

M The bi-monthly magazine of the London Money Advice Support Unit **MONEY ADVICE**



IN THIS ISSUE

HOUSING CASES IN COUNTY COURTS

*The impact of duty
desk schemes*

PAGE 6

NEW ASSOCIATION FOR BAILIFFS

*MASU interviews Chris
Tye*

PAGE 10

DEBT AND JUSTICE

The Woolf report

PAGE 12

CASHSTOP!

A new way to pay bills

PAGE 18

HANDY HINTS

*Homes and other
assets in bankruptcy*

PAGE 28

CREDITOR PROFILE

*Woolwich Building
Society*

PAGE 31

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CashStop!

A new initiative is about to be launched which will provide a facility for FREE (to the user) cash payments of regular bills, something the advice world has long argued for. London MASU outlines the project after discussion with Rob Farbrother, Managing Director of CashStop Services Ltd, the company behind a consortium of creditors involved in the project

When the Government deregulated the financial services industry in 1985 it allowed building societies to compete with banks on a more level playing field.

A number of building societies and smaller lenders approached the Big Four banks, keen to participate within existing Automatic Teller Machine (ATM) networks. Unfortunately, they were not welcomed and solved their ATM network problem by forming a consortium to rival the Big Four's two ATM networks. As a result, the LINK ATM network was born and now has the largest shared cash dispensing network in the UK with nearly 9,000 cash points.

Rob Farbrother, who was the first Chief Executive of the consortium of LINK lenders, foresaw that deregulation of the utilities market could provide a platform to develop a network providing the consumer with a better, more cost effective, but still simple means of paying utility bills.

Research into the feasibility of the project found the existing choice of cash payment facilities very limited. While some utilities companies had gone some way to creating alternative points of sale for their customers to pay their bills (some to supplement the move away from High Street shops), the post office was still the main choice, beside the High Street banks.

However, as one in three people

in the UK do not have a bank current account, they incur high transaction charges for making cash payments into the system. These same charges make the system prohibitive to people on low incomes.

Some creditors provide free cash payment facilities. However, these often suffer from poor advertising and promotion. As post offices closed, new towns developed without local shopping facilities and supermarkets moved out of town, what was needed was a single accessible system, within which cash payments could be made easily, *without cost* to the consumer.

Rob Farbrother of Sligos Payment Services plc (originally an offshoot of the LINK ATM network) began to develop the project, called CashStop, with the help of Coopers & Lybrand.

The project

CashStop's idea was to form a national network of local retailers, with extended opening hours, to provide a facility where anyone can make cash payments to their bills. The utilities were the first to show interest. As further deregulation in 1997 and 1998 will create expanded billing networks, they were keen to help develop the project.

CashStop's initial aim is to provide a payment facility within one mile of the customer in urban areas and within five miles in rural com-

munities. In a very short period of time they plan to have an *initial* network of 8,000 payment points across the UK.

Funding

Coopers and Lybrand were engaged to bring together a consortium to fund the initial development of the project. Sixteen creditors expressed keen interest in the project; however of these only eight felt able to fund the project's initial development and infrastructure costs. These are:

- British Gas
- British Telecom
- The BBC Television Licence Unit
- London Electricity plc
- United Utilities (North West Water and NORWEB)
- Anglian Water
- Severn Trent Water
- South Staffordshire Water

In addition, to becoming founding members and funding the initial development of the project, each company gave an undertaking to use CashStop! An operating company, CashStop Services Ltd oversees the development of the project (to ensure independence). The board of CashStop Services Ltd does not include any of the founding members.

The system benefits

■ For the retailer

Each retailer who meets CashStop's criteria to operate the facility will benefit in a number of ways. Like

Concentration of cash payers



Lottery agents, retailers will be vetted for their financial stability, accessibility, appropriateness of venue and opening hours.

In return, they will receive extra "footfall" of customers, association with a national brand, the benefit of reduced cash handling charges for takings (CashStop has negotiated competitive rates with the banks), the CashStop terminal, all advertising materials and consumables. In addition, staff will not only receive training in using the system but also in customer service.

CashStop will be targeting a range of outlets including supermarkets, corner shops, garages, etc. and the aim is to have 50% within the High Street and 50% very local to the target user group.

