



Working with



FUTURE READY PAYMENTS 2030

A dynamic, purposeful and united
agenda for the UK

Summary report

February 2021



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Foreword

In the last few years payments, hitherto banking's expensive backwater, has seen unprecedented change with emerging and evolving technologies creating manifold opportunities to revolutionise product offerings, customer experience, infrastructure capabilities and cost-to-market. Since the launch of Faster Payments in 2008, the UK's vibrant market has become home to one of the most dynamic fintech sectors in the world, grounded on a bedrock of stability, resilience and security with regulators who support, rather than constrain, competition and innovation.

Recognising that the creativity and energy of the sector needs to be harnessed to maximise the economic and social benefits for the UK; UK Finance's Payments Products and Services Board, which I have the privilege to chair, delivered the mandate to establish Payments Futures. The task was to convene the industry to create a clear, industry-led, ten-year vision for the UK Payments ecosystem.

I shan't reveal any plot spoilers; however, our core insight was that new technology means old trade-offs between competition, innovation, resilience and ubiquity need no longer hold us back. This report sets out a consolidated view on how the industry might capitalise on further change to benefit customers and further innovation whilst supporting competition.

Finally, some thanks: I asked Marion King from NatWest to lead the Payments Futures work. As I expected she has done that with aplomb, bringing all her expertise, knowledge, commitment and, above all, style and elegance to the task. More than 100 practitioners from more than 40 firms contributed with energy and enthusiasm to the creation of this report – without their input we would not have been able to cover the breadth, nor depth, possible in this report. We are indebted also to the PwC team for supporting this work with their skills, knowledge, hard work and good humour, and all pro bono. Last but not least, none of this would have been possible without UK Finance and the exemplary support of the Payments team that continues to meet the industry's high expectations. My personal thanks to them.

No one should accuse us of false modesty. We make no bones about our intention: this report seeks to set the agenda for the UK payments industry for years to come.



Gerard Lemos CMG

Payments Products and Services Board Chairman
UK Finance

Introduction

This report is the culmination of the thoughts, ideas and requirements of payments professionals across the UK industry. I have had the privilege to chair Payments Futures for UK Finance and have been struck by the passion and energy of its members who, like me, have the ambition that the UK maintains a dynamic, real-time, secure, modern, payments infrastructure and service, which will in turn provide the best possible foundation for a truly competitive and interoperable market.

The UK is world-leading in the payments arena, but, with the drivers of change in technology and society, we have an obligation to share a ten-year vision and implement an action plan to stay at the forefront of the global payments industry.

Payments play a purposeful role as a gateway to improve customers' lives, enabling money to flow and people and commerce to thrive. Payments have become the epicentre of what we offer government agencies, consumers, large corporates and SMEs, and it is critical the solutions we offer via different channels give customers an informed choice as to what is relevant for each of their needs as well as providing a safe, secure and frictionless experience for everyone.

With the introduction of Open Banking, we are seeing an acceleration of digital innovation and we need to harness the power of these capabilities for the benefit of our society as a whole. As the industry continues on its transformational journey, **we must meet the challenge of balancing competing priorities, digital versus physical, real-time versus security and data versus privacy.** Working with the Fintech community will be one of the ways in which we can find solutions to address these challenges, as they offer a rich vein of innovation, agility and expertise, and we can work collaboratively to enrich the

customer payment experience. **My 'payments utopia' would see customers being able to make payments with the method that suits them, whether it is instant, single or bulk, one-off or recurring, domestic or cross-border.** Where we can identify the payer and payee using digital ID and authentication technology to thwart fraudsters and where confirmation, reconciliation and data insights for decision making flow seamlessly with the payment taking advantage of global messaging standards and APIs.

ISO 2022 standards will support enhanced data, enabling new business models that are workable and promote effective competition. Open access will bring large and small entrants into the market, as well as promote regulatory convergence, harmonisation and standardisation and deliver the best outcomes for all customers. Consideration will be given to protection, to ensure it is delivered in a sustainable, fair and equitable way that benefits the future viability of the payments industry and gives better incentives to build innovation in a way that has consumer protection at its core.

As a network industry, we already have a culture of collaboration, working within comprehensive and co-ordinated regulation. **The Covid-19 pandemic has shown that industry and regulators can work rapidly and in a new way to deliver even better outcomes for customers and provide the best foundation for competition.**

I would like to thank all our participants, from across the industry, for the time and expertise they are giving to this initiative. I would particularly like to thank the Chairs of the Working Groups for their work in steering the thinking and the excellent support both from UK Finance and PwC.

This report which sets out our ten-year vision is a 'living strategy' with the intention of driving industry debate and working together to determine the art of the possible. To attain our vision of an enhanced, yet economically sustainable UK infrastructure, and to find ways to beat fraud and ensure inclusion in a digital age will not be without its challenges; hard decisions lie ahead but industry and Government have a huge opportunity to work in partnership to set out a bold and coordinated strategy for the UK payments industry to succeed.



