Building better lives across the UK

POLICY REPORT

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Foreword

Ann Cairns, Executive Vice Chair, Mastercard

"As the country now turns its attention to the recovery and building back a fairer, more inclusive Britain, we believe that digital payments technology and innovation will continue to provide an essential foundation for the economy."

The UK's digital payment systems are among the most advanced in the world. At Mastercard, we provide the infrastructure and technology that keeps payments moving safely and securely for individuals, businesses, charities and all levels of Government.

Over the past decade, the UK payments industry has seen unprecedented change and innovation – including the introduction of near real-time account to account payments, contactless payments, the opening up of access to payment systems for smaller and new providers, and new types of payment and banking services enabled by a thriving Open Banking and fintech sector. These have given UK consumers significant choice in how to make and receive everyday payments and manage their money. Importantly, the resilience of the systems underpinning these services has given UK consumers, businesses and Government confidence that they can transact whenever they want to.

Covid-19 has undoubtedly increased the pace of digitisation and highlighted how crucial it is that businesses and individuals are able to operate and thrive within this growing digital economy. The UK's payment systems have played a crucial role in underpinning the Government's response to the pandemic, keeping the economy running as social distancing measures moved daily life online. Both card and account to account payment systems have carried vital funds and government support payments to individuals and businesses most in need, helped businesses quickly move online, and provided solutions for vulnerable consumers unable to transact online or access everyday financial services face to face.

Throughout the pandemic, Mastercard's priority was to keep the economy moving and to do so in as inclusive a way as possible, appreciating that not everyone is able to use digital payment systems.

As the country now turns its attention to the recovery and building back a fairer, more inclusive Britain, we believe that digital payments technology and innovation will continue to provide an essential foundation for the economy – whether online or bricks and mortar. Put simply, digital payments technology and innovation are ideally placed to help build better lives for citizens, businesses, and public authorities across the UK.

For citizens, digital technologies keep everyday payments flowing, helping us receive our salaries or benefit payments and helping us pay our utility bills securely and conveniently. New innovations powered by Open Banking and the UK's thriving fintech sector are providing options for those who have long been underserved and excluded, helping individuals and businesses understand and manage their money better, and enabling access to a wider range of credit options.

For businesses, digital payments enable customers to make fast and efficient payments for goods and services, help businesses of all sizes reach markets far beyond the UK, and procure goods and services to keep their business running smoothly. Innovation in how aggregated data is collected and shared also provides an essential and intelligent mechanism for fighting the evolving nature of online economic crime and fraud.

Finally, both local and central government can harness the data insights digital technology provide to better understand economic activity at local and national level, better define what citizens need from public services, and develop more targeted, evidence based policies that drive economic and social development.

Inclusion, however, must be at the heart of all these innovations.

This paper explores a number of areas where digital payments technology and innovations, including those provided by Mastercard, can support the UK to build a more inclusive post-pandemic economy by leveraging digital solutions to help build better lives and ensure no individual, community or business is left behind.

To demonstrate how this is already happening, and the possibilities the future holds, we have invited consumer, business and public sector representatives from across the UK economy to set out their thoughts and recommendations for Government.

Contributors from Fair4AllFinance, Good Things Foundation, the Love Wimbledon Business Improvement District, Open Banking Excellence, the Post Office, PUBLIC, The Entrepreneurs Network and Which? have all provided their valuable insights. They have set out how they think digital payments technology and innovation can help build better lives for individuals and businesses, as well as help the Government to improve the delivery of public services whilst building capability fit for the future.

Together, we have set out a range of policy recommendations — some specific to Mastercard, and others from the various organisations — for the Government and regulators to consider. We believe that if considered, these would help drive a recovery that puts the people, businesses, and communities most affected by the pandemic at its heart. In turn, building an inclusive and resilient UK that is prepared for the challenges and opportunities of the next decade. Collaboration between industry, Government and civil society will be key to achieving the collective aim of building back better lives across the UK. As such, we'd welcome the opportunity to explore these policy asks with Government in more detail including where working together will deliver the most benefit.

