Request to Pay **in three Acts?**

Request to Pay (or Request for Payment or SEPA Request to Pay, in this paper I will refer to them all as "Request to Pay" RtP) is a rare thing indeed. It has the potential to touch pretty much every part of the payments infrastructure, the banks, merchants, billers and payers in every country in Europe and beyond. It has been a priority for regulation at both European and national level and has been a focus of interest to incumbents and new players in Financial Services as both an opportunity and a threat.

At CGI we have been fortunate enough to gain privileged insight, as an organisation that has bought a Request to Pay service live at the beginning of this year and that has been involved in developing the rules for Request to Pay, both in the Eurozone and beyond. As a company with a long history in payments, CGI has been close to Request to Pay and its potential customers from the outset.

This story has three acts, the history and context in which RtP was born, how RtP is being implemented in Europe and in the UK and finally how this comes together as exciting business and consumer services.

ACT 1: PSD2 - THE LANDSCAPE AND SETTING THE SCENE

They say that invention never comes from a vacuum and Request to Pay is no exception. As an idea, the notion that if I granted a service provider access to my financial data they could provide me with useful information and services is nothing new, organisations were providing account information services before PSD2 was a glint in the eye of the EPC. But it is with PSD2 that the main blocker, easy access to payment/financial data is removed. PSD2 requires banks/PSPs to make payment data available to authorised 3rd parties with the customers consent. This is achieved through a set of standardised APIs which mean that data is exposed in a secure and uniform way.

Article 29/65 and 66 of PSD2 Directive (EU) 2015/2366 say:

Payment initiation services/access to accounts. Organisations that access accounts to make payments on behalf of a customer or aggregate payments data are now in scope of PSD. Banks have to provide access to account data to TPPs without any arbitrary or artificial barrier where ever a customer gives consent.
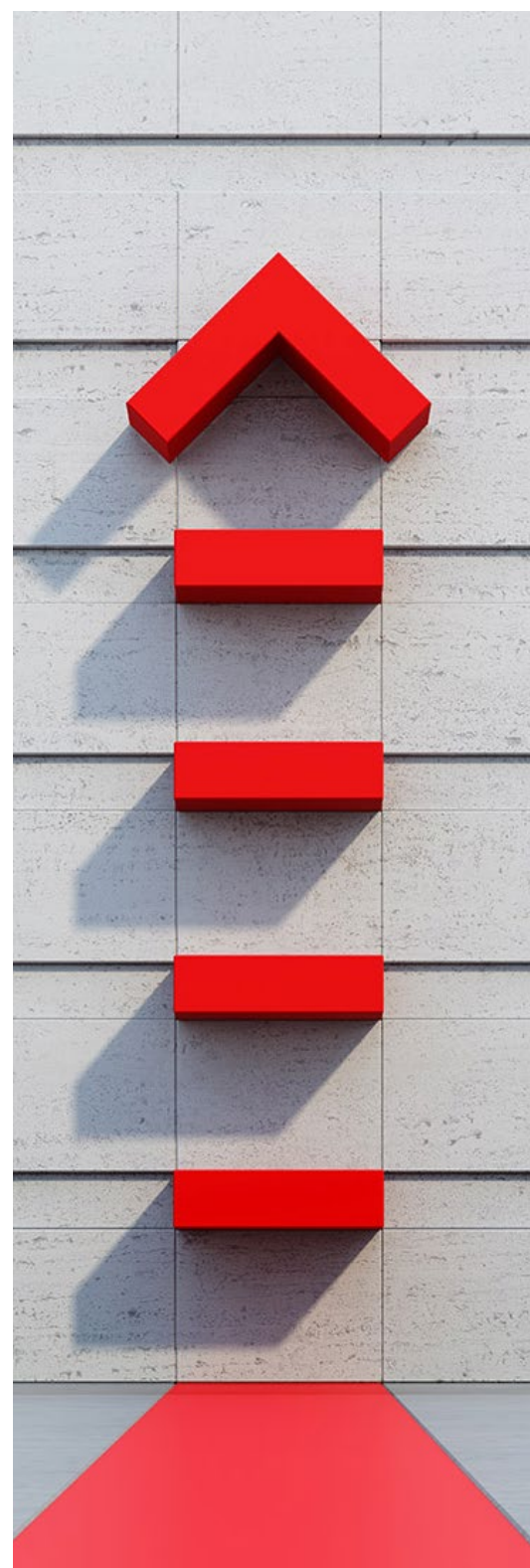
The PSD2 goes on to make it clear that customers have a right to use what are termed Payment Initiation Service Providers (PISPs) and Account Information Service Providers (AISPs) where the payment account is accessible online and where they have given their explicit consent.