Marion King

Director of Payments, Natwest
Payments Futures Chair

Executive summary

Our ambition

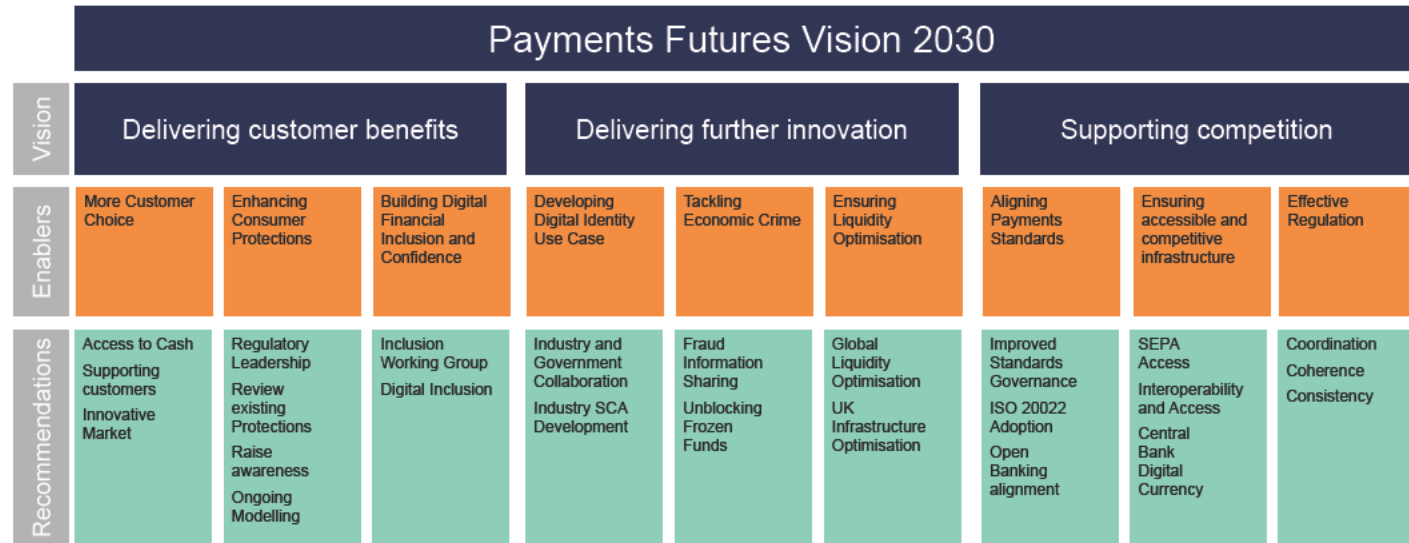
The Payments Futures vision for 2030 is to deliver further customer benefit, innovation and to enhance competition.

On the world stage the UK payments industry has long been regarded as being at the forefront of innovation and best practice. Over the next decade, the potential in our sector is enormous, as advances in new technologies and changing customer expectations and needs continue to accelerate, hand-in-hand with ongoing growth and competition in the market.

The aim of our strategy is not to leave positive change to chance but to take a proactive approach to ensure that the UK payments industry is best placed to adapt to a changing world; delivering the best outcomes for all its customers whilst supporting payment providers who wish to compete and flourish within our highly competitive market.

To focus this work, the industry launched Payments Futures, a collaborative initiative, tasked to look ten years out, considering the conditions, context, constraints, and opportunities for the payments industry as a whole and developing a vision for payments in 2030. This report titled **Future Ready Payments 2030** provides detail of this important work and our collective recommendations.

Digital payment definitions can vary. For the purposes of this report, digital payments refer to any payment made over the internet, mobile or by phone, including those involving a card. Contactless card payments are classified as digital payments. We clarify other terminology in the Appendix.





Our vision

Our vision for 2030 is for customers to benefit from the most **modern, resilient** and **safe** payments systems in the world, enabling competition, innovation, choice and opportunity. We will harness common **standards**, open **technology** and a payments industry with a culture of **collaboration**, a **resilient and sustainable** ecosystem that works well for everyone.

Deliver Customer Benefits:

Our vision for 2030 is supported by the desire to ensure all customers have access to digital payments and, if they choose to, are able to benefit from them. We know some personal customers will continue to need to use cash and we remain committed to making it available to them. Customers should have a frictionless experience between different payment types giving them maximum flexibility whilst minimising costs across the industry. We are seeking to create a digitally inclusive environment for customers which offers them safe, secure, convenient and immediate payments. An opportunity exists to deliver additional value for customers by leveraging the power of the digital transaction and its data to offer new add-on services and improve the customer experience.

