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Payment Accounts Regulations Consultation
Banking & Credit Team
HM Treasury
1 Horse Guards Road
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Sent via email to: PARsconsultation@hmtreasury.gov.uk

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Dear Sir,

UK Finance response to the Consultation on the Information Requirements in the Payment Account Regulations

UK Finance is the collective voice for the banking and finance industry. Representing more than 300 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.

UK Finance welcomes the opportunity to respond to the Consultation on the Information Requirements in the Payment Account Regulations. We have consulted widely across our membership to attain views from a broad range of firms, with different business models and customer bases, given the subject matter.

Summary

Although firms face different challenges, those members which responded to our call for input expressed broadly similar views whether they were a major ringfenced bank, a mid-tier or small firm.

The overarching view is that the information provided as part of PARs provides little value to customers, is restrictive, unclear and is duplicated through various other means.

1. FIDs offer some benefits and can help customers compare product fees, however the information included can be confusing or may not give a true picture of value (particularly for packaged accounts). Information on all accounts is available in various other formats.

2. SOFs provide little benefit and should be removed as they do not deliver customer value and are often complicated/costly to create or maintain. Firms can show the same information to customers in a simpler format that blends with their brand and tone of voice.
3. The current presentation and format of documentation inhibits the ability to give customers a true picture of fees/charges/value and can create confusion which does not support the requirements of the Consumer Duty.
4. The linked services list provides consistency but has had limited success. Information is not provided in a customer friendly way. Firms should have flexibility to provide information to customers as and when appropriate.
5. Not all providers refer customers to the MAPS comparison service.

This summary is supported by the detailed responses to the questions below:

Response to the Consultation Proposals

- 1. Do you consider the requirement for payment service providers to provide consumers with Fee Information Documents (FIDs) to have any positive impacts (e.g. towards supporting transparency and comparability of fee information related to payment accounts)? If so, please specify.**

While the FID can provide new and existing customers with information in a standard and consistent format and aids transparency and comparison between firms in practice members generally feel that the FID has had limited success due to its length, content and format.

If the requirement to provide the FID were to be removed, all respondents advise that the same information is available in other documents and via other channels such as websites or branches. Furthermore, it is noted that fees and charges are also communicated to customers at the point of instruction.

- 2. Do you consider the requirement for payment service providers to provide consumers with FIDs to have any negative impacts (e.g. administration costs or duplication of information already provided to consumers)? If so, please specify.**

All respondents highlighted the level of duplication across the various materials that firms are required to provide to consumers in addition to the FID. The number of documents consumers are provided with, some of which are quite lengthy, is also overwhelming, e.g. Terms & Conditions, Tariff leaflet, FSCS Information Sheet and the LSB's Statement of Commitment and Borrower Responsibilities. Additionally, there is a duplication in legal requirements, for example, the information firms are required to provide as part of the framework contract pursuant to schedule 4 of the Payment Services Regulations

It is noted that there are some prescribed fees and charges which firms are required to include and confirm a '0' fee applies, whereas, if there is no fee or charge for a particular service, e.g. cancelling a cheque, this is not included in the tariff leaflet (but could be). While the regulations only require firms to provide information on specific services that may incur a fee, it may miss other fees that apply to an account. Firms also suggested that the requirement to cover all possible charges, including legacy products, risks confusion for the consumer.

The shift from FIIC to bundled accounts is reducing the consumer's ability to compare products and some member firms expressed concern that the FID does not allow consumers to see the overall value they receive relative to the monthly fee, which may include benefits such as enhanced servicing, interest, insurance and other rewards.

Firms opine that the prescriptive nature of the FID means that the document is inconsistent with their brand and tone of voice, while others cite being unable to respond to requests for improvements from customer feedback/outcomes testing. The Consumer Duty will ensure that firms continue to appropriately inform customers of costs while the Consumer Understanding outcome demonstrates that the FCA recognises that disclosure requirements can be prescriptive: reference is made within the FCA Policy Statement to there being "an opportunity to simplify some of our existing disclosure requirements". Firms have been encouraged to share evidence that "prescribed disclosures are not effective in supporting consumer understanding". As such, one respondent expressed support for a position whereby firms are permitted to use smarter, simpler communications with their customers in a manner which suits their demands and needs as well as allowing firms to draw on their own customer research.

Under the Consumer Duty, if a firm's own internal customer research reveals that its customers do not understand the FID or SOFs, how should it respond? Should it maintain the PAR mandated elements and breach the Consumer Duty Consumer Understanding requirements, or vice versa? It will be important for the authorities to provide clarity to providers on conflicting regulatory requirements if the prescriptive/standardised elements of customer communications are to be retained.

All firms also highlighted the high levels of administration required to maintain the FID which is both time consuming and costly. We would also note that a reduction in the provision of paper-based FIDs would have benefits from an environmental perspective.

3. Do you consider the requirement for payment service providers to provide consumers with a Statement of Fees (SoFs) to have any positive impacts (e.g. towards supporting transparency and comparability of fee information related to payment accounts)? If so, please specify.