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Building better lives for individuals

The pandemic has undoubtedly accelerated the shift to digital-first lifestyles, including using digital payments to buy and sell things. Many individuals who were never, or very rarely, online are now planning to continue transacting online even after the economy opens fully. There have been decisive, permanent shifts in the way people work, shop, and interact, and this has created fantastic opportunities.

But there is another side to the story.

This shift has, at the same time, worsened inequalities, digital poverty and exclusion across the UK. Individuals and families are still excluded from financial and other essential online services, and struggle with accessing and developing the digital skills and confidence needed for them to truly benefit from the UK's world leading digital economy.

And so, bolstering the digital and financial connectivity, skills and resiliency of both individuals and businesses should be a core focus if we want an inclusive recovery.

As well as the moral case for ensuring people are well equipped for the digital era, there is a significant economic and productivity boost to be had from individuals and businesses having the right access to, and skills for, digital innovation.

That's why it is imperative the Government make it a priority to harness the potential and opportunities afforded by digital technology and innovation to improve inclusion.

The advent of Open Banking and the proliferation of financial services provided by fintechs, near real-time account-to-account payments, prepaid cards for the underbanked and the unbanked, and data insights are just some of the innovations that are already helping to drive better digital and financial inclusion.

To ensure innovation continues at pace, the Government and regulators need to create an ecosystem that puts consumer needs and inclusion at its heart and affords the best possible environment for innovation to be developed and adopted.

This environment should not limit the potential for delivering better outcomes for individuals, businesses and the wider UK economy. As such, it should not discriminate against particular innovation, or particular payment systems over others, but instead allow users to decide what is best for them based on their specific requirements.

In considering the future of the UK's payments ecosystem, the Payment Systems Regulator's proposed five-year strategy focuses on access to payments, protections, competition and governance. It should stand the UK in good stead to maximise the benefits that digital payments can deliver, but it should be cognisant of the fact that the interconnected global payments ecosystem is changing at pace.

The digital revolution, which was happening anyway but has been accelerated by the pandemic, impacts payments, bringing in new technologies and powerful new competitors. The future global payments system will be made up of a number of different types of payments rails, each with a different economic model and different characteristics. Consumers and businesses transact for many reasons and depending on the transaction type and their circumstances, they have different payment needs and preferences. These needs and preferences will drive a multi-rail future, where a payment may be made, for instance, on a card rail but be received via an account-to-account rail.

What this means is that consumers and businesses will be able to move seamlessly among the variety of transactions they make in a day, from buying a take-out meal to paying a bill online, to sending money to a relative overseas — using credit or debit, account-to-account, often in real time and always securely. This ease of use will encourage greater confidence in digital payments by reducing complexity and frictions, reducing payment times and — importantly — delivering the outcomes for individuals and businesses set out in this paper.

As the global and UK payment systems evolve, it is critical that the Government and regulators appreciate the trajectory of this evolution and nurture it to facilitate better lives through better payment outcomes.

Tackling digital and financial exclusion

Five years ago, Mastercard committed to bring 500 million excluded individuals into the digital economy. We achieved that goal through more than 350 innovative programmes across 80 countries. But that isn't enough, especially now that a global pandemic has made the contrasts of the digital divide even more stark. We believe the only sustainable growth is inclusive growth.

So, we're doubling down on our original commitment, taking all that we've learned so far and aiming to include another 500 million people by 2025 to make a total of 1 billion individuals globally including in the UK. Alongside that, we're committing to help 50 million micro and small enterprises (MSEs), with a direct focus on providing 25 million women entrepreneurs with solutions that can help them grow their businesses.

Building back a more inclusive UK, where the digital economy works for everyone, everywhere is within our reach, but will need industry, government and civil society to drive inclusion through action.