Payments are used continuously to pay for goods and services and, although consumer protection in the UK is wide and deep it varies across payment types making it an obvious area to consider more closely. To achieve our vision we need an ecosystem which gives consumers clarity on protection, confidence and greater consistency, so that no matter which payment they chose, they can be informed of and understand the range of available protections.

Deliver Further Innovation:

Providing certainty on the identity of the payer and the payee is a key part of our vision for digital payments. The payments industry recognises that a collaborative approach with government, regulators and others **to facilitate development of a new digital identity and authentication capability** will deliver the optimum outcome for UK customers. A consistent approach might make solutions ubiquitous, removing friction and improving the customer experience across multiple services and channels far beyond payments. Improved digital identity and authentication would make digital payments safer for customers, help prevent economic crime and build trust.

Support Competition:

Payment market infrastructures lie at the heart of any change and they are the key enablers to realise our vision, particularly to support competition and innovation of digital payments. **The payment infrastructures in 2030 should support a vibrant and competitive ecosystem whilst being developed on a business model that is economically sustainable over the longer term. Reliability and resilience must be maintained but it should offer a smart, instant, cost-effective, scalable and frictionless payment experience for end users.**

Opportunities to evolve existing infrastructures should be taken to further support payment service providers with a variety of business models, offering lower barriers to entry and increased flexibility. They should be innovative and open to new entrants, offering them access to these payment networks in terms of policies, rules, technical standards, and with an appropriate supervisory regime. The networks they provide should also seek to offer system and platform interoperability and a unified approach to standards.

As an enabler of the UK's economy, it is essential that the UK's payment networks continue to provide the means and mechanisms for businesses and consumers to meet the UK's obligation to achieve net zero carbon emissions by 2050.¹ Consumers, businesses and payment providers should be aware of the impact that their payment choices have on their carbon footprint and the ability of the UK payments ecosystem to transition to green sources of energy. The industry should look to work with other supporters of this vision, such as the Bank of England and its commitment to support the transition to a carbon neutral economy,² to collectively achieve this objective.

Vital enablers to support interoperability and improve the user experience include **ensuring domestic and international payments standards are aligned** and that the governing supervisory regime facilitates safe access by participants.

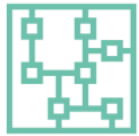
¹ <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

² <https://www.bankofengland.co.uk/research/future-finance/transition-to-a-carbon-neutral-economy>

Positive outcomes for every customer

Delivering positive outcomes for consumers and businesses lies at the heart of our vision. This section summaries what we want the future payments to look like for our customers.

By 2030, we want all payment providers to continue improving the experience of making a payment for all types of customers. Both payers and payees should have more choice and be better informed. Inevitably there will be more payment methods and we expect all payment providers to continue to meet the high standards of safety, trust and resilience demanded by customers. This will give customers increased confidence in all payment methods, particularly new digital options such as virtual cards or digital wallets.



More choice – The financial services industry is committed to ensure that its customers continue to enjoy a wide choice of payment options. Customers are increasingly opting to make digital payments, and this is set to continue. Customers will also see new payment providers offering new products and services. Some innovation will come from firms outside the traditional financial services world, for instance in areas such as ticketing, concierge and gaming.



Better informed – We want customers to enjoy improved reconciliation and budgeting opportunities with new and existing payment options thanks to the use of data. Enriched data allows for more detail to be provided, for example, on the payment mandate offering details such as itemised breakdowns and other capabilities.



Digital payments available to everyone – Consumers are increasingly preferring to use digital channels and we expect this to continue. By 2030, we want as many consumers as possible to have the confidence, ability, and desire to use digital banking and payments reducing their reliance on physical cards, notes, cheques and coins.



Easier to verify identity – By 2030 the goal is to meet customer demand for more interoperable and resilient digital identity capabilities, removing a reliance on multiple passwords or authentication methods. This will help build trust in both payments and associated services.



Consumer confidence – Seeking opportunities to achieve greater consistency across consumer protections will aid consumer confidence to use a wider range of payment types for different purposes. To these ends, the industry will continue to monitor consumer protections in similar advanced economies and work with UK regulators to identify the appropriate payment protections for the UK.



Greater detection and prevention of economic crime and fraud – Building on the industry's strong track record of implementing effective measures to prevent, deter and detect fraud, in 2030 the infrastructure needs to provide effective and efficient services to aid in tackling economic crime.



Supporting environmental sustainability – Customers will be better able to reduce their environmental footprint through greater awareness of the environmental impact of their payment choices, and how they can reduce the travel needed to make a payment or manage their money.

Why do we need a Payments Strategy now?

A strategy is needed to ensure that the UK payments industry can continue to lead the way and fulfil its duty to customers and businesses in what is increasingly a globally competitive industry.

