to discuss this feedback further, should you wish.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'm. Bland', with a stylized, flowing script.

Matt Bland
Head of Policy & Communication