



PSR Consultation:

Delivery and regulation of the New Payments Architecture

Part 1 – questions 1-6

(paper CP21/2)

Ordo response

Submission to PSRNPA@psr.org.uk

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Context and Introduction to Ordo

Who we are:

We are Ordo, the trading name of The Smart Request Company Ltd (company number 11338545). We are a fintech start-up and TPP. We are regulated by the FCA to carry out AIS and PIS under FRN 836070

The five founding directors incorporated the business in May 2018, having previously worked together in the Faster Payments Scheme, driving new competition in banking and payments and transforming access to the Systemically Important payment system. Whilst we were the leadership team at Faster Payments, we instigated bringing on new challenger banks and other PSPs such as Monzo, Starling, Atom, ClearBank and Transferwise. The team were awarded the Payments and Cards Awards Industry Achievement Award in 2017 by their payments industry peers for their work to allow Transferwise and its customers direct access to the Faster Payments System.

Following our time at Faster Payments, we set up Ordo to build and run Open Banking enabled solutions such as Request for Payment, eCommerce and Account Details Verification services, amongst others. We are backed by Nationwide Building Society, and are fully integrated with the well-known accounts package services QuickBooks, Sage, Xero, and banking platforms such as Contis. We are partnered with CGI to run our platforms.

The first of our solutions, our Request for Payment service, went live on 23 March 2020. Hundreds of thousands of pounds has been transferred using Ordo with thousands of payment requests being sent and successfully paid, helping businesses and consumers pay and get paid easily.

Ordo's company purpose is:

to improve financial wellbeing of individuals, businesses, social enterprises, charities, community groups and the public sector by helping them to be more in control of their finances. We do this by:

- enabling payers to securely and simply see what they've been asked to pay, trust who's asking, and then choose how and when they make or don't make payments;
- enabling billers to securely, simply and cost effectively provide information to, and request payments from, their customers without having to gather, store and protect payers' private financial information; and
- enabling billers to understand the status of their payment requests and receive settlement irrevocably and without delay from their customers, directly into their bank accounts.

We are leveraging our collective experience in payments, technology, consumer markets and regulation to achieve this.

Our view and what we think a secure payments future should look like:

We are creating a better way to request and make payments with a new, secure end-to-end competitive digital payments overlay services. We believe the solutions we have built are an important part of the strategic long-term solution which will afford all payers, be they individual consumers or businesses of any size, the confidence and assurance that their payment has gone to the intended destination, and businesses to be able to receive payment instantly, securely and at low cost.

If every payment begins with a request from the biller concerned (which could be a consumer or a business) with the business populating its account and reference information, this significantly lessens the likelihood of a payment going to the wrong destination and being defrauded. A biller's request for payment, be it via a specific Request for Payment service, or via one of our Open Banking enabled eCommerce, QR code or point of sale solutions, will contain the account details for the biller as inputted by the biller, and these are neither revealed to, nor can they be changed by, the payer. The receiving (of the request for payment) potential payer will then only choose to pay the request if they recognise the biller, what the requested payment is for and if it is for the correct amount.

Questions related to the risks to NPA delivery

1. Do you agree with our view of the risks to the successful delivery of the NPA?

Yes.

Questions related to procurement scope

2. Do you agree with our analysis of the suggested risks, pros and cons of the alternative options for the scope of the initial procurement?

Yes.

3. Do you prefer scope option 1 or 2, or another alternative? How do the cost implications differ for you? What are the other reasons for your preference?

Option 2 is the only viable option. In our view, the risks identified by the PSR are closer to certainties and as a result continuation under option 1 is unlikely to deliver anything approaching the vision of the PSF Blueprint or NPA. It is worth noting that the narrower scope of Option 2 was the basis for the original Faster Payments led NPA phased competitive procurement developed in 2016 and launched in 2017. This original model was chosen as it delivered the earliest NPA benefits at the lowest risks, was designed to be scalable to carry future Bacs traffic growth if required, and provided time for the more intractable replacement and migration challenges of the more complex Bacs Direct Debit service to be fully considered over a longer time frame. After much bidder work this procurement was halted in 2018 and replaced with the combined Faster Payments and Bacs procurement in December 2018.

As we operate as an overlay service provider abstracted from the CIS through the open banking APIs there is no direct cost impact on our business. Our views are driven by the common good of delivering a lower cost, competition and innovation supportive central payments infrastructure for the UK that will meet future service user needs. Option 2 is in the public interest and the interests of the UK economy.

4. Under scope option 2:

4a. What do you think would be a suitable timeframe to allow the emergence of market-led propositions that could assist with the migration of Bacs transactions (including Direct Debits) to the NPA? What actions could be taken, and by whom, to help assist or stimulate the creation of such solutions?