Our industry is an essential part of the UK's national infrastructure, providing the foundations for the wider economy, and is used by UK consumers and businesses every day. In 2019, UK consumers and businesses made over 1000 payments per second using interbank transfers and the cards networks. This shows a sharp rise in the last decade – in 2009 just under 570 payments were made every second.

1,000+
2019 - Payments per second

The UK's payment ecosystem is increasingly diverse and complex, evolving at rapid speed. Evolution is being driven by changing technology and digitisation of the customer experience, consumers' changing payment choices and the growing number of banking providers and niche payment providers.

A strategy is needed to determine how key features within the payments ecosystem can be improved or their potential exploited, and where collaborative effort or third party support will be required. A structured approach should help ensure that change happens at the right time and in the right order to make efficient use of resources and ensure that unintended consequences are avoided.

Positive changes already underway

Through this, we remain cognisant of existing initiatives that will propel positive change. We are already in the middle of an Open Banking revolution, driven by the requirements of the second Payments Services Directive (PSD2). The continued development of the New Payments Architecture (NPA) by Pay.UK, and the renewal of the Bank of England's Real Time Gross Settlement (RTGS) service will deliver a step change in infrastructure through the implementation of ISO 20022, among other benefits. The Bank of England's work on potential options for a national Central Bank Digital Currency (CBDC) could also be a gamechanger. While the Bank of England is currently focusing predominantly on the impact of a CBDC on retail payments use cases, great potential exists in its use for wholesale applications and as a means to deliver monetary policy.

International innovation is also important: with the launch of services such as SWIFT's global payment innovation (gpi) initiative; the ongoing migration of international payment networks to ISO 20022 and the G20's support for the domestic and international Roadmap on enhancing cross-border payments.¹

The start of this decade has been dominated by Covid-19. The pandemic acted as catalyst for change. It accelerated the use of digital technologies, and dramatically impacted the use of cash, which saw a sharp decline in withdrawals at the height of lockdown. Most pressingly, the pandemic has highlighted the importance of work to enhance digital payment inclusion.

Considering this growing change, regulators have recognised the important role that they have in ensuring that any change happens effectively and for the benefit of consumers. Notable initiatives in this area include the Future of Finance report commissioned by the Bank of England,² HM Treasury's (HMT) Payments Landscape Review,³ Payment Systems Regulator (PSR) strategy,⁴ the Financial Conduct Authority (FCA) guidance on safeguarding funds,⁵ the Bank of England's Discussion Paper on a potential retail CBDC,⁶ the Future Regulatory Framework (FRF) Review⁷ and the FCA's consultation on extensions to firms' financial crime reporting obligations.⁸ More widely, following the UK's exit from the EU, for the foreseeable future it will be essential that the UK retains access to the Single Euro Payments Area (SEPA) and TARGET2.

¹ The Roadmap was developed by the Financial Stability Board and the Committee on Payment Market Infrastructure – currently chaired by Sir Jon Cunliffe, the Bank of England's Deputy Governor for Financial Stability – available at: <https://www.fsb.org/wp-content/uploads/P131020-1.pdf>

² The Bank of England, "The future of finance report" (2019) available at: <https://www.bankofengland.co.uk/report/2019/future-of-finance>

³ GOV.UK, "Payments Landscape Review: Call for Evidence" available at: <https://www.gov.uk/government/consultations/payments-landscape-review-call-for-evidence>. Also see the Bank of England's response; <https://www.bankofengland.co.uk/-/media/boe/files/report/2019/response-to-the-future-of-finance-report.pdf>

⁴ PSR, "PSR Strategy" available at: <https://www.psr.org.uk/psr-focus/psr-strategy>

