



The Consumer Council's response to:

The 2011 Review of the National Payments Plan

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For further information contact:

Maeve Holly

Senior Consumer Affairs Officer

The Consumer Council

116 Holywood Road

T: 028 9067 4820

BELFAST

E: mholly@consumercouncil.org.uk

BT4 1NY

W: www.consumercouncil.org.uk

Ref: PD20010839

About the Consumer Council

The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland's (NI) consumers. Our aim is to make the consumer voice heard and make it count. We represent consumers in the areas of transport, water and energy. We also have responsibility to educate consumers on their rights and responsibilities and to equip them with the skills they need to make good decisions about their money and manage it wisely.

We have been working with Government and other stakeholders including banks and building societies to ensure financial services and products are suitable for consumers. Through partnership, we drive change and ensure that consumers are at the centre of policies and decisions.

The Consumer Council welcomes this opportunity to contribute to the discussion on the National Payments Plan and we have appreciated being able to contribute to the quarterly Consumer User Forums.

It was also beneficial that the Payments Council were able to present at our regional forum on cheques. This was an important opportunity to engage with a range of stakeholders and raise awareness of the decline of cheques and hear local views that can be used to develop payment methods. We hope that there will be more regional meetings in Northern Ireland about payments to ensure that the needs of consumers here are fully understood and catered for.

Consumer Principles: Payment Methods

The Consumer Council's detailed response to the consultation follows. In the interest of providing suitable payment services to consumers, we believe that they should be based on the following principles:

- Consumers require a choice of payment methods that are straightforward, efficient, cost effective and secure.
- Consumers need easy to understand information about payment methods, the costs, risks and level of security of those options.
- Education on new and existing methods is crucial to ensure that consumers have the confidence to try new methods.
- Greater account should be taken of the needs of those who find it difficult to use payment methods, including people with physical or visual impairment, those on a low income and consumers with low levels of financial capability.

Cash and ATMs

Consumer Council research shows that one in ten people in Northern Ireland say they do not have convenient access to a free-to-use cash machine¹. Free-to-use cash machines are very important for consumers, especially for those on a low income. Charging cash machines can charge up to £2 for a withdrawal, which is a significant amount if the consumer only wants to withdraw £10.

¹ Omnibus survey conducted by Millward Brown Ulster for the Consumer Council, October 2009

Banks and cash machine providers should continue to provide free-to-use cash machines, especially in deprived areas across Northern Ireland.

Pension, benefits and salaries are increasingly paid directly into people's bank accounts. Many of those on low incomes tend to withdraw smaller amounts of money on a more regular basis. Consumer Council research shows that seven in ten consumers (70 per cent) here would be happy if they got £5 notes in their cash withdrawal and that nearly four in ten (38 per cent) would be dissatisfied if they could only get £20 notes from the cash machine². We compared our research to research conducted in Great Britain by LINK and found that consumers in Northern Ireland were more likely to want £5 notes from the cash machine than consumers elsewhere.

The Consumer Council strongly recommends that all banks and cash machine providers make smaller denomination notes available in Northern Ireland such as £5 notes in order that consumers have more choice in how they manage their money. This is really important to consumers on a low income and young people who may have less than £10 in their bank account.

Direct debits

We believe that excessive charges applied by banks in the event that a direct debit causes an unauthorised overdraft; or is unpaid; are major barriers to the uptake of direct debits.

The Consumer Council understands that companies may prefer their customers to pay by direct debit but we believe that consumers should be able to choose from a range of ways to pay for services or products – such as direct debit, online bank transfer, cheque, paying at a bank branch or cash.

² Ibid

Cheques

One of the most contentious decisions being taken at the moment is the plan to set a conditional target date for the closure of cheque clearings.

Consumer Council research shows that many consumers in NI are still using cheques in large quantities. Over 40 per cent of consumers here have written at least one cheque in the past 12 months and 35 per cent have received a cheque in the last 12 months.³ Many people rely heavily on them as their only choice of payment method. The Consumer Council has received assurances from the Payments Council that the cheque clearing system will only be closed if there is evidence that consumers in NI are willing to use alternative payment methods and have adopted these. We trust that if appropriate alternatives are not available or if they do not win the confidence of all consumers then cheques will not be phased out.

The Consumer Council will continue to work with the Payments Council to ensure that the requirements specified by consumer groups here are included and meet the needs of consumers migrating to other payment methods. We will monitor research on user awareness, acceptability and adoption of alternatives to ensure that suitable methods are in place before any final decisions on cheques are taken.

Cross border payments

The issue of cross-border payments is particularly pertinent in Northern Ireland because of our land border with the Euro-zone. We also have a significant number of migrant workers. In 2009 there were estimated to be 39,000 people of Central and Eastern European background living in Northern Ireland . This is equivalent to around 2% of the Northern Ireland population⁴.

