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CP16/5: THE PAYMENT SYSTEMS REGULATOR'S FINANCIAL PENALTY SCHEME

The Cheque and Credit Clearing Company (C&CCC) welcomes the opportunity to respond to the PSR's proposed Financial Penalty Scheme consultation.

Background

The Cheque and Credit Clearing Company (C&CCC) was established in 1985 and from that time until the present day, is proud of its record in providing members with the central payment system services for the exchange and settlement of cheques and credits.

Our objective is to ensure that cheques and credits remain a viable, secure and efficient choice of payment for all users. To achieve this we promote innovation and competition choice by driving improvements in processing, service and efficiency; and provide a trusted centre of excellence for anyone with an interest in cheques or credits.

In the evolving payments landscape, cheques and credits remain a preferred and trusted payment option among certain groups and for certain types of payment. For example, cheques remain a convenient way for businesses to pay a trade supplier and manage cash



flow, and amongst consumers, are a popular way to pay utility bills, tradespeople and clubs or societies. In the past year, nearly three-quarters of UK charities and two-thirds of UK businesses both received and made payments by cheque over a monthly period. In total, 558 million cheques were written in 2015 with a total value of £624 billion.

C&CCC is working to deliver the Image Clearing System (ICS), which will bring the cheque into the digital age via the implementation of an image-based cheque clearing process in the UK.

A full account of our background and objectives can be found on our [website](#), as can more information on the [Image Clearing System](#).

Response

Question 1: Do you have any views on the proposed PSR Financial Penalty Scheme?

We agree that this is a complex area and the PSR needs to ensure that any penalty payer is not advantaged by any reduction in other fees levied. Likewise, it is also important that when a non fee payer is charged a penalty, that fee payers are not advantaged. Overall we would therefore prefer a system that charges penalties to miscreants, and separately charges fees to those eligible to pay.

Question 2: Do you have any comments on our proposed approach, or the alternatives, under each of the scenarios we have considered?

Whatever final process is chosen it is essential that it does not create extra administrative burdens (which are already lengthy) or have the possibility of creating perverse incentives to participants. We are not convinced that the proposal as described will satisfy these requirements. We are concerned that PSOs reducing the fees by the penalties and adjusting the invoices is a lengthy process which will not be clear to many participants. Additional complications are added if there were to be multiple PSP penalties, or PSP and PSO penalties levied, and obviously once the PSR Fees total is exceeded by the penalties an alternative methodology is necessary.

Question 3: Do you have any comments on the alternative option that we considered but rejected?

We believe that this method could successfully be used for the collection of penalties. Potentially the PSR could seek opinions as and when the money becomes available



to decide on which project to subsidise. These projects could be used to support the wider remit of the PSR or payment educational initiatives.

Question 4: Are there any other options you think we should consider?

Some other options that we would recommend are investigated are listed below:

- PSR levy penalties directly from each respective PSP rather than through the PSO.
- Creating a PSR contingency/innovation fund
- Donating to a payments/finance related charity or project that supports financially excluded parts of society.
- Consulting the wider community as and when the money comes available would generate more options specific to requirements at the time.

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 this consultation raises many issues which have the potential of affecting participants other than ones that are charged penalties. We would, of course, be happy to meet with the PSR to discuss this response.

Yours faithfully

James Radford
Chief Executive Officer