

Open Banking Payments Strategy Sprint 1: Session Attendees and Discussion Summary

Attendees

Payments Expert Panel Members & Observers	Organisation
Adnan Chowdhury	Wise
Alice Mackay	PSR
Charlie Humphries	Apple
Ciaran O'Malley	Trustly
Colm Lyon	Fire
Conor Tiernan	Klarna
Craig Tillotson	Ordo
Dan Morgan	Plaid
David Bailey	Santander
David Jones	Barclays
Duncan Cockburn	OneBanx
Florence Diss	Google
George Miltiadous	HSBC
Hannah Regan	BRC
Helene Oger-Zaher	FCA
Holly Coventry	American Express
Jack Wilson	Truelayer
Jeroen De Marteau	PSR
Jessica Bilcock	Monzo
Jim Wadsworth	Mastercard
Kris Lindquist	Amazon
Louis Adamou	Loaf
Marc Maxfield	PSR
Mark Falcon	Independent Payments Expert
Maria Palmieri	Yapily
Mark Jones	Pay.UK
Mathew Lane	Visa
Michael Chambers	Answer Pay
Mick Ebsworth	Co-op
Nicholas Senechal	Visa
Paul Foster	GoCardless
Ralph Rogge	Crezco
Serenna Cole	Yapily
Simon Rendall	LBG
Stephen Wright	NatWest
Stuart Barclay	Volt
Teresa Lam	FCA

Payments Expert Panel Members & Observers

Organisation

Timothy Birts	Nationwide
Tony Herbert	Which?

Chair and Secretariat Attendees

Organisation

Bryan Zhang	SWG Chair
Alan Ainsworth	SWG Secretariat
Daniel Jenkinson	SWG Secretariat
Richard Mould	SWG Secretariat
Simon Marsh	SWG Secretariat
Shannon Kingston	SWG Secretariat

Introduction

This note is a summary of the Payments Expert Group Sprint 1 discussion session which took place over Microsoft Teams on 23 September 2022.

This is a summary created by the SWG Secretariat Team including an overview of the key points of discussion, but without attributing comments to individual participants.

Initial Discussion

The Chair welcomed the members and thanked them for their submissions, set out the objectives and meeting ground rules for participants.

The Chair explained that the approach would be based around a gap analysis between the optimal future state of open banking payments (OBP) beyond the regulatory requirements and that of current state, from the perspective of customers (i.e. current and future end-users of OBP). The Secretariat gave an overview of the 9 high-level gaps identified from a review of the written evidence supplied by participants. The discussion of these 9 high-level gaps were clustered into three themes for discussion – customer choices, customer experiences and customer support.

Gap 1: Lack of Critical Payment Functionality

- The Secretariat gave an overview of the evidence presented, highlighting that a number of submissions highlighted payment functionality gaps, although two Large Retail Bank views were noted which did not identify any functional gaps.
- The debate focused on the topic of Payment Certainty, where there were some diverging opinions:
 - Three TPP participants challenged the extent of this gap and with one suggesting that the changes required should be delivered as part of enhancements to the underlying payment rails.
 - On the other hand, a number of TPPs provided experiences that suggested that Payment Certainty issues can occur prior to submission to the payment rails. While this occurs in a minority of payments, it can present significant challenges.

- A Large Retail Bank also supported the view that certainty of payment was a significant issue and was needed if the ecosystem moves towards contractual arrangements.
- A TPP cautioned that we should be careful not to overstate the harm being caused by the functionality gaps highlighted in the secretariat's overview. Part of the reason for the slow adoption of OBP is the time it takes for merchants to adopt new payment methods.