The intention was to bring new and innovative organisations to add vigour to a historically slow moving market and also to make better use of the financial data that everyone agreed had such untapped potential. Indeed, in 2016 in the UK the Competition and Markets Authority (CMA) published a report on the UK's retail banking market which found that older, larger banks do not have to compete hard enough for customers' business, and smaller and newer banks find it difficult to grow and access the market.

The CMA went on to enforce this by mandating the top 9 retail banks in the UK make their data available in the way described in PSD2.

ACT 2: DIFFERENT MODELS FROM THE MAIN PLAYERS.

So that's the regulation, what does Request to Pay look like up close and personal? Request to Pay is what is referred to as a payment overlay service in that it sits on top of the payment infrastructure. We should note it is not a payment system itself but is more akin to a messaging service, the actual payment happens as a result of the RtP and uses existing payment mechanisms such as Faster Payments or SEPA Instant.

REQUEST TO PAY IN EUROPE

In Europe, a way for RtP to operate is set out in the EPC's SEPA Request-To-Pay (SRTP). This consists of a set of rules, practices and standards (owned by PRETA) that makes it possible for any eligible SEPA RTP Service Provider to join, participate and operate in the Scheme.

The model for Request to Pay in Europe is referred to as the "Four corner" model. In this model both Payee (biller) and Payer use their own RTP Service Provider (usually a bank).
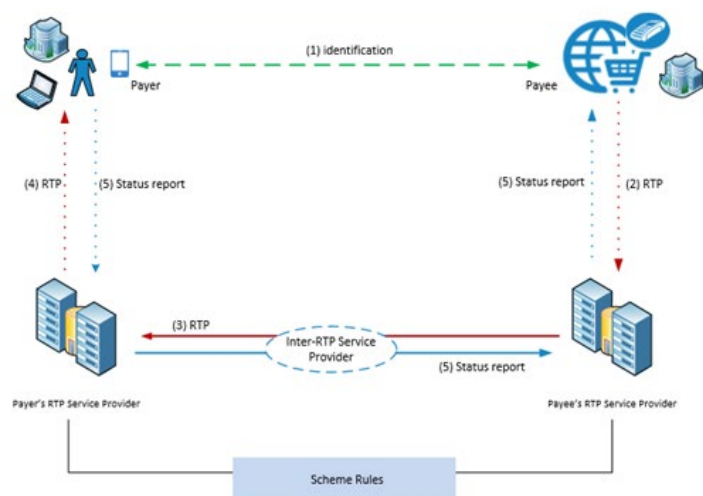
Source: *SEPA Request-To-Pay (SRTP) Scheme Rulebook EPC014-20 / Draft Version 0.14 FOR PUBLIC CONSULTATION / Date issued: 2 June 2020/ Date effective: TBC*

CHARACTERISTICS OF THE EUROZONE MODEL:

As we can see from the diagram the in the Scheme Rulebook the PSP continues to play a major role in the model – not just as the mechanism through which money is moved but as the mechanism by which the biller and the payer connect. This as we will see is different to the UK model and may not be the only serviceable model.

Governed by the SEPA rule book to be able to participate in the Request to Pay in Europe PSPs have to demonstrate adherence to it. This is good in that it should help drive interoperability, a learning from the UK is however that in the early period of adoption the rules may be interpreted in slightly different ways which can make the initial roll out of service "bumpy" as the data passed back is not always what is anticipated.

The four corner model also requires all four parties to participate - this might or might not be a constraint depending on how rollout progresses.

