



the payments association



Exploring Corporate Payments Cards

In conversation with...



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The Payments Association's guide to 'The Payments Association's Guide to Corporate Payment Cards' [here](#)



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Can you describe your personal background, your role and expertise that you're bringing to NatWest?

I'm the Head of Market Development for Payments. My role covers four areas, including strategy for payments, regulatory, industry and external engagement. So my team deals with the regulatory industry, the Payments Association, as well as conferences, events and other external bodies.

In terms of my background, I've spent 25 years in the city and financial services, and the last 10 years I have spent at the heart of the payments industry. I was at Payments UK which evolved into UK Finance. I was a director of both of those, and also served on a number of industry boards, including the UK board for the European Payments Council. That's my history and my love of payments.

What do you see as the key trends and topics that you're keeping an eye on?

Payments really sit at the heart of every customer relationship for NatWest, we bank 750 government agencies. We're the number one corporate bank, and have 17 million retail customers. We are a leading player in the in the market and overall we do one in four payments in the UK.

We also play a leading role in the industry space. Marion King chairs the Payments Association Advisory

Board, and we also sit on many senior boards in the UK and also Europe.

We're also innovative. We were the first bank to do an Open Banking solution, Payit. This is a prime example of what we are seeing in terms of the proposition we're offering to the corporate space.

I always see the drivers as threefold: customer, industry and regulation.

The biggest trend, because of Covid-19 is has been this shift from physical to digital. At the start of Covid-19, we saw cheque usage dropping by 50%. ATM withdrawals dropped by around 70%. Yes, some of it has bounced back. But there has been a steep decline in physical payments. On the other hand, online activations shot up and e-commerce really took off.

We do not believe the UK will go cashless. We believe there will be a "less cash" society rather than a cashless society. We have committed to work with the industry and the regulators to ensure that cash is there for those who need it.

The shift from physical to digital isn't just in the consumer space, it's very much in the corporate space as well.

The other trend is in providing a better payment experience. It's around digital, it's around real time, and in particular data travelling alongside the payment. With the advent of global common messaging standards, ISO 20022, we're just starting to see the

possibilities of what that can do for corporates.

The final thing I would say will get bigger is the whole climate and sustainability agenda. You can see people and active investors starting to focus on this, and expecting their banks and the financial services industry to really help them. In that sense, the customer is absolutely driving change.

The second big driver is around the regulatory and industry space. I remember going to conferences five years ago where it was predicted that there would be this tidal wave of regulation coming our way. Well, we're absolutely in the middle of that tidal wave of regulation now, including PSD2 and SCA, Open Banking, which is going into Open Finance, or everything we're doing to fight fraud. There is also the Bank of England's RTGS renewal, and then of course the new payments architecture in the UK. So we're in the middle of this massive amount of change.

If you try to drill down in terms of what the regulators and industry are trying to achieve, one of their key drivers is around security, resilience and stability. They have to keep people and payments safe. According to UK Finance, over £750 million was stolen through fraud just in the first half of this year, up 30% from last year, which is horrifying. But actually, banks and the wider industry stopped another £730 million from being stolen. But fraud is shooting up, hence this whole focus on security, resilience, and obviously the Bank of England's focus on payment system stability as well.

The regulators are also looking at competition and innovation. This is where the ISO 20002 global messaging standard is being driven by regulation, and it's really one of the key drivers of the RTGS renewal and of the new payments

architecture. This will essentially enhance data to travel alongside the payment. It will enable more efficient cash management invoicing. It will reduce friction, and it will allow organisations to innovate.

I don't think we've seen the start of the potential of what that could deliver, because at the moment we're just putting in the rails. But we haven't even thought about what could travel on top of it.

The other area in terms of innovation is of course the whole digital money piece. I'm the NatWest rep at the UK Finance Digital Money Group. We just had our first meeting last week, and we all agree Digital Money is going to be massive. This will change finance for the next several hundred years. But I don't think we even understand the concept of it, or potentially how it will change financial services.

The final driver is really around how the competitive space is being driven by technology. If the regulation is a tidal wave, the technology is pushing it and it's hitting now. It's both FinTech and Big Tech, so it's coming from both sides. Big Techs are launching their own currencies, they've got all the data. On a wider scale, it's cloud, its APIs, it's distributed ledger technology, and Open Finance. Technology is going to be a huge driver for even more change and I think we need to be aware of that.

In terms of our strategy, particularly for the corporate space, yes, we have to change the proposition, but we also have to look at how payments as a service, and payments as a business, can change from legacy technology to this new, distributed, open technology using APIs, using cloud technology, and build that from where we were to where we need to be really. Run payments as they should be run.

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And how do you see the emergence of request to pay impacting corporate efficiencies? You know, improving things like funds settlement and overall cash flow management, working capital practices?

Request-to-Pay is an interesting one. You have to look at RtP from request or pay at the technology level, which is at the payments level. But if you look at RtP in terms of what it offers customers, there are so many different use cases. We've just brought out this fantastic service, Payit, which links to Open Banking and the payer model.