■ For the consumer

In addition to a free payment method,

the consumer will benefit by having a very simple and quick method of paying for a bill, in part or in full. On making payments they will *always* receive a clear receipt, be able to identify the brand and have confidence in the agent receiving their money.

Agents will clearly display the CashStop brand and be required to meet standards of customer service, quality and performance. They will be frequently monitored by CashStop, which will undertake "secret shopper" visits and user polls, and monitor the information they receive from terminals to identify waiting times, demand peaks, etc.

Where heavy usage is encountered CashStop will seek to open additional retailers within the area. If a terminal fails, there is a four hour replacement service level agreement with the retailer to ensure consum-

ers can use the system. Each retailer will also be required to display a list of the three nearest terminals to their site.

The launch

During initial research CashStop explored who would use the service, where to initially launch the service, the number of terminals needed, operational systems required and finally, what the new service should be called.

Who ?

Research has shown CashStop where customers who are most likely to use the cash payment service are located across the UK. This has been achieved by using data from the founder users and systems from CACI Information Services.

When?

The size of the project, means that the development will have to be phased in. Consequently CashStop will be launched region by region over a period of six months. As each region is launched customers will be mailed directly by their participating creditor/s and advised of the new payment facility. During this initial period additional retailers and, importantly, more participating creditors will be sought.

The project will go national in April 1997. After the national launch CashStop has set itself the target of a further six months, after which time all 8,000 sites will be fully operational.

Where ?

CashStop has planned a network of retailers, using its user information and detailed maps, identifying where the target customers live and where various shops overlap their locations. This will optimise coverage and maximise accessibility.

Regional trials will then test "live" operation of the service so that suggestions and feedback can be gained and thereby enhance the final national launch. Feedback will

be gained between now and the spring 1997 launch and will be sought from the retail agents as well as customers via a series of consumer surveys.

During the initial stages of the trials there will be a selective number of retailers involved and very limited promotional activity. Customers who can benefit from the service being close to them will be informed by direct mail by the creditor involved.

The trials will begin later this year and will start in Northern Ireland.

The terminal system?

The CashStop terminal is multi-functional and can be used in four ways, using proven existing technology.

- Magnetic strip cards
- Smart cards
- Smart keys
- Bar codes

Magnetic strip cards

These are currently used in weekly, monthly and twice monthly budget payment plans, and the purchase of prepayment electricity "tokens" operated by utility companies. They also provide customers with a method of keeping pace with usage. The customer's card, containing the customer's reference number with the utility, is swiped and the amount paid is logged in. The terminal sends the recorded number and transaction amount directly to CashStop.

Smart cards/smart keys

These are used in prepayment metering technology. The customers pay their money over and have their key/cards charged to the same value and receive a clearly printed receipt. The smart key/card contains the customer account number, tariff and meter reading. The terminal then sends this information with the amount of payment to CashStop.

One million households currently use this form of technology with £6-£7 per transaction paid on average 1.3 times per week. Old analogue token meters are being phased out

The distinctive PayPoint logo will be seen at all outlets



and customers with these meters will in future use the prepayment smart card accepting meters. Research shows the number of smart card/key households could grow to over two million.

Bar codes

These are to be added to bills. A light pen on the terminal reads the bar code which contains the customer account details, the customer makes the payment and the information is again sent to CashStop.

CashStop considers that the use of existing applications, brought together in one terminal, will minimise problems with the technology side of the project. It also enables Cashstop to build on facilities which the utility companies already have in place and will allow the retailer to accept payment by any means in the future.

It does not matter which existing budget or payment scheme the consumer is working with, or if they make regular small payments off their bills, the CashStop system will accommodate them. If they are not on a payment plan, the system will allow the consumer to pay £1 per week, £20 per fortnight, £80 per month, or settle their bills in full quarterly. It is probably more appropriate to say that any payment in any combination they choose will be accepted by the system.

During the regional trials, from November 1996 to April 1997, only the magnetic strip technology will be available.

Brand name?

Like any new product or service, CashStop required an easily identi-

fiable name, logo and distinctive promotional style.

After research CashStop Services Ltd found that the target customer did not like the name CashStop. In fact they suggested and preferred the name PayPoint. As a result, PayPoint will be the brand name under which the project will now be known.

All promotional material inside and outside the retailers will carry the distinctive yellow and purple PayPoint logo, which will identify the retailer as being a PayPoint agent at which bills can be paid (any bill from a participating PayPoint creditor can be paid at any PayPoint). Participating bill issuers will include PayPoint logos on their billing material and supply information about the service.