In the UK an RtP framework which presents one (but not the only) model was made available to the industry in May 2020 and is managed by Pay.UK.
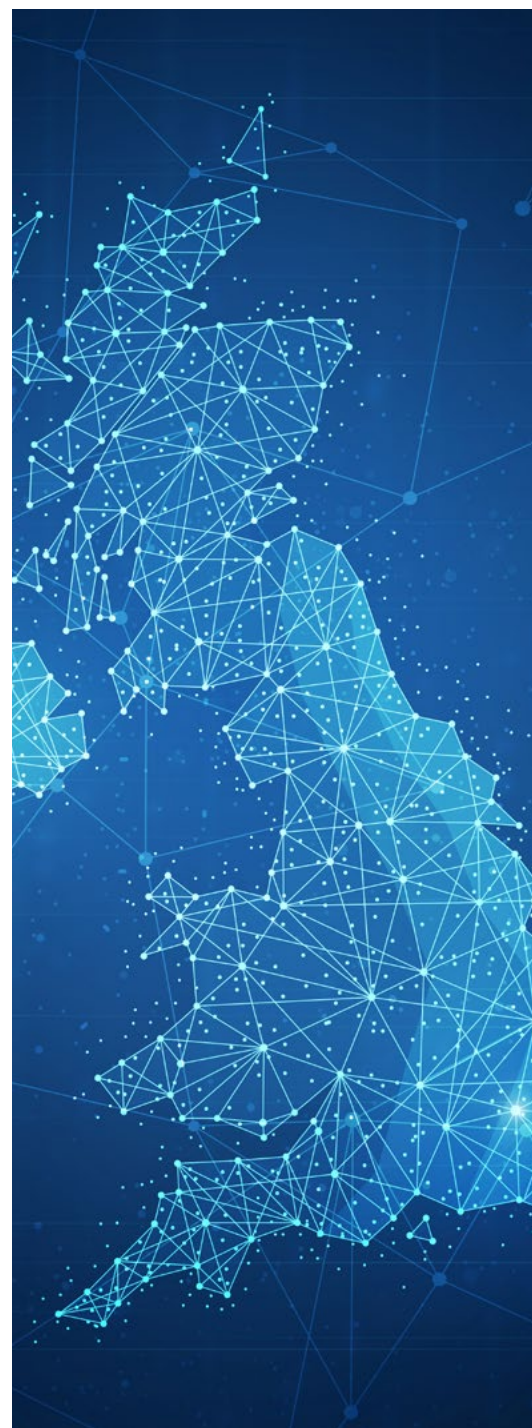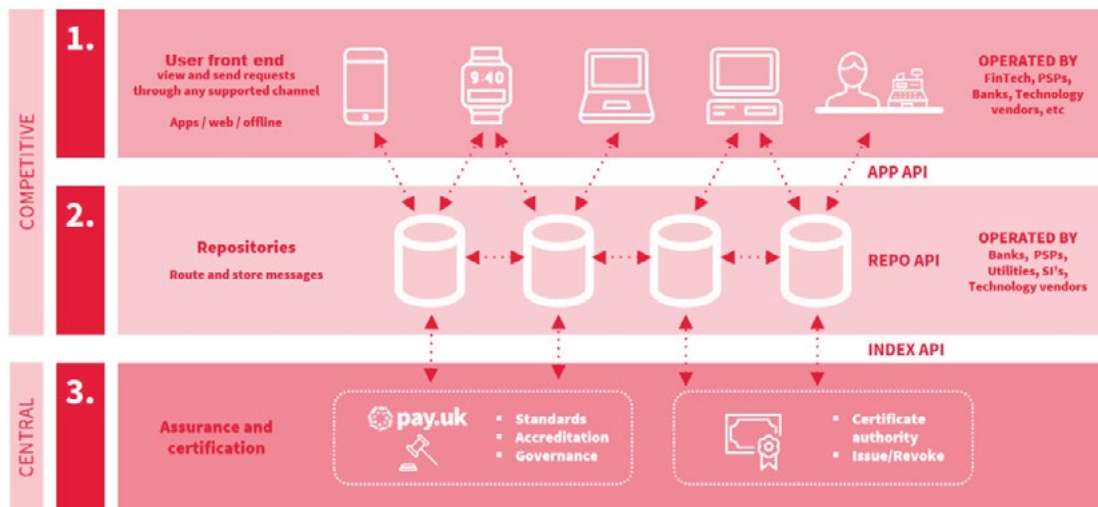
REQUEST TO PAY IN THE UK:

In August 2016, the Competition and Markets Authority (CMA) published the final report for its retail banking Market Investigation. The CMA set out a package of remedies aimed at increasing innovation and improving competition with Open Banking and services such as RtP included in its recommendation.