Gap 2: Resilience, reliability, and useability

- The Secretariat gave an overview of the evidence presented, including a wide range of views, although concerns in this area were not universal. The discussion mirrored this range of views.
- One TPP highlighted the variability of conversion rates and pointed to the criticality of payment limits. Two neo-banks operating as PISPs highlighted that conversion was a significant issue and would be significantly improved by introducing error codes which result in TPPs being able to communicate to end users why things have gone wrong.
- In contrast another TPP is experiencing a conversion rate of 84% and put forward the view that more stability was needed, not more change.
- One TPP said clarity was needed on what we want OBP to be: a niche solution in certain e-commerce use cases; or a widely available payment solution. If the latter, we need to consider system redundancy and fail-over systems
- A Large Retail Bank put forward the view that back-up processing is vital to support consumers when using cards. If we need to promote confidence amongst end users, we need to uplift the resilience of the OBP ecosystem. Several participants confirmed that downtime was an issue affecting their service.
- Building on this point, another TPP suggested that the lack of visibility of ASPSP downtime and maintenance windows is problematic, and that the introduction of an accessible real-time downtime awareness solution would be very advantageous.
- Another TPP highlighted the missed opportunity for OBP to be used to underpin cash infrastructure. But this requires high useability and high reliability.

Gap 3: Asymmetry of Costs and Incentives

- The Secretariat gave an overview of the evidence presented.
- The TPP community highlighted the need to find a balance of costs and incentives. Regulatory intervention, in their view, will be needed to find that right balance. The market itself will not be able to solve this asymmetry.
- These TPPs also highlighted the potential for premium APIs which should be developed to help bring new services to market as well as address the asymmetry by developing ASPSP revenue streams.
- One neo-bank acting as a PISP highlighted that in addition to asymmetry of costs, we also need to consider asymmetry of liability. This in their view was the key barrier and without progress on this topic, this barrier will increasingly restrict expansion of OBP. A Large Retail Bank supported this view.
- However, on the contrary two TPPs considered that liability issues did not represent a significant barrier to growth of OBP.
- Large Retail Banks confirmed that they welcome the innovation and new forms of competition, but encouraged the Committee to consider an economic model to resolve the future evolution of OBP.
- One TPP encouraged the Committee to consider that OBP may be one A2A payment arrangement amongst many and to consider that any economic model will need to cover all types of payment arrangement in the future.

- As a dissenting voice, one TPP suggested that it was too early to start considering pricing, given that products are not yet defined or mature.

Gap 4: Payment journeys are not optimised

- The Secretariat gave an overview of the evidence presented.
- A number of TPP and Payment Platform attendees confirmed that higher value payments are the key current problem area. High value payments are an early use case with clear potential based on the benefits for payers and payees – but TPPs are experiencing issues and inconsistencies with limits, checks and approvals. There are some tactical adjustments relating to liability which could be made between PISPs and AISP about sharing information, but the underlying problems which relate to APP fraud and the way that liability for potential APP (Authorised Push Payment) scams and the reimbursement currently operates. The existing model needs to be fundamentally addressed.
- One TPP participant suggested that it is a broad question for the PSR around APP fraud in general. The expectation was that if effective protections were put in place some of the known issues would fall away. It was noted that this is an issue which the PSR are actively considering. A consumer expert wanted to remind the Committee that in consumer terms “OK” is not enough. We need open banking payments to be better than what consumers use today, which is predominantly cards, if we want to drive long-term adoption.
- One TPP suggested that cards could be used as a means for authorisation and consent for consumers who don't use digital banking – this would expand participation in open banking payments and improve accessibility.
- One TPP with international experience wanted to remind the group that the implementations by some Large UK Banks are some of the best in Europe. In their view, open banking payments in the UK are starting from a strong level.

Gap 5: Asymmetric impact of Fraud

- The Secretariat gave an overview of the evidence presented.
- A TPP suggested that we need empirical fraud data to have an objective and meaningful discussion about OBP fraud.. A payment platform built on this point by challenging the Committee to be clear minded on the incremental risk created by OBP.
- A TPP with international experience, suggested that dataflow from ASPSP to TPP should be explored to reduce fraud (e.g. simple data like address). They have experience of the effectiveness of this in Nordic markets. This was supported by a payment platform.
- Another TPP suggested that the data flow from TPP to ASPSP is also important: greater context will help ASPSPs make better decisions to implement appropriate fraud treatments.
- One TPP suggested that OBP gives opportunities to address fraud that are not available in other payment types. We should work collaboratively to develop consistent dataflow tools to help address fraud vectors within OBP.

