

VocaLink response to Ofcom Consumer Switching consultation

INTRODUCTION

VocaLink welcomes Ofcom's consultation on the consumer experience of switching mobile communications services and options for process reforms. Currently, VocaLink runs a large part of the UK payments infrastructure, including Bacs Direct Debit and Credit, the Faster Payments Service and the world's busiest ATM network, LINK which connects over 70,000 UK cash points on behalf of the UK banks and their payment trade associations. These services process over 10 billion transactions a year, worth some £6 trillion in payment value.

Through VocaLink systems, we process over 95% of salaries, virtually all the state benefits in the UK, and 70% of household bills. We also host the banking industry's proxy service linking mobile phone numbers to bank account details, enabling mobile payments (Paym).

VocaLink has experience of delivering consumer switching on behalf of the banks, including Cash ISA and retail bank Current Account Switching and it is from this experience that we draw for our response to this consultation.

KEY POINTS

- VocaLink believes that a gaining provider led approach offers the most benefits to consumers, the regulator and the industry when considering communications switching. For the consumer, this means there is a higher level of availability and a resilient system is in place to instil user confidence. For the regulator, it is easier to monitor and control, and the system promotes transparency across the industry. And for the industry itself, there are potentially reduced costs through a quicker and less complicated switching process, and the reputations of businesses are more easily protected, as there is an incentive to make the process work smoothly.
- VocaLink also believes that a gaining provider led verification process is also of most benefit to consumers, as well as to the industry. There are a number of new identity providers delivering services which would help to solve the issues around verification, with examples including evidence based on existing bank accounts, uploading and verifying standard documents, or services provided by identity providers.

FOR MORE INFORMATION

VocaLink would be delighted to answer any questions that Ofcom may have. Please do not hesitate to contact:

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ESTABLISHING A GAINING PROVIDER LED SWITCH

VocaLink understands that Ofcom is looking at establishing a gaining provider led switch (GPL) to help alleviate some of the issues currently experienced by consumers when looking to change communications provider.

VocaLink has experience of delivering successful switching programmes, having delivered infrastructure for both the Cash ISA switching scheme and the current account switching scheme (CASS) in 2012 and 2013 respectively. As a close observer of these, we have taken the opportunity to identify those operational design features of the systems that have led to a successful consumer experience.

We believe that any successful system must offer quick, reliable, and efficient customer switching. If consumers decide to switch they must be confident that the transition will be error free and on time. The existence of multiple, different or unclear processes for switching can cause confusion and lack of clarity. Customers need to be assured of service continuity and must be kept fully informed about what's happening and when. Delays or lack of information 'what's happening to my switch' will quickly erode consumer confidence.

With the CASS service, once a bank customer decides to switch to a new bank, the gaining bank is responsible for all future communication. We set out below how CASS currently operates.

Step 1: Application to a new bank

The bank will carry out normal account opening procedures and confirm the use of the current account switching service.

Step 2: Signing of CASS agreement

Once the new bank has accepted your application and opened the account the consumer completes a Current Account Switch Agreement and a Current Account Switch Service – Account Closure form.

Step 3: Agree switch date

A switch date is agreed with the new bank or building society.

Step 4: Starting the process

The new bank will provide confirmation that the switch has begun and confirm the completion date.

Step 5: Finalising the switch

On the switch date a consumer's new bank will be responsible for carrying over the following:

- All ingoing and outgoing payments moved to your new account
- Money transferred from the old account to the new account
- Ensuring old account is closed

For 36 months payments accidentally made to your old account will be automatically redirected to your new account, and the new bank is responsible for contacting the sender to give them a consumer's new account details.

Given that the gaining bank is acquiring a new customer, it has the incentive to ensure that the switching process works well. This would help to alleviate the issues identified by Ofcom around losing providers (LP) making it difficult for customers to access the information that they need, and carry out processes in a timely fashion to make the switch occur.

As it is possible to see in the above flow diagram, the process does not require the consumer to have contact with the bank that they are leaving, and the gaining bank leads the process, under a guarantee to ensure that it is done correctly and with the least hassle to the consumer. The existence of the current account switch guarantee, which guarantees a switch to take place in 7 days, means there is certainty of timescales for the consumer.

There is an obvious benefit to the consumer in adopting a CASS-based approach as it removes the need for there to be multiple touch points for the consumer in carrying out a switch.

VocaLink believes that there are also advantages to adopting such an approach.

For the consumer:

- **Availability.** It potentially offers a higher level of availability, which allows participants to access the system and not have to take into account specific bilateral quirks or intricacies.
- **Resilience.** Any switching system must be resilient and reliable to instil user confidence. The Current Account Switch Guarantee acts as a commitment to reliable switching.

For the regulator:

- **Compliance and Control.** It is easier to monitor and control and promotes transparency across the industry. Consumer confidence is improved and it is easier to offer a consistent service level. In the case of CASS, service quality is guaranteed, which de-risks switching and encourages use.
- **Data quality and security standards.** A seamless solution must adopt standard data quality and security standards, which is preferred by regulators and clearer for consumers.

For the industry:

- **Reduced costs:** A quicker and less complicated switching process would enable the costs of switching to be reduced for mobile providers. A centralised service and a greater degree of automation would reduce the resource that mobile providers allocate to the current process.
- **Protecting reputations of providers:** All mobile providers suffer some reputational damage from the current switching process. It is in all of the providers' interest to have more satisfied customers, even if some companies will have a net loss of customers from switching.

ESTABLISHING A CUSTOMER-INITIATED CUSTOMER VALIDATION PROCESS

VocaLink understands that Ofcom wants to look at the way in which a consumer is identified by the gaining provider, and that any new process must operate on-line and in such a way that minimises impact on the consumer.

VocaLink believes that there are a number of new identity providers delivering services which are specifically designed for these environments. These providers fall into three broad categories:

1. Services that **use evidence on an existing bank account.**

These services leverage the fact a consumer has an active bank account or credit card, the fact that they know the account number, and uploading evidence of that bank account (for example, pdf of a bank statement). The principle of these services is that a bank has already carried out the required AML checks, both on account opening, and then on an ongoing basis.

2. Services that **upload and verify standard identity documents.**

These services allow a consumer with a smartphone to take photos of standard identity documents, (passport, driver's licence, or other government identity documents), and then

validate that these document are not fraudulent. They can also validate that the individual using the phone and initiating the switch is the owner of the identity documents.

3. Services provided by **Identity Providers**.

These services allow a consumer with an existing identity credential (currently limited to identities established under the Cabinet Office 'Verify' project) to reuse that identity on-line to open a new communications supplier relationship.

VocaLink's recommendation is that a combination of a strong identity process and a structured, centralised switching process will provide the consumer with maximum reliability and convenience, and remove risk and uncertainty from the switching process.