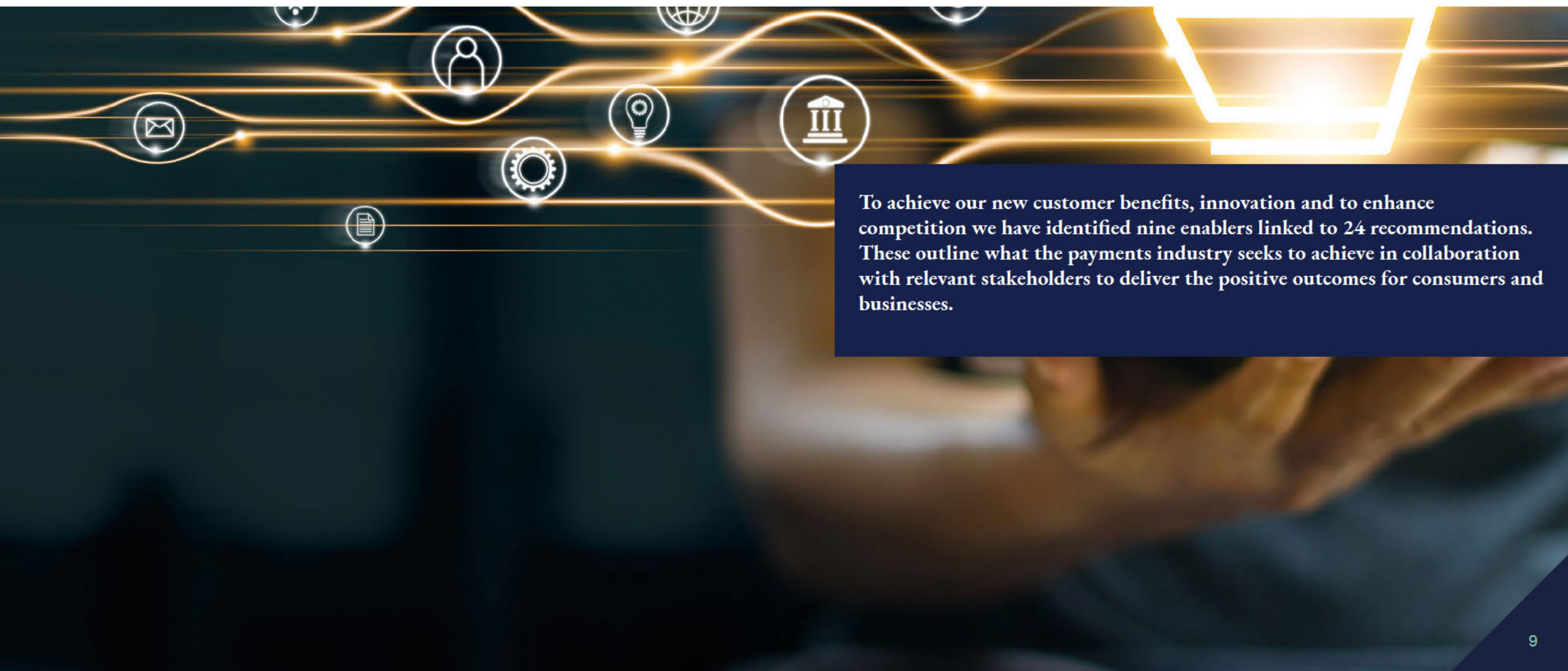
⁵ FCA, "Coronavirus and safeguarding customers' funds: additional guidance for payment and e-money firms" available at: <https://www.fca.org.uk/publications/finalised-guidance/coronavirus-safeguarding-customers-funds-additional-guidance-payment-e-money-firms>

⁶ Bank of England, "Central Bank Digital Currency: opportunities, challenges and design" available at: <https://www.bankofengland.co.uk/paper/2020/central-bank-digital-currency-opportunities-challenges-and-design-discussion-paper>

⁷ GOV.UK, "Future Regulatory Framework (FRF) Review: Consultation" available at: <https://www.gov.uk/government/consultations/future-regulatory-framework-frf-review-consultation>

⁸ FCA, "CP20/17: Extension of Annual Financial Crime Reporting Obligation" available at: <https://www.fca.org.uk/publications/consultation-papers/cp20-17-extension-annual-financial-crime-reporting-obligation>

Summary of recommendations



To achieve our new customer benefits, innovation and to enhance competition we have identified nine enablers linked to 24 recommendations. These outline what the payments industry seeks to achieve in collaboration with relevant stakeholders to deliver the positive outcomes for consumers and businesses.

Delivering customer benefits

Enabler 1. More Customer Choice

The financial services industry is committed to ensuring a choice of payment options for its customers. Customers should be able to understand their options, their value and any impact on them. Cash must remain free and widely accessible for those personal customers that continue to need it. To encourage wider access to different payment options, particularly new and existing digital payments, the industry plans to continue to promote their benefits and values. The ambition is that by widening access to digital payments to as many people as possible, they may benefit from improved financial outcomes.

Recommendation 1: Access to cash

The industry will continue to work with regulators, government and key stakeholders to ensure that cash remains free and widely accessible for those personal customers that continue to need it.

Recommendation 2: Supporting customers

The industry will further explore potential customer journeys that might enable more consumers to benefit from digital payments and identify any opportunities to take collaborative action to address them.

Recommendation 3: Innovative market

The industry will continue to, within the context of an already highly-innovative and competitive market, to actively enable new digital services, methods of payment and other innovation that meet the evolving needs of all end-users in the UK.

Enabler 2. Enhancing Consumer Protections

By 2030, through regulatory collaboration, industry cooperation and increased scrutiny and research of the market, industry will be able to provide greater clarity, confidence and consistency in consumer protection. Consumer protections must keep in step with the evolving payments landscape.

Recommendation 4: Regulatory leadership

We would encourage the regulators to provide leadership and coordination to ensure policy initiatives deliver the right outcomes for consumers and businesses, and avoid unintended consequences, through a framework that will produce clear, effective, fair and commercially viable outcomes. Respective regulators' responsibilities should be clearly understood and aligned, to avoid duplication of effort and conflicting outcomes.

