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Dear Sir

## **PSR REGULATORY FEES 2015/16 – CP 15/26 - CONSULTATION**

The Cheque and Credit Clearing Company (C&CCC) welcome the opportunity to respond to the Payment Systems Regulator's consultation "PSR regulatory fees 2015/16 - PSR CP15/26".

### **Background**

This response forms part of our overall response to the PSR's fees consultation process. This has included the November 2014 consultation on the underlying policy of the PSR's fees and the treatment of the PSR's set-up costs, the March 2015 consultation on the fee rates and the fee allocation policy and a Supplementary Paper in May 2015 on additional information and clarification.

### **Response**

Your consultation seeks the answers to five questions:

- 1 Our preferred approach is the 'indirect billing' approach, as it will minimise the regulatory burden on participants, while not imposing significant additional administrative burden on operators compared to the 'billing operators' approach. The 'indirect billing' approach means that PSR fees would be levied on direct members of a regulated payment system, calculated according the methodology we specify, and collected on our behalf by operators. Should we proceed with this approach for your system for 2015/16?**



We agree that the 'indirect billing' approach would, overall, be a more effective way of collecting the fees from direct members of C&CCC. Whilst C&CCC would still have to provide the underlying data for the calculation of fees attributable to each direct member to the PSR, 'indirect billed' fees, we understand following your advice from HMRC, would not be subject to VAT. Also, in the event that C&CCC was to be regulated as a 'recognised payment system' by the Bank of England, they would not constitute operating costs, and late payments would be progressed by the PSR with the direct member rather than C&CCC being responsible for the debt collection.

**2 Do you have any other comments on the proposed 'indirect billing' approach?**

No

**3 We do not propose to proceed with the originally proposed approach ('billing operators') as it may result in taxable supply by operators to their direct members, and would require some operators to create additional regulatory reserves – thereby increasing the regulatory burden on industry. Are there any factors that we have not considered that you think we should take into account and that would support proceeding with the 'billing operators' approach?**

We believe that you have carried out a thorough analysis of the pros and cons of both billing methodologies and have correctly identified that the 'indirect billing' approach is overall preferable to the 'billing operators' approach.

**4 Do you have any comments on our proposed approach to calculating fees for direct members within each regulated payment system (in 'indirect billing')? If so, please identify which payment system you are commenting on.**

The calculation approach that you have outlined at 4.41 b is the approach that would be implemented by C&CCC had you adopted the 'billing operators' approach. This is the approach that has been agreed with the direct members for billing and therefore is neither advantageous nor disadvantageous to any direct member.

**5 Do you have any comments on the proposed fees rules listed in Annex 2 to this document and described in paragraphs 4.43-4.54 above?**

C&CCC have no further comments on the proposed approach. It will need careful communication with direct members and C&CCC have already made members aware of the proposals. We are willing to help the PSR in any future communications should they prove necessary.



**Confidentiality**

C&CCC is content for this letter to be made available to the public. We will be making it available through our website.

**Conclusion**

C&CCC considers that the 'indirect billing' approach is the correct and pragmatic way forward, and we would, of course, be happy to meet with the PSR to discuss this response.

Yours faithfully

Angela Thomas  
Chief Executive Officer of Cheque & Credit Clearing Company Ltd