Data collection/settlement periods/monitoring

The essential information for identifying the customer's account, the payment made and the time and place the transaction took place, is recorded by the PayPoint terminal. This information is automatically uploaded to PayPoint (Services) over a telecommunications network during the night. The information is processed and passed to the respective creditor, which then updates the customer account accordingly.

The money collected by the agent network will also be collected electronically from the agent's banks and again passed to the respective creditor. PayPoint has no control over bill issuing cycles of creditors, as it only provides the payment facility.

Disputes, complaints or indeed positive comments about:

■ **Billing:** will have to be taken up with the creditor involved.

■ **Agents:** will be taken up by PayPoint (agents will be closely monitored).

■ **Illegible or failure to provide receipts:** will be taken up by the agent with PayPoint.

■ **Delays in crediting payments made to bills:** will be the responsibility of the bill issuer.

Customer responsibilities

It will continue to be the customer's responsibility to ensure that they receive a receipt and to look after their smart card/key, payment card or bar coded bill. Where a customer loses their card/key/bill, the bill issuer needs to be contacted by the customer. If the card or key is not working it remains the customer's responsibility to seek a replacement from the bill issuer.

Will there ever be a single PayPoint card for all bills?

Customer demand will dictate whether this will happen. There are pros and cons of having a single card for all bills. Where there is diversification of business interests, eg. United Utilities (water and electricity) or London Electricity (electricity and gas), we may see a single utility bill being issued, to which the company will accept payments to a single account, with one card, which covers all services.

What is the potential of PayPoint?

British Gas has 18 million domestic customers, but not all will like PayPoints; some will prefer to continue to make payments through the post office/bank or by other means. The initial target market of PayPoint is cash users and low income groups who cannot afford the transaction cost of paying bills or want to avail themselves of a more convenient payment method by using local, friendly shops with extended opening hours. However, as PayPoint will be free, accessible and simple to use,

it should attract a larger number of people to the service.

Creditor participation

A number of creditors have expressed interest in the project, in addition to the eight who are already funding PayPoint. Once PayPoint is up and running, expectations are high that a large number of creditors will see the benefits of the service and want to join the PayPoint facility. Again customer demand will be a factor. Potentially, any bill issuer can make use of PayPoint, which means the service has a large market to grow into.

Will creditors try to set minimum payments?

In theory they could. This is a decision for the creditors. However, PayPoint will only be successful if consumers can use the system and therefore setting minimum payment levels need to be reviewed in that context.

Can advice agencies help?

There are two factors which will make PayPoint a success: consumer awareness of the system and the accessibility of PayPoints.

Awareness is a priority and advice agencies will have a role to play in ensuring that their clients know about the system. Would advisers consider recommending paying a fee to pay bills when a free payment method exists?

Accessibility is the second factor. PayPoint's initial target is 8,000 terminals in appropriate retail locations. However, if the project is a success, hopefully everywhere consumers shop or go should have a PayPoint terminal in the very near future.

For more information about PayPoint, contact:

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Association of Civil Enforcement Agencies

(continued from page 11)

and to widen the certification process to ensure it properly covers all the legislation governing distress, not just Distress for Rent. The LCD's own report [The Review of Civil Enforcement Agents] proposed a separate agency, independent of government, to license and monitor the activities of private bailiffs."

So those bailiffs who are certificated are only certificated to collect in Distress for Rent and Road Traffic Act cases and not for collecting any other debt?

"That's correct. You don't need to be. Anyone can set up in business and call themselves a bailiff."

No one is testing their level of competence?

"The only measure you have is the certification process through the county court and the examination of the Certificated Bailiffs' Association, which is limited in its value. ACEA is looking at the possibility of an independent professional qualification for bailiffs. We have made some approaches to some organisations that do training and they will be letting us have their proposals on what could be done."

"There is no answer yet to this problem of certification. Other departments are looking at their own legislation to see whether, by statutory instrument, you can require certification for their legislation. This information is due to be presented to the next LCD working group meeting."

If the answer is no?

"Then there is no answer. It would require primary legislation, which is not going to happen in the life of this Government. We need to maintain the pressure on ministers and it will not be effective until we have a new parliament, a new government. That's when any new campaign for reform should be launched."