It's less of a corporate offering, but it can be used for SMEs, where essentially you send a QR code or a link which is effectively an RtP. I or an SME can send it to you. You click on the link or QR code, it takes you to your bank and you go through a normal process to pay. It's essentially an alternative to card payments. It's 25% cheaper than cards. It's frictionless, and it reduces fraud. There is huge potential in this space.

With the move from physical plastic cards to virtual cards, do you see the main benefits of that shift in terms of reducing fraud and the greater spending controls that companies can put in place? Or is it more about the visibility of data?

If you ask customers what they want, they all talk about all the things you've just mentioned. It's going to be a combination of issues. When we go out to corporates and SMEs, we go out with a proposition that's a way to pay that reduces fraud, and reduces friction.

We have a product called Tyl which is a merchant acquiring proposition. That links to improving next working day settlement, simpler pricing, and using smart portals on data insights. If you combine Tyl with Payit and ISO and the data that

can come with it, it brings together the work we're doing with cross-border and trade finance, global currencies and transactions as one proposition. You have to look at the customer's needs as a whole.

Looking at Open Banking, most activities have been geared towards the consumer side of things. But what opportunities do you see in Open Banking for corporates?

I would go back to Payit as we were the first bank to come up with an Open Banking solution and I think we're actually quite innovative in this space. So far, we've processed a million payments equivalent to £100 million via open source, and £160 million pounds via the Open Banking APIs. The payment solution we've come up with is actually multi award winning, and it's a simple alternative to cards. It bypasses the payments rails, and uses the open banking APIs. It reduces friction, reduces fraud, and is 25% cheaper. I see huge potential for corporates, of all sizes, in particular SMEs could use this and reduce their card costs significantly.

Once you get Open Banking and payments together, then Open Finance creates a whole other opportunity. That's the next step, but we haven't quite got there yet.

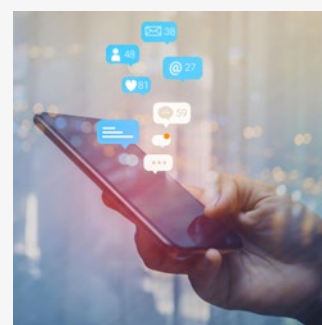
Do you see SCA as a barrier that's introducing more friction in terms of payment acceptance, or is it something that's it's got an undeserved reputation?

Payments has always been a balance. Technology helps move the balance forward, but certainly there's always a balance between speed and simplicity, versus the additional data fraud checks and all the other things that slow payments down.

I think the issue will be more merchants understanding this and

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If you ask me for my crystal ball, the biggest disruptive challenge coming into the payments industry is from Big Tech - Google, Apple, Facebook/Meta.



doing it. SCA came from PSD2 and we lived through that, and on the horizon there will be a PSD3 and we've all got to live through that too. There will always be a balance and I think that the difficulty is finding the right line.

Looking at the impact of challenger banks, what kind of disruptions do you think they're going to bring to the market, if any in terms of the way that banks like yours will operate in the future? Do you see more partnerships becoming a more accepted business model going forward?

For partnerships, absolutely. We partner with many types of organisations and a lot of fintechs and paytechs in particular, because they bring a different skill set and different knowledge and expertise.

I think it's made the larger banks look at our own technology and realise we need to be more agile going forward. Do I think the challenger banks will necessarily be the biggest disrupter force? They will challenge and they will do some great innovative things.

But if you ask me for my crystal ball, the biggest disruptive challenge coming into the payments industry is from Big Tech - Google, Apple, Facebook/Meta. They are the ones who have the global customer bases, who are rivalling the likes of Visa and MasterCard. They have the digital ID piece and the data, and they are they are coming in with huge force behind them. I would absolutely watch out for Big Tech.

So looking ahead, what do you see as the biggest opportunities in this space over the next few years? What does the future hold for payments in the UK?

If I tried to paint a vision of the future, customers will have more confidence because there will

be digital ID, so fraud will be minimised, you'll be able to confirm the payer and the payee, ISO 20022 and other data sources would mean that they were confident about the decisions they were making. But if there was an issue, they'd be confident in terms of the protections that they had.

Most payments will be digital, and there will be a central bank digital currency. That has the potential to change financial services for the next few hundred years. There will be clarity and certainty. The data that travels alongside the payment goes to the point about your reconciliation piece for corporates, and the data helping to match things up.

I would go back to the fraud point. This will overtake us if we don't work together with regulators. We have a huge opportunity to get it right. A small example of something that the industry did was the confirmation of payee work, and that's going on to phase two. We did a massive amount of work in that space as an industry, and we can see directly how it helps our customers.

At the start of the pandemic, government agencies needed to get Universal Credit and benefit payments out to those who needed it. We adapted our confirmation of payee technology to enable them to check who they were sending those payments out to. We also increased our Faster Payments by six fold.

In terms of Open Banking, it's a tiny portion of payment volumes at the moment but it will take off - it just needs the right tipping point.

We are just at the start of this taking off. I think the next five to 10 years in payments is going to be very exciting, and I look forward to being part of it.

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