



10 April 2015

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Financial Services Trade Association
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TRADE ASSOCIATION CONSULTATION RESPONSE

Background

The Cheque and Credit Clearing Company (C&CCC) was established in 1985 and from that time until the present day it is proud of its record in:

- Providing members with the central payment system services for the exchange and settlement of cheques and credits;
- Managing the operational processes of the central payment system services;
- Determining the rules, standards, and procedures required to maintain the integrity of the clearings, including the criteria for joining the clearings and ensuring compliance with those rules;
- Engaging with the full range of stakeholders which includes consumers and businesses that use cheques, banks that offer cheque clearing services, cheque processors, cheque printers and other suppliers, as well as regulators, trade associations and other payment schemes.

Our Objectives are to:

- ensure that cheques and credits remain a viable, secure and efficient choice of payment for all users, so we will;
- promote innovation and competition in payment choice by driving improvements in processing, service and efficiency;
- provide a trusted centre of excellence for anyone with an interest in cheques or credits.



Achievement

The Company has an excellent record of achievement; the most recent being the introduction in 2007 of the 2-4-6 customer promise and certainty for cheque beneficiaries. For this major project we worked closely with the then OFT Payments Systems Task Force to deliver, on time and within budget, a complex and innovative programme of changes to improve the customer proposition. The Company enjoyed a positive relationship with the OFT Payments Systems Task Force in which we were able to use our unique position to inject detailed cheque and credit knowledge into the process to ensure that the Task Force successfully met its objectives whilst the Company continued to maintain its own core objectives.

When the Payments Council held a strategic role, the Company demonstrated its ability to be flexible and always engaged positively with them as they have worked to deliver their objectives. C&CCC also enjoys similar positive and mutually beneficial engagement with other banking and non-banking related trade associations and intends to build on these in the future.

We are now actively developing a new clearing system based upon image transfer rather than the movement of paper for the UK and we have been liaising with the Belfast Bankers Clearing Company in Northern Ireland. With an image based approach we will be able to sustain ever reducing volumes of cheques for as long as customers want to use them. This initiative was commenced with no external influence from regulators or Payments Council and is driven by a desire to maintain service to customers using cheques. This proposal has similarities with Check 21 in the US and includes a series of changes directed at capturing and using an image of the cheque at the earliest opportunity. The use of images could allow a range of competitive image-based customer products to be developed by financial institutions. Key potential benefits include: enabling customers who wish to continue to write paper cheques to do so; enabling the provision of new services such as enabling customers to pay cheques in remotely (e.g. via mobile phone apps or remote corporate image capture); and allowing an unpaid cheque to be returned to a customer electronically. Cheque imaging also provides the potential to reduce clearing timescales as the need to transport paper around the UK is eliminated.

Current Position

The relationship that C&CCC has with other bodies has changed dramatically in the past year. Whilst the sterling cheque and credit systems managed by C&CCC have been designated under the Settlement Finality Directive for many years, last year C&CCC was informed that it would be designated for regulation by the Payment Systems Regulator (PSR). As part of this future regulation it was mutually decided to end C&CCC's agreement with Payments Council regarding the relationship between the two companies. This year has also seen all staff working for C&CCC move to being directly employed by the company as opposed to being employees of UK Payments Administration (a service company).



The PSR has placed a number of Directions on regulated operators, such as C&CCC, relating to transparency, representation, openness, and conflicts of interest. The PSR is also in the process of setting up its own strategy forum to decide the future strategy of the payments industry and it is therefore important that C&CCC does not become subject to or unduly influenced by other strategy forums.

Response to Consultation

The consultation seeks response to a number of questions relating to the formation of a new trade association for more effective, efficient, coordination and collaboration in retail banking, consumer finance, wealth and commercial banking institutions in the UK. C&CCC supports any initiative that helps the industry as it seeks to rebuild customer trust and believes that a number of methods are outlined in the consultation that could possibly achieve this aim. How this is achieved is a matter for the industry and the trade associations alone. We will continue to work constructively and take input and advice for consideration from trade associations and other groups that helps us to deliver improved customer service, choice and efficiency in payment systems, further our corporate objectives, and align with the strategy and objectives of the PSR.

C&CCC looks forward to constructive working relationship with a new trade association that meets these requirements.

Angela Thomas, Chief Executive Officer

Cheque and Credit Clearing Company Limited