Gap 6: Higher Value Payments

- The Secretariat gave an overview of the evidence presented.
- There is clear evidence on the issues experienced with high value transactions. One TPP highlighted their experience that individual bank value limits were inconsistent resulting in a blanket block on

transactions over a certain amount. This results in 0% conversion of high value transactions in some cases.

- A Large Retail Bank gave a perspective around transaction limits, which are complex and can be separated by customer, by day and by channel. They suggested that driving conformity will be challenging without better and more consistent data being provided by TPPs.
- One TPP called for a new approach. For example, their desktop transactions are authenticated by mobile SCA and do not therefore present high risks, but there is no way to communicate this to ASPSPs to ensure that the lower risk profile of these transactions is accurately presented to the ASPSP's risk engine.
- As a TPP summarised: there is a market need for secure, reliable high value payments which OBP is not currently able to deliver in a consistent way today.

Gap 7: Lack of Effective Customer Protection

- The Secretariat gave an overview of the evidence presented.
- A TPP wanted to clarify terms and differentiate between payment protection and purchase protection. The position on payment protection is clear. Purchase protection is a different matter.
- A TPP suggested that this was a complex public policy question. Should purchase protection be applicable to all A2A payments?
- A consumer expert highlighted that if we want OBP to compete with cards, it has to provide consumers with comparable protection or will have very low levels of success. Educating consumers that they will receive a lower level of protection would reduce OBP's ability to compete effectively.
- A large tech participant brought in examples from India. The success of A2A payments in that market has come at enormous cost, with lack of clarity on outcomes creating customer experience issues and significant manual customer service to try to resolve ambiguous outcomes. Equivalence between cards and A2A schemes is needed.
- Another international operating TPP brought contrasting experiences from other markets where a payment service without chargeback protection has been very successful in online retail settings. European evidence presents counter evidence on the importance of protection. Adding chargeback structures will severely damage OBP adoption.
- A Large Retail Bank highlighted the evidence that UK consumers are benefiting £400m in chargeback protection. That is a significant and important protection.
- Two Large Retail Banks also highlighted that UK Consumers are accustomed to payments with protection. It would be hard to promote a service which doesn't offer equivalence of protection.
- A consumer expert underlined that consumers need to be given a compelling reason to switch from existing payment methods. The adverse impact of a bad experiences would have significant and lasting impact on long-term success.

Gap 8: Lack of Centralized Dispute System

- The Secretariat gave an overview of the evidence presented.
- A TPP reminded participants that existing regulation clarifies payment dispute liabilities. The gap is around the operationalisation of this liability framework and should be a priority area for development.

Gap 9: Lack of Payment Clarity

- The Secretariat gave an overview of the evidence presented.
- One TPP suggested that this is simple opportunity to deliver a more modern payments experience, for example including more consumer-friendly payment reference codes. If standardisation of key data was introduced, such as increasing reference codes and providing enhanced clarity of payee, it would naturally evolve and potentially as a faster rate.
- One TPP suggested that this could be addressed through the payment rails, or in the dataflow between TPP and ASPSPs. The role of the New Payment Architecture should be considered.
- One TPP identified that there is a known issue with the Standard, which restricts the ability to effectively communicate who the end beneficiary of a payment is, particularly under VRPs. A change request had previously been raised suggesting an amendment to the Open Banking Standard but that had been on hold until the future of OBIE had been agreed.

Other Comments

- One participant encouraged the Secretariat and Chair to review the work undertaken by the PSR Panel and ensure that it is reflected in their review of evidence.
- Another participant suggested we consider the tools / dashboards provided to consumers to manage their VRPs and whether they are appropriate for consumers.
- One participant suggested we consider issues related to data privacy. The Chair acknowledged that would be in scope of the Data Strategy Expert Panel.
- Consumer communications: one participant encouraged participants to consider ways to raise awareness and clarity to end users, suggesting a symbol similar to the Contactless symbol.

Closing Comments

The Chair closed the meeting and thanked the participants for their contributions and advised that the summary from the meeting would be made available in due course and that distribution of those materials would be via the [SWG website](#).