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## **National Payments Plan Consultation**

Chambers Ireland is pleased to respond to the consultation by the Central Bank on the National Payments Plan of 19 January 2012.

At the outset it is worth noting that Chambers Ireland has consistently advocated for a move to electronic payment as a means of taking cost out of the economy, increasing traceability of transactions and removing upwards of €1 billion in transaction/security costs from the economy. Taking this amount of cost out of the economy would clearly help to improve Ireland's cost competitiveness which is one of the major challenges for the country in the coming years.

The Central Bank has posed a number of questions as part of its consultation. We seek to answer these below.

- 1. Are there sections of society who would find transiting from paper based (e.g. cash and cheques) to electronic forms of payment (e.g. direct debit and debit/credit card) either difficult or impossible?**

Those currently without a bank account. However we note that with the provision of a 'universal bank account' this issue can be overcome. There are also a range of other alternatives to facilitating electronic payments such as via the social welfare payment process.

- 2. For which types of transactions are there no practical alternatives to cash and cheques currently?**

It is hard to conceive of any type of transaction in which an e-Payment could not be facilitated. One area that may need consideration is micro payments and ensuring that these can be facilitated electronically in a cost effective and timely manner for merchants and customers.

- 3. What features of cash usage cause the greatest difficulty and inconvenience for users?**

The cost of cash counting, delivery and security is a significant one for business. High levels of cash in circulation also facilitate the black economy which again is a cost for business.

**4. Is a significant reduction of cheque usage in the next three years realistic for your organisation?**

Yes. The one issue is to be sure that online payment options/processes are cost effective for both merchants and customers. If Government were to send a signal regarding a shift to electronic payment then it would be probable that the cost of delivering, facilitating and using credit card readers and so forth could fall for merchants seeking to migrate to this form of payment.

**5. What benefits/challenges will compliance to SEPA payment standards bring (if known)?**

In the event of a full migration to electronic payments in Ireland, it would be important to ensure that the benefits arising are passed to all users in the payment cycle. The concern that arises would be to ensure that in a market that may well be characterised by a relatively small number of credit/payment card service providers, it would be vital that cost savings are delivered for the benefit of all stakeholders as opposed to being absorbed by service providers alone.

The Irish Payment Service Organisation (IPSO) have already provided core information regarding the benefits of SEPA. To quote their statements in this regard, we note that a consumer wishing to pay for services within any of the European countries involved in SEPA, (i.e. phone or utility bills, maintenance on property abroad, etc.), may now do so using one domestic account, the need to open a separate overseas account. It also means that people who live, work or study outside their own country may use their account in their home country to complete all their transactions.

Customers will also be able to use the same payment card for all euro payments within the participating countries, making the use of cards more efficient. The primary aim of SEPA is to enhance the provision of all electronic payment services to the customer - this will open up the market to innovative services such as e-invoicing, e-ticketing, mobile and Internet payment initiatives, etc., all designed to make the payment process less time-consuming and simpler for the customer.

**Benefits for Merchants:**

Payment cards are increasingly becoming the preferred method of payment for consumers, replacing cheques and cash, and this trend is predicted to continue. To accept card payments merchants need an agreement with an acquiring bank, who processes card payments for them.

In the SEPA world all acquiring banks will have the facility to process all SEPA-compliant card payments, including cross-border. This will allow the merchant to choose any acquirer bank within the euro area to process their card payments, increasing competition and driving down costs. The merchant will also benefit from a wider choice of terminal providers in the marketplace. Therefore merchants will be able to accept a wider range of cards with a single terminal at point-of-sale.

#### Benefits for Companies:

SEPA will help companies simplify their management of payments. Companies will be able to make all euro transactions, domestic or cross-border, from one bank account, using SEPA payment instruments. All incoming and outgoing payments will be in the same format, making handling of such payments much easier, quicker and cost-effective. Companies will also benefit from the standardised system as it will open up the market to value-added services such as standard e-invoicing and e-reconciliation, suitable for the full SEPA marketplace.

#### Benefits for Banks:

As banks can now offer their services cross-border within the euro area, they will benefit from the expansion of their market. Banks will be able to compete for business, both corporate and consumer, within the participating countries and they may also offer customers value-added services to attract a larger share of the market. SEPA will also allow stakeholders to negotiate better conditions with their service providers, as it provides a single set of rules, equal and open access, transparency and interoperability, all of which will encourage competition.

#### Benefits for Infrastructure Providers:

Infrastructure providers will no longer be bound by national borders and will be entitled to offer their services supporting the SEPA payment instruments throughout the euro area, increasing the size of their marketplace, and allowing them compete freely. As there will now be a common set of technical standards, interlinking with different infrastructure providers will become possible. Card processors will be able to serve different card schemes and acquirers throughout the SEPA area.<sup>1</sup>

Chambers Ireland  
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<sup>1</sup> Source: <http://www.ipso.ie/section/SEPABeneficiaries>