Policy recommendations for Government at a glance

1. Make improving digital financial inclusion, and digital upskilling, a key pillar of the Government's recovery strategy (Mastercard)
2. Expand the use of prepaid cards and account to account payments amongst underbanked and unbanked individuals, to continue to improve financial inclusion (Mastercard)
3. Encourage the uptake of Open Banking and Open Finance services including in the delivery of public services (Mastercard)
4. Invest £130m over the next four years into a Great Digital Catch Up (Good Things Foundation)
5. Establish a time-limited Coalition for Financial and Digital Inclusion (Good Things Foundation)
6. Ensure the FCA has a duty of regard to financial inclusion across all services and fintech is inclusive by design (Good Things Foundation)

It is this broad coalition thinking that drove Mastercard and our partners, under the umbrella of the World Economic Forum's EDISON Alliance, to develop seven principles that are essential for an inclusive financial system[1]. These principles will help bring together all participants, old and new, across the financial services ecosystem, whether policymakers, financial service providers, technology, and connectivity providers, fintechs or civil society. We believe the principles are essential for creating an inclusive economy that works for everyone.

Seven principles of an inclusive financial system

1. **Inclusive by design**
Reaching the maximum number of people and businesses with mainstream financial services and supporting specialised financial services to include the rest.
2. **Integrated system**
Providing the user with an integrated financial services experience through open standards and market-driven interoperability.
3. **Digitally-led**
Expanding digital access as a leading channel for the delivery of financial services while maintaining robust physical access channels.
4. **Economically sustainable and commercially viable**
Balancing cost, affordability and quality and enabling inclusion as a commercial strategy beyond philanthropy.
5. **Informed by data**
Creating relevant financial solutions and maintaining security by using data responsibly.
6. **Trusted**
Deepening trust in financial services through technology, transparency and consumer protection.
7. **Effectively regulated**
Enabling innovation and competition while maintaining stability, integrity and consumer protection.

1 Shared Principles for an Inclusive Financial System | World Economic Forum (weforum.org)

We must include everyone to get our recovery right

Dr. Emma Stone

Tom McGrath, Good Things Foundation

Good Things Foundation

1.5M

UK homes still did not have internet access in March 2021

"If we want to get our recovery right, and if we truly aspire to better lives for everyone, then we need a comprehensive strategy that addresses both financial inclusion and digital inclusion together."

The past year has demonstrated how important digital inclusion is for citizens, consumers and businesses.

The latest Lloyds Consumer Digital Index 2021 report shows that 89% of people who are online use the internet for banking and money management.

Having access to the internet and having the skills, confidence and support to use online services safely is essential for family finances and business growth. Yet around 1.5 million UK homes still did not have internet access in March 2021, according to the latest data from Ofcom[1].

Many essential public services, such as Universal Credit, council tax payments, and switching utility providers are already online. Being online and having digital skills means you can find better deals, shop around, save time as well as money and increase your earnings potential. The latest figures from Lloyds Bank show that nine out of ten people who've engaged with the internet more or in new ways over the past year intend to continue with these habits going forward.

Importantly, the report also identifies trends that carry more risk, such as the rise in use of Buy Now Pay Later services from 25,000 monthly transactions in July 2019 to over 120,000 monthly transactions by July 2020. Women are nearly twice as likely to use these services than men (65% compared to 35%), and 37% of consumers are 18-29 years old. This underlines the need for support across both digital and financial inclusion and capabilities.

Older age, especially above 70 years, remains the single biggest predictor of being offline. But we must not assume that all young people are 'digital natives'. Many young people are on social media, but they may lack broader digital skills[2] and are exposed to dangers, such as financial scams through social media[3].

If we want to get our recovery right, and if we truly aspire to better lives for everyone, then we need a comprehensive strategy that addresses both financial inclusion and digital inclusion together. We need to make sure that those who stand most to benefit are not left even further behind.

Last year, Good Things Foundation in partnership with Mastercard, Clean Slate, Joseph Rowntree Foundation and APLE Collective piloted a digital financial inclusion programme to boost people's digital confidence while providing practical support with money worries. We called this 'Nobody in the Dark.'