As with the FID, members agree that while it helps with transparency of fees and charges, and the consistent presentation and use of plain English and common symbols supports ease of comparison, it could be removed as the information is provided to customers elsewhere. One firm suggests that customers use the SOF more as a useful prompt than for comparison purposes.

4. Do you consider the requirement for payment service providers to provide consumers with SOFs to have any negative impacts (e.g. administration costs or duplication of information already provided to consumers)? If so, please specify.

Yes, we believe the SOF does lead to negative impacts which undermines the delivery of good outcomes for customers. All firms cited that providing one SOF per customer, per account, annually comes with a high administrative burden. The template is architecturally challenging and due to its complexities coupled with ongoing industry and regulatory changes, the SOF requires significant resource and expense to maintain. It is also costly to produce in terms of paper, printing, postage and data storage.

Members have highlighted duplication with other documentation and noted that unarranged overdraft charges and interest are pre-notified, while all service charges are agreed before the service is provided. Additionally, the prescriptive requirements relating to the SOF do not allow for refunds of fees and charges to be detailed in the statement, neither can the SOF reflect any adjustments made by the firm. The SOF, therefore, in its current prescribed format, does not provide accurate information as to the true cost to the customer and one firm highlighted that it is

necessary for it to provide a lengthy explanation alongside the SOF setting out what is and isn't included. Unless the customer has incurred the fees as prescribed in Schedule 2, the account pays credit interest or the customer pays an annual fee for the account, the SOF provides very little additional information. Credit interest information is visible on the standard monthly statement, including the rate and any interest earned (albeit not aggregated annually) and any account fee is separately communicated and reminded to customers including by way of the Annual Eligibility Statement pursuant to ICOBS.

We suspect that customers find it difficult to compare fees and charges as they are calculated in different ways by different firms and one member's MI shows very little customer engagement with or appetite for the SOF.

The SOF could form a barrier to innovation as firms may choose not to introduce new fee-paying services (or reduce the fees and charges of existing ones) in order to avoid making further changes to the SOF.

Additionally, the SOF requirements under PARs do not allow for firms to communicate with customers in a language/design that aligns with their brands. As such, it would be preferable if firms could make this information easier and clearer for customers to understand as they see fit, based on customer feedback/need and within their own brand guidelines.

Again, we would stress the environmental benefits which would accrue from ceasing the provision of paper-based SOFs.

5. Do you consider the presentational requirements under Schedules 1 and 2 of the PARs to be necessary? Could consumers be provided with the same or equivalent information by simpler or alternative means? Please specify.

Customers are already provided with the information via various other means in a simpler, more customer orientated way that also fits with firms' branding and tone of voice.

Members have suggested the following changes:

- Reduce/simplify the number of functionalities detailed in the documents
- Remove the requirement to issue SOFs that have zero fees and charges
- Remove the requirement to automatically provide a SOF unless the customer requests one
- Allow for the SOF to be provided in accordance with the customer's chosen method of communication e.g. paperless via an alternate delivery channel such as online or mobile app
- Remove the requirements for precise layout, font sizes and logo placements, allowing firms to use their customers' feedback in their own design processes
- Signpost that the Glossary is available on firms' websites or that a paper copy is available on request

The forthcoming Consumer Duty will further require firms to take steps to deliver good outcomes for their customers and this includes new rules requiring firms to ensure customers receive communications they can understand as well as requirements relating to testing, monitoring and adapting communications for the target market. At present, the prescriptive PARs requirements would limit what changes firms can make as a result of these activities. Removing the SOF would allow for more customer-centric information to be provided which would align with Consumer Duty requirements.

6. Do you consider the requirements for the FCA to maintain a linked services list, and for payment service providers to provide customers with a glossary of related definitions, to have any positive impacts (e.g. towards supporting transparency and comparability of fee information)?

While some firms expressed the view that consistency means that customers who are comparing products will see the same language used by all firms and it can be helpful for customers to look up more complex aspects e.g. international payments, others suspect that the glossary may have helped initially to aid customer understanding but generally has had limited success.

One firm suggests that permitting firms to describe their pricing in the best way they can, will be compliant with the Consumer Duty and produce good customer outcomes, noting that consistency shouldn't be at the expense of customer understanding.

7. Do you consider the requirement for the FCA to maintain a linked services list, and for payment service providers to provide customers with a glossary of related definitions, to have any negative impacts? If so, please specify.

There was mixed support for maintaining the linked services list and glossary which are lengthy and duplicates information available elsewhere. Again, it may have helped initially to aid customer understanding but the view of some firms is that there is limited customer engagement and generally limited success. It should also be noted that the existing requirement is to 'make available' the glossary of definitions, not 'provide'.

A couple of firms highlighted that the mandated terminology does not allow for communications in simple/straightforward language; the national average reading age should be considered alongside the customers in the target market, e.g. accounts designed for younger customers, meaning that the current definitions are unlikely to be compatible with the new Consumer Duty. Additionally, firms are unable to use their own brand/voice in communications.

