

financial services

Report into consumer representation in the
payments sector

Executive Summary

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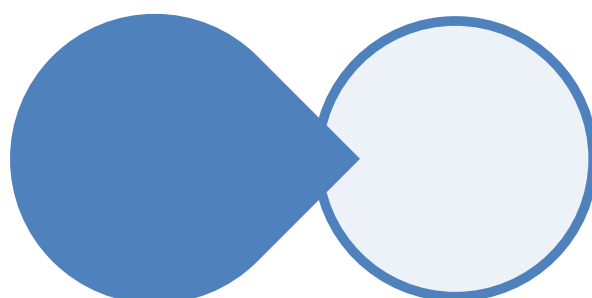
Executive summary

Context

The financial services market is complex and power is traditionally weighted in favour of providers. This asymmetry of power and information is often to the detriment of consumers. Effective consumer representation can help rebalance the asymmetry of power in the market, bring clarity to the issues faced by consumers and help prioritise actions to address problems and forward plan effectively.

A number of recent developments have focused attention on how the interests of consumers can best be represented in the payments sector. These include the introduction of the Payment Systems Regulator (PSR); the introduction of the Payment Services Directive 2 (PSD2); and the Competition and Market Authority's (CMA) decision to introduce consumer representation in its decision-making process.

Drivers for consumer representation in the payments sector



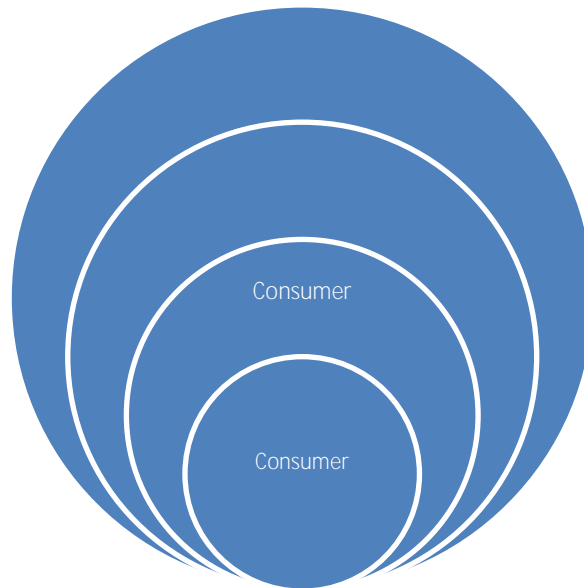
- Payment Systems Regulator objectives
- Payments Strategy Forum proposals for PSD2
- EU legislation: PSD2
- CMA Unconvinced
-

The research

The research aims to identify ways in which the availability and quality of payment services can be improved in the context of the current regulatory environment. The research will also identify the needs of consumers and the needs of providers that need to be addressed in order to develop a more effective and efficient payments ecosystem.

We defined a 'consumer' as anyone who uses a payment service. In adopting this definition, we are including 'potential consumers' who do not have access to a service or have not yet

Relationship between consumer representation and consumer engagement



Research participants recognized the 'potential' impact consumer representatives could have on their business engagement but they also noted the company must take responsibility for embedding these arrangements into its organizational culture.

Facilitating effective consumer representation

Setting objectives

It is important that the objectives for consumer engagement are clearly articulated. This helps 'frame' the consumer representative role. It also helps to ensure that the objectives are aligned with the representation model adopted.

The International Association for Public Participation depicts a spectrum for public representation to work well for and together. This spectrum ranges from approaches to informing participants to strengthening their understanding of the problems to, at the other end of the spectrum, empowering participants by placing the decision in the hands of the public.

Public participation spectrum?



The literature exposes two different structures for consumer representation which

1 IAP2, 2017. IAP2's Public Participation Spectrum. [online]. Available from:

2 http://www.iap2.com/~/media/Assets/Reports/Information/2017/IAP2_PP_Spectrum_EU.pdf

Payment System Operator, Current Account Switch
Implementation Entity:

- (1) individual consumer representation where a single representative is for
- (2) some form of collective forum consisting of consumer representatives such as

~~A mix of both representative models such as a collective forum organisation for~~
~~But consumer experts suggested that what was~~
~~-focused culture.~~

Attracting consumer representatives to the industry
Interviewees noted

2. Consumer representation should ideally be structured to include both board and collective forum representatives and supplemented by direct outreach to other stakeholders.

3. Consumer representation structures should be adequately resourced to rebalance power between the industry and the consumer. The consumer engagement strategy must include the allocation of resources to attract and pay consumer representatives, enable research and provide administrative support.

4. The role and way of working of consumer representatives should be transparent and influential. In order to promote transparency, key representative objectives, performance information, minutes of meetings and annual reports should be made publicly available.

5. It is important to appoint and develop effective consumer representatives. Training and capacity building should be provided.

6: The effectiveness of consumer representation should be evaluated. Clear, measurable objectives should be set for the organisation's approach to consumer engagement and consumer representation.

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