

Stakeholder Perceptions Research 2016

External summary report prepared on behalf of the Payment Systems Regulator (PSR)

This report provides a summary of the findings from research conducted by independent agency BritainThinks designed to explore perceptions of the PSR's reputation and communications among its external stakeholder universe. This summary was produced by BritainThinks. Findings are based on 102 quantitative interviews and 30 qualitative interviews with senior-level external stakeholders conducted in late 2015 and early 2016. For further detail on the research methodology, please refer to the appendix.

Contents

Overview	1
Stakeholders' background views of the payments industry	1
Overarching reputation & performance of the PSR	2
Perceptions of the PSR's objectives & its performance against them	3
Conclusions	4
Appendix: methodology note	5

Overview

- The payments industry in the UK is viewed as **world-leading and best in class** by many external stakeholders, but also as **extremely complex and dependent on cross-industry collaboration**. As a result, for some industry-facing stakeholders, there is nervousness about the implications of any changes to the industry, including new regulation.
- At this early stage, the PSR has a **relatively positive reputation** across its stakeholder universe. However, on further probing it is evident that many stakeholders are currently giving the regulator **'the benefit of the doubt'**, and have not yet formed a definitive view of the organisation and its performance.
- Positive 'drivers' of the PSR's reputation to date have included **broad support for the PSR's ambitions for the industry** (particularly among Indirect Payment Service Providers and 'end user' facing stakeholders); the **open and consultative approach** taken by the PSR in its early stages; and **professionalism in its day-to-day operations** and communications.
- However, some stakeholders express concern that they feel they are **yet to see clear strategic vision from the PSR** as to how it will fulfil its objectives. These stakeholders are looking for **evidence of actions** from the PSR, and more reassurance that the PSR is thinking about the **full range of stakeholder needs** and interests.

Stakeholders' background views of the payments landscape

To contextualise the research findings, stakeholders were asked to provide their background views of the UK payments landscape, including its strengths and any challenges it faces.

- The UK payments industry tends to be described as world-leading - more sophisticated and diverse than other markets and setting international standards. This was reflected in the experience and expertise of the stakeholders who participated in the research.
- However, the UK industry is also viewed as incredibly complex with a structure reliant on mutually beneficial relationships and collaboration. As a result:
 - The success of the industry is seen to be contingent on fragile relationships, and any changes to it are often viewed with caution.
 - The industry is often described as inward-looking and lacking transparency, particularly by ‘end user’ stakeholders who are external to the payments industry.
 - Terms such as ‘innovation’ or ‘user’ are sometimes used and interpreted inconsistently across the PSR’s stakeholder universe.
- In this context, the PSR tends to be viewed as representing a positive opportunity for the industry. Stakeholders emphasise its unique position as the first of its kind in the world and having the potential to drive change in an industry that some see as dominated by a few large organisations.
 - But some stakeholders, particularly operators, also see the establishment of the new regulator as bringing some potential risks and uncertainty to the industry.

“There’s a strong argument to break this monopoly in the industry, but it is the structure and we’re part of and reliant on that structure - any changes to that could have knock-on effects.” Indirect Payment Service Provider

“We need greater transparency and competition in a market that is totally dominated by a few big organisations who don’t feel that they need to share what they’re doing or how they’re thinking about consumers.” End user stakeholder

“It’s a long time coming and there’s a lot of hope about what they are trying to do.” Designated operator

Overarching reputation & performance of the PSR

- Overall, the PSR achieves a relatively positive reputation score, with most stakeholders rating the organisation between 5-8 out of 10 (where 10 is very positive) and a mean score of 6.5. Of all stakeholder groups, Indirect Payment Systems Providers are most likely to give the PSR a positive reputation rating.
- Qualitatively, however, this positivity reflects a ‘benefit of the doubt’ mentality rather than a robust, confident view of the regulator. Several stakeholders commented that *“it is hard to give a definitive answer as they have not established themselves yet”*.
- For most stakeholders there seem to be three key ‘drivers’ of this benefit of the doubt mentality:
 1. **Broad endorsement of the PSR’s existence and its overarching ambitions**, particularly in relation to encouraging competition in and access to the industry.
 2. **The PSR’s open, consultative approach over the past 18 months**, evidenced through an emphasis on consultations, reviews and evidence-gathering at the formal level, and personal relationships at the informal level. ‘Industry facing’ stakeholders were particularly likely to give

positive comments about the PSR’s approach to consultation and stakeholder engagement.

3. **Professionalism in the PSR’s day-to-day operations** and the willingness of the people at the PSR considering the complexity of the industry.

“I feel very positive because something like this finally exists. I haven’t seen much action but this is forgivable - they are fairly new and seem to be making all the right noises.” Trade body

“They have been open, they are willing to listen to issues. They are approachable and helpful.” Designated operator

“My experience of them was that they were friendly, polite, asked the right questions, it worked well. The issue is quite complex for my organisation on two levels and I think they got that - from my point of view it was painless.” Independent ATM operator

- Despite this general (though often cautious) positivity towards the PSR, **a small number of stakeholders express concern that the PSR has been slow to act so far.**
 - Some described perceptions that the PSR is still in ‘listening mode’, asking for a lot of resource-intensive input from firms for consultations and reviews without communicating the results of these activities.
- **Others felt that they needed to see more clarity from the PSR on its strategy**, including how the regulator intends to meet its objectives. Within this, some described concern that this vision would be defined solely by the Payments Strategy Forum rather than driven by the PSR itself.