Recommendation 5: Review consumer protections

Undertake further work, including via Pay.UK's Consumer Protections Working Group, on potential enhanced protections for different business models and journeys and across different payment types. This work will include how protections are funded. We expect this activity to be in support of the work the PSR are planning in this area.

Recommendation 6: Raise customer awareness

The industry will further promote customer education and other possible actions to improve awareness of current payment protections. Industry players should understand and consider the societal differences in users of payment types, and consumer confidence to seek a refund, including identifying the barriers to educating customers on protections at the point of transaction.

Recommendation 7: Ongoing modelling

Pay.UK will continue its tracking of international markets, to identify any accelerators or barriers to the take up of real-time customer-to-business payments, as well as alternative approaches to consumer protection. This research can help inform its policy work to explore if, and how, Pay.UK can use its rules and standards to enhance consumer protections.

Enabler 3. Building Digital Financial Inclusion and Confidence

Everyone, who wants to, should be able to access and use digital payments and benefit from them. Increasing customer confidence is a priority. Digital payments maximise choice, reliability and security for customers, as well as enhancing efficiency and innovation for the industry.

Recommendation 8: Access to digital payments

A key ambition for the industry over the coming years will be to promote customer access to digital payments. The industry will work together where necessary to identify opportunities to enhance digital inclusion for its customers and address any issues.

Recommendation 9: Digital inclusion

In order to achieve our vision for digital payments, the industry will consider ways in which to support existing initiatives and research on digital inclusion to ensure a coordinated and transparent approach to identifying and understanding consumer needs.

Note: The industry is committed to keeping cash accessible to those personal customers who need it. The majority of ways that customers can withdraw cash are free to use, and maintaining that choice for personal customers that need to access cash (perhaps due to vulnerability) is a core aim of the industry's access to cash work.

Delivering further innovation

Enabler 4. Developing a Digital Identity Use Case

We foresee tangible benefits through the enablement of a Digital Identity ecosystem that provides appropriate identification and authentication for different use cases. A consistent approach could deliver better outcomes for customers reducing unnecessary transaction friction and improving security. It could also support interoperability at scale across the competitive market.

A collaborative approach would be beneficial, enabling stakeholders, customers and the industry to work closely with government and regulators to facilitate development. Making it easier and more certain for providers to verify payment users and for users to authenticate each other will allow greater access to financial services and build trust.

Recommendation 10: Industry and government collaboration

UK Finance will work with its members and Innovate Finance to establish a Taskforce to explore use cases and develop views on standard frameworks that could support interoperability. The industry will input into the Department for Culture Media and Sport's Digital Identity Trust Framework taking into account the wider regulatory and legislative agenda (including data privacy and cyber security considerations) to help ensure the Framework delivers for payments and financial services providers.

Recommendation 11: Industry SCA development

UK Finance will continue to work with industry stakeholders and regulators in 2021 to consider how to enhance and adjust Strong Customer Authentication (SCA) to further reduce digital fraud and enhance the payment experience outcomes while encouraging innovative approaches to deliver this.

Enabler 5. Tackling economic crime

The industry seeks to foster a thriving and competitive ecosystem which delivers increased prevention and detection of economic crime whilst building trust across financial services. Achieving this will require ongoing collaboration and specifically access to data shared by the entire sector and beyond. The industry's interaction with the public sector will need to ensure any data sharing is appropriate and that funds linked to criminal activity are not lost from the system and, ultimately, from an innocent customer. It is also essential to consider how other industry sectors can help support a reduction in economic crime, noting the interconnected nature of payments across all aspects of the UK economy.

Recommendation 12: Information sharing

UK Finance will work with members to consider mechanisms to improve data sharing within and beyond the financial services sector. This includes the sharing of data in real-time to help identify threats to customers and the industry. This can only be achieved through an appropriate legal and regulatory framework provided by government and regulators.

Recommendation 13: Unblocking frozen funds

UK Finance will continue to work with members and the government to examine if and how funds held in suspended accounts can be unlocked and put towards economic crime outcomes.

Enabler 6. Ensuring liquidity optimisation

Liquidity acts as a vital enabler within the payment ecosystem – making liquidity optimisation a key part of our vision. Current liquidity arrangements for cross border, domestic wholesale and retail payment market infrastructures could be optimised by enhanced systems, processes and regulation. We recommend that central banks, regulators, infrastructure providers and the industry undertake further work to consider how to improve liquidity optimisation in payment systems and liquidity risk management for the benefit of global and domestic economies.

Recommendation 14: Global liquidity optimisation

Regulators, central banks, and industry bodies to support global initiatives to enhance cross border liquidity management.

