



Payments are changing, are you ready?

The main stalwarts of the retail payment arena (Bacs, Faster Payments, Cheque & Credit) are collectively responsible for processing £17.5 billion every single day. By any measure that's a big number. The smooth running of these schemes is understandably intrinsic to the running of our country, supporting everything from salary payments, benefit payments, loan payments, direct debits, cheque payments and more.

It might be surprising to consider that the platforms that support these services have not changed in a very long time. Whilst they are not at breaking point, they're certainly starting to show signs of old age. Like so much in this technology-led era, consumer expectation is increasingly for instant access via a multitude of channels, for data to be available on demand and for outcomes to be delivered in real-time. Whilst it's not entirely impossible to deliver these outcomes over the existing set ups, it would certainly be complex and costly.

Step forward Pay.UK. Known until very recently as the New Payments System Operator or NPSO, under this new banner, the UK's three main retail schemes have been brought together into a single organisation, *set up to transform the way that payments are delivered in the UK*.

"Our goal is to be the leading retail payments authority by delivering best in class infrastructure and standards for the benefit of people everywhere. We will be the guardians and pioneers of payments, modernising the payments ecosystem and ensuring that companies and individuals participate in payments according to the standards and rules which we will set."

<https://www.wearepay.uk/>

Whilst maintaining the reliability and certainty of today's payments services is paramount, the key objectives of this change are to open up access for more participants, act as a catalyst for innovation and ensure a continued focus on the end-user.

Change for the better

One obvious consequence of the move to a single organisation is the opportunity to consolidate: removing the complexity and bureaucracy involved in dealing with three separate entities by merging into just one. This is expected to bring consistency in approach and increased efficiency for new joining participants.

More fundamentally, the largest piece of work that is underway is the delivery of the New Payments Architecture or NPA – which is the development and implementation of an entirely new model for how the UK's retail payments will work. Building on the outcome of the Payment Strategy Forum (<https://www.paymentsforum.uk/>), Pay.UK have taken ownership of the conceptual Blueprint that they were handed and are now tasked with building it and making it a reality.

The payments construction site

NPA, those three innocuous looking letters, represents *the biggest change to the way payments will be processed in the UK* since the 1960s! Having an awareness of what this is and the impact of it on your payments is going to become ever more important for organisations over the coming years.

At its heart, the NPA will consist of an entirely new core clearing and settlement layer which will underpin the movement of all money across the retail schemes – whether that's paying a friend, a membership fee being collected, or a business paying its staff and suppliers: *all payments will eventually boil down to an immediate push payment across this base layer.*

On top of the new core will then sit various other layers, each providing various overlays, service propositions and a variety of access options. Beyond the provision of the NPA Core, the role of Pay.UK will be primarily to set the rules and standards for these other layers – paving the way for increased innovation and competition within the market as banks, FinTechs and other providers compete to offer a mix of each element to suit their market and customer requirements.

We've already seen examples of these new overlays and service propositions in recently publicised initiatives:

Confirmation of Payee will allow a bank account to be checked against the account holders name in a bid to reduce instances of Authorised Push Payment fraud. Read more (<https://www.wearepay.uk/new-name-check-safeguard-for-payments-revealed/>)

Request to Pay is a secure messaging overlay designed to provide a more flexible way for bills to be managed. It will allow the requester to send a message asking for payment, and for the payer to then manage that transaction in a variety of ways, from paying in full or in instalments, to engaging in a dialogue to request more time. It's all designed to put the payer in control of what and when they pay – ideal for those who aren't always able to rely on a regular income to be able to support a fixed Direct Debit. Read more (<https://www.requesttopay.co.uk/>)

Make the new world order work for your business

First and foremost, it's an exciting time for the payments industry, with a vision of the promised land established but the details still being formulated on the best way to get there.

That means there are both updates and changes to be aware of, but also opportunities for input and current problems to be resolved. There are various forums and stakeholder groups being established and organisations should consider how best to be involved.

More fundamentally, *the opportunity is there to rethink and overhaul your core business processes.* Whilst it's tempting to view all this as a laborious swap-out exercise, simply replacing like for like is the equivalent of the tip of the iceberg. Just like an iceberg, 90% of the potential changes and improvements that these changes will facilitate in your business will remain below the surface and invisible to you.

For instance, the migration of the messaging standard to ISO20022 will provide a much richer data set with which to communicate, track and analyse against, including the potential to send additional information alongside your payment. This is expected to remove the need for separate remittance advice to be sent, dramatically improving reconciliation and reducing both costs and effort.

By gaining an understanding of the opportunities that will be provided by Pay.UK and the NPA, you will be best positioned to not only *reap the benefits internally through cost and efficiency savings*, but also be able to *improve the service that you offer to your customers and clients*, raising satisfaction levels and driving more opportunities.

Getting ready to adopt new payments regulations is not just about compliance, it's also an early peak into game-changing benefits as they emerge.

Stay informed as the future of payment processing evolves

Join our community

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Got a payment challenge?

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LET'S TALK



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