“When they started they opened a raft of reviews quite quickly which were pretty well known and showed what they were going to do. But then what happened? They asked for so much information - without really telling us why we were asking - and we still don’t have the results.” Direct sponsor bank

“There have been so many delays from the PSR that we are just having to move forward with decisions without the blessing of the PSR really, hoping that at a later date they won’t turn around and tell us that we can’t do it that way.” Designated operator

Perceptions of the PSR’s objectives & performance against them

Stakeholders were asked to comment on summarised versions of the the PSR’s three statutory objectives. The objectives can be seen in full on the PSR’s website.

- Of the PSR’s three statutory objectives (ensuring that payment systems are operated and developed in the best interests of service users; promoting effective competition; and promoting innovation), **the objective of ensuring that the industry is meeting the needs of end users is most likely to be perceived as important.**
 - This is also the objective that the PSR is most likely to be perceived as achieving so far, and an area where the industry has made significant improvements in recent years.
 - However, some ‘end user’ stakeholders express concern that consumer need is being defined narrowly, without a recognition of the full extent of consumer need, and that they have not been sufficiently consulted by the PSR to date.

“There’s a long way to go in understanding end user needs. The industry is missing a big issue around payment security - consumers are going to care more about security than whether their payment can take three seconds less or not.” End user stakeholder

“My sector is the number one user of payments behind utilities and yet we’re not involved in the Forum or decision-making at the PSR in any way.” End user stakeholder

- In comparison, stakeholders tend to be less certain as to whether the PSR is yet achieving its two other statutory objectives of promoting effective competition and promoting innovation.
 - While **competition is viewed as very important for the industry** (with less than a third rating competition in the payments industry positively), and some stakeholders praise the PSR for its focus on access so far, **some express concern about a lack of clarity from the PSR as to what ‘competition’ looks like in practice.**
 - Stakeholders describe a similar lack of clarity around innovation, which tends to be perceived as lower priority for the PSR specifically than competition. Several described a view that the PSR’s focus should be on competition to allow more players into the market and create an environment more conducive to competition.
 - These stakeholders tend to worry about the **implications of any changes to the industry to promote competition or innovation on its ability to run effectively**, and say that they need reassurance from the PSR that any efforts to promote competition will be carefully balanced.

“Our working assumption is that the PSR means ‘competition’ in terms of access to the operators, but they haven’t actually defined this. If they mean competition between the operators then that is a very different ballgame because currently we co-operate across a whole host of elements.” Designated operator

“Changing anything in the network is fraught with danger, so there is a limited role for the PSR in using any kind of shock interventions to promote competition.” Indirect Payment Service Provider

“Is it really up to a regulator to drive innovation? I would have thought that the role of a regulator should be to ensure that the market is open and competitive to allow for innovation.” End user stakeholder

Conclusions

- In sum, **initial stakeholder responses to the establishment of the PSR have been cautiously positive:** stakeholders praise the PSR’s ambitions for the industry (particularly in relation to promoting competition), and the PSR is viewed by the majority to have been open, willing and consultative in its early stages.
- However, **there are some concerns that the PSR is yet to put these positive intentions into action** and that the PSR may not be thinking about the full range of stakeholder needs and interests.
- These findings point to three proposed areas of focus for the PSR:
 1. **Clarity about expectations for the industry**, reflecting concerns about a lack of clarity in the PSR’s strategy. Stakeholders consistently expressed a desire to see more granularity in the PSR’s plans - and

associated timescales and key performance indicators (such as setting out what success looks like for the regulator and/or for the industry) - in order to feel more confident in the regulator.

2. **Transparency about the process**, given that some ‘industry facing’ stakeholders feel that they are giving a lot of input into consultations and reviews without seeing the results of these efforts.
3. **Balance in the stakeholder groups that (are seen to) have influence**, reflecting beliefs that the industry is currently dominated by a few ‘big players’ and that the views of smaller organisations and ‘end user’ representatives are not being heard.

Appendix: methodology note

BritainThinks conducted quantitative interviews with 102 of the PSR’s external stakeholders, plus deep-dive qualitative interviews with 35 of these participants, between late November 2015 and January 2016.

Participants included ‘industry facing’ stakeholders from:

- Operators of designated and non-designated payment systems;
- Direct sponsor and non-sponsor banks;
- Indirect payment service providers;
- Authorised Payment and e-money Institutions;
- Infrastructure and technology providers;
- Independent ATM operators;
- Other regulators;
- Trade and industry bodies

Plus ‘end user facing’ stakeholders from:

- Consumer groups;
- Charities;
- SME representatives;
- Large businesses;
- Government