Our impact survey shows the potential benefits of scaling this approach: 80% of respondents felt more confident about avoiding scams online; 57% felt more confident about managing their money. Over half felt more confident about using the internet to save money, and nearly a third felt more confident about online banking.

Take for example, Leeva, who recently got divorced from her husband and has found it difficult to get her finances under control. She lives with her two children in her own home and claims Universal Credit. Leeva's house is in a very poor condition and she is frequently faced with emergency bills

1 OfCom 2021
2 Allmann 2021
3 Jennings and Stewart 2021

for home repairs. Meanwhile, her mental health has been severely affected by having to suddenly manage the family finances. For Leeva, the support she received through Nobody in the Dark partners meant she is "not scared of looking into what's going on in my bank account anymore and I'm worrying less about money. [It's] helped me to budget properly and use things like comparison websites online... You don't have to feel alone with this."

Through the pilot, we supported over five hundred people to do specific tasks online and offline, such as claiming benefits, switching utility providers, starting to save or using online banking. Achieving these 'wins' helped to motivate people to engage further.

Nobody in the Dark sets a positive example of how digital financial inclusion can help the UK to meet its Financial Wellbeing Strategy goals. We're delighted that both Mastercard and Lloyds Banking Group are supporting Good Things Foundation and Clean Slate to take this important work forward during 2021.

We believe that an inclusive strategy should both protect consumer choice — including access to cash — while ensuring that everyone who wants to benefit from digital has the opportunity and support to do so. As banking and financial services evolve, we see exciting potential for fintech to support financial inclusion as the Kalifa Review of UK Fintech has highlighted. But this potential may not be realised without a culture shift. Rather than building in accessibility features after-the-fact, we need an 'inclusive by design' approach to digital financial goods and services.

We're pleased to see that the Government is taking steps in this direction with both DCMS and the Treasury highlighting the importance of digital skills for creating jobs and building a strong recovery — as well as the importance of financial inclusion for a stronger recovery and better lives. By working together to increase financial and digital inclusion, we can get our recovery right for everyone and enable more people to enjoy better lives.

An inclusive digital economy for everyone, everywhere

Payal Dalal, Senior Vice President, Social Impact, Mastercard Center for Inclusive Growth

"To build back better lives for everyone, we must ensure that the digital economy works for everyone, everywhere."

As governments around the world, including in the UK, turn to driving an accelerated economic recovery post pandemic, it is critical that they prioritise an inclusive economic recovery. Digital technology and innovation, utilised in the right way, will be an integral tool in helping bridge the gaps that exist and ensure individuals, businesses and government do not continue to be left behind.

To build back better lives for everyone, we must ensure that the digital economy works for everyone, everywhere.

That's why the Mastercard Center for Inclusive Growth is committed to advancing equitable and sustainable economic growth by driving inclusive digitisation and financial inclusion around the world. The Center leverages the company's core assets and competencies, including data insights, expertise and technology, while administering the philanthropic Mastercard Impact Fund, to produce independent research, scale global programmes and empower a community of thinkers, leaders and doers on the front lines of inclusive growth.

In recognition that technology will have a hugely disruptive impact on the future of workers, we have partnered with Bayes Impact and the RSA to create tools to empower workers with the support they need to navigate the changing labour market, including through a new online, AI powered career coaching platform for lifelong learning. This programme is aimed at supporting low-wage and low-mobility workers who are the most vulnerable to technological change, and for whom the current Covid-19 pandemic has only exacerbated the challenges to finding and securing jobs that offer financial security and economic mobility.

And later in September, we will be launching Strive UK, a social impact initiative that will bolster the financial resilience and unlock the growth of over 650,000 British MSEs and ensure they have the knowledge, skills, social capital and resources they need to thrive in the digital economy.