Recommendation 15: UK infrastructure optimisation

The Bank of England and industry, with the support of UK Finance, should continue existing work to improve liquidity efficiency in the renewed UK payment systems. They should also explore potential further innovations in the future including options for improving liquidity efficiency between and across multiple payment and securities settlement systems.

Supporting competition

Enabler 7. Aligning Payments Standards

Payments standards are an underlying enabler of interoperability, innovation and competition. If underpinned by strong governance to ensure they retain future effectiveness, they can promote best practice, increase scalability and facilitate end user choice. The industry's adoption of ISO 20022 and common API standards should lower barriers to entry and promote competition. It is essential to consider this adoption from a market wide perspective and the potential alignment with different payment methods and types. While domestic payments standards are important, the UK payments industry should aim to implement and use global standards wherever possible and only diverge where absolutely necessary. Should divergence be required, the industry needs to ensure that this is managed transparently and effectively, to avoid introducing unnecessary friction and cost to payments.

Recommendation 16: Improved Standards Governance

UK Finance has established a cross-industry group to consider opportunities for coordinating the development and governance of payments standards across inter-bank, cards and Open Banking; with appropriate consideration of the international standards landscape.

Recommendation 17: ISO 20022 Adoption

In order to support our vision, it is recommended that the industry further explores whether the UK cards market should move to the ISO 20022 standard. Such a change could enhance interoperability of payments across the ecosystem. However, there are a large number of stakeholders and widespread, international implications that must be considered.

Recommendation 18: Open Banking alignment

The industry will work with the Open Banking Implementation Entity, UK Finance, Pay.UK, the Bank of England and other stakeholders to ensure that the Open Banking API standards are developed in line with wider adoption of ISO 20022. The aim of this work is to support a wide range of payment types and ensure interoperability with underlying payment formats.

Enabler 8. Ensuring an Accessible and Competitive Infrastructure

The payments industry is fast-moving and driven by constant advances in technology. Payments innovation looks set to continue across the board with the prospect of new payment types and digital currencies. To support competition, innovation and customer choice the payment market infrastructure will need to continue to evolve, offering increased interoperability whilst being developed on a business model that provides economic sustainability over the longer term. The challenge is to successfully support a wide range of payment providers so they can offer great services to their customers whilst maintaining critical security, resilience and delivering efficiencies. Similarly, it is of utmost importance that both industry and the government ensure the continued alignment with the functional equivalence criteria of the European Payments Council (EPC) to support the UK's continued participation in SEPA, whilst this remains in the UK payments industry's interests.

Recommendation 19: SEPA access

UK Finance will work with government and regulatory stakeholders to ensure ongoing adherence to the SEPA geographical scope criteria to ensure the UK can maintain its participation in SEPA.

Recommendation 20: Interoperability and access

Payment market infrastructure providers to continue setting clear standards and utilising modern connectivity technology, such as the use of cloud services and APIs, in order to ensure that future developments align with interoperability principles, as well as meeting market requirements for resilience, safety and security.

Recommendation 21: Central Bank Digital Currency (CBDC)

Further collaboration with industry, government, the Bank of England and other stakeholders on the possible use cases for Central Bank Digital Currency in payments including exploring what functionality it would deliver as well as how the build and run costs would be met.

Enabler 9. Effective Regulation

The payments industry has three main regulators (the Bank of England, the Financial Conduct Authority and the Payment System Regulator) and several other public bodies able to intervene; including HMT, the Financial Ombudsman Service (FOS), the Competition & Markets Authority (CMA) and the Information Commissioner's Office (ICO). We recognise the good work of these bodies in their efforts to increase co-ordination, but greater understanding and clarity of roles is needed to address the considerable overlap between these authorities' responsibilities to support better outcomes for the industry and its customers.

Recommendation 22: Co-ordination

The Regulatory Initiatives Forum should continue to develop the Regulatory Initiatives Grid (RIG) to provide the industry with a pipeline of planned interventions. It should reduce regulatory overlap and clarify the respective roles of each regulatory body, including which takes the lead where shared responsibility for initiatives continues. To promote alignment with industry initiatives, it is important that the government and regulators clarify and confirm what they want from the payments industry through HMT's Payments Landscape Review and Future Regulatory Framework (FRF) Review, as well as the PSR's strategy.

Recommendation 23: Coherence

The government should extend to payments regulators its FRF Review proposals for a clear allocation of responsibilities between Parliament, HMT and regulators, with the latter subject to enhanced transparency, scrutiny and accountability. We believe this model will make the most of independent regulators' expertise and flexibility in setting regulatory standards while at the same time ensuring they take full account of broader public policy issues and priorities when designing those standards.

Recommendation 24: Consistency

A coherent, future-proofed framework should subject the same activities and risks to the same regulation - with the same consumer protection - irrespective of the nature and legal status of the service provider.