24 months after the delivery of regulatory clarity should be long enough to see the emergence of market-led propositions that could provide alternatives to Bacs bulk credit and Direct Debit services. These services could initially be carried over the existing Faster Payments service. However, these services will not develop unless competitive providers have sufficient regulatory certainty in the following areas:

- For Bacs bulk credit services, probably delivered by Technical Aggregators and ASPSPs, the regulatory and Pay.UK support of competitive bulk submission services needs to be clear.
- For competitive Direct Debit alternatives, it needs to be clear that a one-for-one replacement of the current Bacs central service will not be contemplated by the PSR or Pay.UK unless there is an absolute failure of competitive alternatives to start to emerge within an appropriate timeframe (say 24 months beyond clear regulatory statements covering all these points).
- Additionally, there needs to be industry-wide clarity that the current Direct Debit service will be closed down within, say 5 years, and is likely to rise in unit cost as volume migrates, encouraging service user migration.

- As an essential prerequisite, that Open Banking Variable Recurring Payments (VRP) will very quickly become a mandatory requirement on all ASPSPs that currently support Direct Debit payment. If VRP is an optional service, where TPPs can only access PSU accounts at Bank A if TPPs agree to Bank A's terms, then individual VRP provision is a monopoly service provided by each ASPSP to TPPs. Consequently, VRP must be provided on the same zero contract, zero cost basis to authorised TPPs as current open banking/PSD2 Payments Initiation Services. To the extent ASPSPs charge for the service, that should be to their Payment Service Users as is the case with Single Immediate Payments via open banking today, where some competitive pricing forces can apply. This also mirrors the commercial arrangements for the provision of Direct Debits (DD Originators pay their ASPSP and may also procure submission tools from one of a number of competitive software providers).
- Finally, it is essential that a high hurdle is set before considering the establishment of any overarching centralised standards that might seem helpful in supporting innovative new services. Pay.UK's attempts to standardise the UK's approach to Request to Pay is an example of what can go wrong. Pay.UK has overreached itself in defining in too much detail, and in the wrong way, what services should look like, and as a result, delivered no market solutions. A number of other players, however, have built and launched valuable Request services using open banking, in spite of the attempts of Pay.UK to promote a particular approach. Common frameworks can be helpful, for example the emerging SEPA RtP Scheme rules, but they must be established in a way that adds value to, and supports the development of, innovative competitive solutions that might take different approaches to delivering new value to users.

If the PSR quickly takes the regulatory lead in providing this context, this will give confidence to the market, and market led competitive services will quickly emerge, both to provide these new services and also to help service users migrate from the current Direct Debit platform to the new, more innovative alternatives.

4b. Do you think file-based common services to enable the migration of Faster Payments DCA/FIM transactions should be excluded from the initial procurement and considered further, in conjunction with common services to support the migration of Bacs transactions?

Yes. They should be excluded from the initial procurement and only provided by the central infrastructure provider on an arms-length/Chinese walls basis as one of a number of competitive solutions. There is no technical reason why file processing services need to be provided by the central infrastructure. It is an act of history that they are provided by the central infrastructure provider for FPS, and with the exception of one ASPSP, they have not been adopted by the market. Incorporating them into the initial procurement adds unnecessary complexity and cost for no obvious benefit. Looking to the future, these services could and should be competitively provided by any/multiple PSPs with access to the central infrastructure. This is a competitive market opportunity that should not be gifted to the winner of the central infrastructure provision.

4c. To what extent would an initial, narrower, CIS procurement (focusing on Faster Payments) still need to consider how the procured solution could support Bacs-related features in the future? Which Bacs-related features in particular might require such focused attention *prior to* the initial procurement?

The Faster Payments replacement should be procured to be capable of carrying the volume and value of individual push payments resulting from the carriage of Bacs Bulk credits provided through aggregators, and Single Immediate Payments deliver via VRP as a replacement for current Bacs Direct Debit volumes. No other Bacs legacy features should be supported in the Faster Payments replacement.

Questions related to procurement approach

5. Which of the procurement options do you consider is the best way forward and why? Please explain if your view differs depending on the scope of the initial procurement.

Procurement Option 2: Start a new competitive procurement with the narrower scope proposed is the only viable option. The current approach will not deliver and direct procurement with VocaLink is oxymoronic. It is almost impossible to imagine how a good outcome can be achieved or demonstrated from such an approach as Pay.UK would have no buying power, and VocaLink would have no incentives to provide best service and price. The analysis and vendor outreach conducted by Faster Payments in 2016-17 confirmed that a competitive procurement is both viable and desirable; not doing so now would effectively shut the door on the UK ever doing so, which cannot be in the interests of service users and the broader economy.

6. Do you consider that there are other realistic options available that we have not identified? What do you see as the risks and benefits of any additional option(s)?

No.

We are a commercial company running competitive solutions for the payments ecosystem.