The existing list of linked services contains definitions which are now commonplace in the industry and widely understood by customers so some firms have proposed that they could be removed e.g. 'sending money within the UK' and 'sending money outside of the UK'.

One firm cited issues around the use of the terminology in advertising (particularly where adverts are space limited), Terms and Conditions and other documentation.

Furthermore, following Brexit there is less need for any list of definitions to be driven by EU terminology. The flexibility to define terms as considered necessary and appropriate for customers, based on the target market and understandability, would be welcome.

8. Do you consider the requirements for the Money and Pensions Service (MaPS) to provide consumers with access to a website comparing fees charges by payment service providers to have any positive impacts towards supporting transparency and comparability of fee information beyond private sector providers? Or could the same objectives be fulfilled without these specific requirements?

Given the difficulties cited above regarding the use of FID and SOF as tools for comparability, the MaPS comparison website provides the opportunity to address some of these issues and support customers when they are deliberating between accounts and providers in the market.

Some respondents, however, had limited knowledge of MaPS and the level of customer engagement with its comparison website so found it difficult to assess its current effectiveness and suggested that Open Banking enabled tools might offer a better option.

A couple of respondents advised that they don't refer current or prospective customers to MaPS and suggested that customers are more likely to use price comparison/3rd party/aggregator websites to compare products.

9. Where relevant, what are the costs to your organisation of adhering to Part 2 and Schedules 1 and 2 of the PARs? Please be as specific as possible and quantify.

Firms incurred a significant cost to implement the SOF, and all agree that there are significant ongoing costs which include processing, paper, printing, postage, data storage, system maintenance, internal deployment, change, testing and issue management.

One respondent was a very small firm where technology is limited meaning that the resourcing cost is significant as much of the work is manual.

10. Can you foresee any potential unintended consequences or negative impacts of removing any requirements under Part 2 and Schedules 1 and 2 of the PARs?

Respondents cited the cost of implementing any changes/decommissioning current systems. Changes to existing documents would result in costs that would arise each and every time any changes are made while removal would incur one-time costs. Costings would need to be fully scoped, but firms would expect to include charges relating to changes to internal systems, contractual documentation, literature and website updates as well as other possible communications to customers. Any changes/revised requirements would require a sufficient period of time to implement to allow for prioritisation alongside critical regulatory and business activities.

Some firms are of the opinion that there would be no negative impacts of removing the requirement to provide a FID as most of the information it contains is duplicated in tariff documents, which will similarly be provided by firms for the purposes of meeting schedule 4 of the Payment Services Regulations. Anything which is not, can either be added in by firms or is not necessary to provide because no fee applies (and such fees are not commonly incurred within the UK).

Other firms, from a financial management perspective, do see some benefit in providing customers with annual fees and charges information alongside monthly statement information but in a manner which is less prescribed and easier to understand. One firm also suggested that the removal of any requirements under Part 2 and Schedules 1 and 2 of the PARs may create customer confusion/inconsistencies in language across firms.

Overall, firms are alive to the 'cognitive load' concern given the amount of information which must be provided to current account applicants. A reduction in the volume of literature and duplication of information, with a focus on clarity and simplicity, will help address this and further aid customer understanding.

11. Do you have any other views on Part 2 and Schedules 1 and 2 of the PARs that you wish to share?

The Consumer Duty should provide assurance to HMT and the FCA that customers will continue to be appropriately informed of fees and charges with one firm proposing that legislative requirements in the PARs are removed in favour of more dynamic regulation allowing the FCA to determine requirements.

Some firms feel that customers do not use the documents in the way the regulations intended for comparison, and they find it annoying and wasteful when the documents are provided to them when they have not requested such. One firm's MI indicates that a large proportion of its customers do not use/view their SOF and information is sourced through alternative means. A number of firms suggest that there would be value in undertaking customer research into consumers' use and understanding of the current documents.

One view is that with current accounts in the UK being a much simpler product than those which are commonly available in the EU with fewer fees and charges, there is a reduced need for the requirements in Part 2 for parity purposes following Brexit.

Summary Comments

On balance, the preferred position of those member firms which responded to UK Finance's call for input is to maintain the linked services list (glossary) although a review/refresh of the existing terms with less focus on EU-driven terminology would be welcomed. Firms' preference is for the SOF to be removed and for them to provide customers with more effective information that shows the true value and cost of their product instead. Firms should also have greater flexibility in how terms are described in order to aid customer understanding and meet the requirements of the Consumer Duty.

In closing, we would highlight the cross-cut nature of HM Treasury's recently issued "Review and Call for Evidence on the Payment Services Regulations" and the opportunity it presents to consider information requirements in the round.

We trust that this response is helpful, and we would be happy to discuss this submission in more detail. Please contact denise.flowers@ukfinance.co.uk in the first instance to discuss further.

Yours faithfully,



Eric Leenders

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UK Finance