This included a requirement for the nine largest current account providers to make available to authorised third parties:

- Standardised product and reference data (by 31 March 2017);
- With customer consent, secure access to specific current accounts in order to read the transaction data and initiate payments (by January 2018).

In the UK an RtP framework which presents one (but not the only) model was made available to the industry in May 2020 and is managed by Pay.UK. It does not have "four corners" but rather anticipates a market of "repository" providers more decoupled from the payment infrastructure and at least theoretically with billers and payers able to use multiple RtP providers.

In the UK a Request to Pay market occupied by a number of competitive players is now fully operational. CGI has partnered with one of these, Ordo (ordohq.com) which has been live since March 2020. Ordo has successfully processed thousands of requests for payment and has generated some considerable interest from our customers, we have Utility companies looking at cheaper and smarter billing, Local and Central government, law firms and accountants, private healthcare and education providers and Insurance companies to name but a few. The applications seem to be unlimited.

ACT 3: REQUEST TO PAY IS LIVE IN THE UK. THE FUTURE LOOKS EXCITING…..

We have seen how the legislation shapes the landscape and how the implementation of RtP has taken shape. But at CGI we are one step ahead and are into the final Act – the value for the customer. Over the past few months we have been discussing with our customers opportunities they see for RtP and what the future might hold, these have been fascinating conversations and there have been uses that we certainly did not envisage.

To give some concrete examples:
- Reconciliation is a big problem for many organisations on the biller side, and represents one of the larger financial benefits to them of RtP
- Invoice fraud is a large and growing problem (nearly £1B per annum in the UK) and the secure nature of RtP tackles this problem directly
- Creating a new dialogue between billers and their customers with new options such as part payment and extension requests are potentially transformative
- Putting payers more in control of their finances, with the ability to build over time evidence of good payment habits, is a real benefit particularly to the financially vulnerable and those in the gig economy (and how much more so in economies ravaged by the pandemic)

Fully realising these benefits in both the UK and the Eurozone relies on enough billers using an RtP type service and, in the Eurozone, enough adoption by the banks where they play a more central role in the model. Indeed a recurring question we've faced from clients we have talked to concerns how they can ensure enough uptake from their customers. In the end, will the demand for this service come from sufficient payer demand, enough billers wanting to use it, or indeed externally to the users of the service by regulators driving it? This is a key question for prospective RtP service providers and cannot be answered by the scheme or framework.

New payment initiatives are always, and perhaps rightly, slow to gain the public trust. I have no doubt that RtP will be the same. However, the RtP services implemented in Europe and the UK are able to meet the needs of customers and billers in a way that perhaps cards or direct debits are not always able to do (although they will for sure continue to have a place). When Strong Customer Authentication is implemented, the utility of card payments on line may be compromised and a Request to Pay mechanism may seem like a more customer friendly secure alternative.

It will be interesting to see if the PSP centred model in the Eurozone is able to deliver the level of innovation envisaged in the regulation – or whether the different modes in the UK are able to deliver the level of customer trust required to drive adoption. One thing seems certain: RtP will not go away and will become the norm for certain payment types.

At CGI we have, over the last year, had fascinating conversations with customers and potential customers about how best to leverage RtP and how organisations as diverse as banks, insurance companies, local and central government and property management companies can reflect their client needs, reduce costs and improve their security and reconciliation by adopting RtP.

We look forward to continuing these conversations and if your organisation wants to gain more insight into Request to Pay and how to use it to add value to your business, please contact Phil Skinner on philip.skinner@cgi.com.

About **CGI**

Founded in 1976, CGI is among the largest independent IT and business consulting services firms in the world. With 77,500 consultants and other professionals across the globe, CGI delivers an end-to-end portfolio of capabilities, from strategic IT and business consulting to systems integration, managed IT and business process services and intellectual property solutions. CGI works with clients through a local relationship model complemented by a global delivery network that helps clients digitally transform their organisations and accelerate results.

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