³ Payments Council statistics and market research, October 2010

⁴ Northern Ireland Statistics and Research Agency: Migration statistics 2009

Many consumers find it difficult and costly to transfer their money when they live and work on different sides of the border. Consumers need better information on their options for transferring money and the costs involved.

The Consumer Council would welcome the development of simple and cost-effective methods of transferring money across borders.

The Payments Council should consider whether there needs to be greater levels of consumer protection for those transferring money and consumers should be informed of their rights and how to make complaints.

Innovation - Contactless and prepaid cards; mobile payments:

All consumers must have suitable payment methods that meet their needs and must not be disadvantaged because they are not able to or cannot afford to use technology driven by internet or smart phones.

There is only one bank operating in NI that has rolled out contactless card payment technology to consumers to date. Despite the launch of contactless cards in Northern Ireland, there are relatively few retailers that provide technology to run this service here. This could be confusing for consumers who have been issued with contactless cards.

It would be beneficial to drive demand and increase the number of businesses that provide this service. A consumer education campaign is required in various media formats outlining how and where the cards can be used and what protection is offered in doing so.

Consumers must be offered the same protections when using contactless technology and prepaid cards as when using chip and pin technology and must have suitable redress if fraud or errors occur.

All new developments in payment services must follow the highest principles of inclusive design, and pilots (such as those for contactless cards) must

include a cross section of the population. New systems must be convenient and easy to use for all consumers.

The Payments Council has an important role to play in ensuring that new technology is accessible to and easy to use by all consumers. We would expect the Payments Council to facilitate the co-ordination required between the various organisations and companies involved.

Whilst we understand the importance of pin codes and passwords, we believe account should be taken of the difficulty consumers have in remembering them all. Technological advances which still provide high levels of protection and security and that reduce the need for so many codes would be very welcome.

Prepaid cards are a new concept to consumers in NI. Many of the prepay products available have different pricing structures and fees, and it can be difficult to select the product that best suits your needs. For example some cards are free of charge to obtain, others demand an initial set up fee, some require a monthly fee and others have a re-load fee. All cards have different maximum balance allowances.

The Payments Council should run an information campaign to educate consumers about how prepaid cards work and what protection they provide.

Education and information

As financial capability in NI is lower than in other parts of the UK, more work will be required to educate consumers about how to manage their money and make payment methods work better for them.

We would like to see the material developed for the 'Pay your Way' website in other media formats and an advertising campaign for this in NI. This could be run in conjunction with bank-led initiatives. However, it is important that all consumers have access to information about all types of payment methods in order to evaluate and select appropriate methods, regardless of who their

provider is. There needs to be a balanced approach between what the banks and Payments Council provide.

In 2007 the Northern Ireland personal current account market was found to be anti-competitive by the Competition Commission inquiry, established in response to the Consumer Council's supercomplaint. Banks operating in Northern Ireland have implemented the remedies proposed by the Competition Commission and the Northern Ireland Banking Order 2008. We also appreciate that banks have voluntarily agreed to maintain elements of the previous order that have been removed in the current Northern Ireland Banking Order 2011 to offer better daily banking services to consumers. If banks are able to effectively develop and communicate new payment methods, there are opportunities to promote switching in the personal current account market which could improve competition.

There are opportunities to inform consumers using a variety of media. For example, staff in banks showing consumers how they can use methods, leaflets, online tools, information sessions and demonstrations in community group settings and road shows.

Internet banking and security

The Consumer Council has run consumer panels to gather evidence to develop a personal current account manifesto to drive positive changes by banks operating in NI. One of the top ten service issues highlighted by consumers relates to online banking and security. With reports of online fraud and phishing, some consumers feel that using online services is risky. Consumers want assurances that they will be protected online.

Banks should review how they offer protection for online purchases and money transfers. They should communicate consumers' rights so that consumers have assurances and clarity when they sign up to use online services. Consumers need strong communications to re-assure them that online banking is safe.

Banks should ensure that payment references on online statements are recognisable so that consumers can easily identify that they have authorised the transaction and know what it relates to.

The cost of paying

On the 28 June the Office of Fair Trading (OFT) confirmed that surcharges for using credit and debit charges, are often misleading. They will take enforcement action to end payment surcharges and change the law to stop consumers being charged when using debit cards online. The Consumer Council welcomes this outcome as making a payment for goods or a service is an intrinsic part of the transaction and consumers should not have to pay for paying.

Further discussion

If you require further information please contact Maeve Holly on 028 9067 4820 or mholly@consumercouncil.org.uk

The Consumer Council will be carrying out research on payment methods during 2011. We plan to share the findings with the Payments Council to ensure that the needs of consumers in NI are met.