Conclusion

A call to action

The industry starts from a position of strength: several of the 24 recommendations identified in this report are already underway. However, there remains much work to be done, and UK Finance will now need to take action; engaging with regulators, the wider industry and other key stakeholders to gain advocacy and agree next steps.

It is clear that our vision will not be realised without collaborative support and action.

Remaining flexible and adaptable

Payments Futures commenced at a time of great change for the industry and our society. The pandemic highlighted the importance of payments in our everyday lives and the industry was quick to respond and play its part: supporting government with measures to prevent benefit fraud; raising the contactless limit to help UK shoppers; ensuring the cash network kept flowing; and rolling out Confirmation of Payee to give customers greater confidence they were paying the right person.

If nothing else, 2020 has shown how quickly unexpected events can unfold. In the years ahead we know we will need to remain flexible and ready to adapt our approach to respond to any new challenges. We will need to continue to listen and respond to customer needs and changing market requirements and adapt wherever there is clear evidence that change is beneficial.

Unlocking the power of payments to benefit everyone

As we look forward to post-pandemic life and post-Brexit we are confident that the UK payments industry has the capability, capacity and power to bring fresh vigour into the country and the economy.

If we succeed, the impact on every customer is likely to be subtle yet profound. Customers should enjoy more choice, more convenience and they will notice they get better information about each payment – perhaps itemised into groups in a user-friendly way. Payments may well seem easier to make and trust, with the use of a consistent digital identification process and even better consumer protections.

The UK is already home to many payments innovators, exemplified by our thriving Fintech sector and the potential afforded by Open Banking: we want to capitalise on the opportunities they afford and further consolidate the UK's leading position on the world stage.



	2020	2030
Deliver customer benefits	Digital payments well- established in UK and ground breaking potential of Open Banking starting to be felt	Customers enjoying even wider access to digital payments with improved functionality, security, speed, convenience, control, clearer choices and less friction. Open Banking supporting yet more services and providers – enabling digital alternatives to existing payment methods.
	Wide range of consumer protections in place across different payment types	Opportunities exploited to enhance or harmonise consumer protection across payment types built on fair and sustainable business models. Customers aware of their protections.
	Competition and innovation giving UK customers more choice than ever before – but some customers unable to benefit	Choice is maintained and increased. Any barriers removed. Customers understand their choices and able to choose the way to pay that best suits their needs. Any costs are transparent, fair and equitable.
Deliver further innovation	Ongoing investment by industry yielding steady stream of collaborative innovations to benefit UK customers e.g. Confirmation of Payee, Open Banking and contactless	Full potential of existing innovations - such as Open Banking, open finance and confirmation of payee - are realised. Technological and infrastructure innovation giving customers more information about every payment whilst data sharing and analytics helping to tackle economic crime. Any new opportunities for collaborative innovation explored with regulators to ensure best outcomes.
	Digital ID solutions in place but vary widely across sectors and services creating unnecessary friction in customers' digital lives	An interoperable digital ID solution in place across sectors - simplifying and standardising the authentication process for customers whilst increasing safety, adopting new authentication methods (such as biometrics) and building trust in the digital world.

	2020	2030
Support competition	Fintechs, Open Banking and technological advances are invigorating competition and innovation in the UK opportunities in the domestic and global market	Easy-to -access, smart, cost-effective, economically sustainable yet resilient and reliable infrastructure providing optimum conditions for new and existing providers to plug and play and to develop new services running over effective payment market infrastructure. Consolidate UK's position as a global centre for payments innovation and expertise.
	Payment messaging standards and APIs in play across ecosystem but opportunities exist for greater alignment	Unified approach to deployment of common standards across ecosystem. Adoption of ISO 20022 and APIs standardisation yielding multiple benefits and promoting competition by lowering barriers to entry. Harmonisation, where appropriate, with global standards.
	Strong UK regulators operating in complex regulatory landscape	Greater coordination, consistency and coherency of approach between regulators delivering visible and well-understood pipeline of regulatory requirements. Supporting competition and delivering best outcomes for customers.

Next steps - setting clear priorities

UK Finance has published this Future of Payments report on behalf of the industry and we expect that this report will help to shape our policy and advocacy work for the next decade as we continue to share these proposals more widely amongst UK Finance's membership, the wider market and with regulators and Government.

As an immediate next step, UK Finance will work with members, regulators and Government to prioritise the recommendations for the year ahead and agree responsibilities, resources and timelines and reporting mechanisms. We expect to be able to communicate to the industry how we propose to take forward these recommendations, including any priority actions, in early 2021.

Any firm wishing to get involved with this work can contact futurereadypayments@ukfinance.org.uk

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About UK Finance

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation. We work for and on behalf of our members to promote a safe, transparent and innovative banking and finance industry. We offer research, policy expertise, thought leadership and advocacy in support of our work. We provide a single voice for a diverse and competitive industry. Our operational activity enhances members' own services in situations where collective industry action adds value.

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