As the UK turns from economic relief to economic recovery, British MSEs are going to need to change the way they do business. Changing customer preferences, new conditions due to Brexit and an acceleration to digital have all prompted the need for MSEs in the UK to adapt and evolve. To realize financial resilience and growth, this program will focus on the inclusive digitisation of MSEs and tackle the barriers that are hindering MSEs from having successful digital futures.

While the Center's work in reducing digital inequality is critical to an inclusive economy recovery, so too is our work in addressing the institutional information inequalities that exist in the UK. Our work to promote data science for social impact is vital. As a leader in corporate data responsibility, Mastercard recognises the important role data-driven insights can play in delivering transformational change that improves the lives of vulnerable people and helps solve the world's most pressing challenges. Yet too many organisations — mostly in Government and the non-profit sector — lack the expertise and tools to fully unleash the power of data for decision-making. The Mastercard Center for Inclusive Growth leverages Mastercard's data science capabilities and insights as well as the expertise of our partners to help bridge this gap and equip leaders and policymakers with interactive tools and research insights to advance inclusive economies at the local and regional level.

One of the Center's tools, recently launched in the UK, is the Inclusive Growth Score™ (IGS). This provides local planners, central and local Government and impact investors with a clear, simple view of social and economic indicators for any postcode in the UK.

The IGS will be a powerful tool in supporting the Government's Covid-19 recovery strategy and help to level up communities across the UK by tackling socioeconomic inequities produced by decades of underinvestment in certain towns and cities.

The IGS blends open-source data with a proprietary layer of insights based on Mastercard's aggregated and anonymised transaction data across 21 socioeconomic measures; measures related to Place, Economy and Community provide a comparative social and economic profile of a neighbourhood at a postcode sector level.

The data driven insights can help policymakers and investors to uncover and prioritise opportunities for regeneration, build a case for specific investments and track changes to the economic health of communities over time, and benchmark against other regions – a key facet that can help with levelling up of communities.

In the US, where the IGS tool has been live since 2019, it has helped secure investments in underserved communities. We hope UK policymakers will similarly deploy the IGS to prioritise postcodes that are not experiencing inclusive growth, and to promote data driven, place-based investment and policy decisions.

The pandemic has shown the benefits of the digital economy, but not everyone is able to take advantage and participate in it. If we want to build back better and unlock better lives, we must ensure the digital economy works for everyone, everywhere. That's why the Center is so focused on driving inclusive digitisation in the UK – from individuals, to workers, to small businesses, to policymakers, we are trying to ensure that everyone has the access, tools, opportunities, data and skills to succeed.

Maintaining choice for individuals

The shift to digital does not mean the end of cash. For many consumers, including those in more vulnerable circumstances or those not as comfortable using digital payments, cash remains an important way to pay. At Mastercard, we are committed to helping maintain meaningful choice for individuals in how they transact in the economy because without meaningful choice it won't be possible to build back an economy that works for everyone.

As such, we welcome the Government's recent legislative proposals to ensure that people only need to travel reasonable distances to pay in or take out cash, and that the right regulatory oversight for cash access is in place for the future. However, a long term, sustainable solution needs to ensure the most vulnerable also have the access and skills to make the most of the digital options available to them, including digital payments.

Policy recommendations for Government at a glance

1. Longer term sustainable provision of cash withdrawal and deposit making services in the UK should be based upon a suite of services. These should include ATMs, the Post Office branch network, innovations such as cashback at the point of sale, and improved digital financial access and skills among the most vulnerable. (Mastercard)

2. This requires the long-term economics of ATMs to be addressed – a key facet missing from the Government's current proposals. Achieving better co-ordination of supply side management by moving to a utility model for ATMs could drive a more geographically equitable distribution of ATMs. This could be achieved in part through consolidation of the supporting supply chain to achieve economies of scale. (Mastercard)

3. Government is considering legislation that compels banks to provide a "right to cash" on a nationwide, robust and secure basis, protecting access to cash for the millions who still rely on it. Action is needed now before many lives are adversely impacted and thousands cut off. (The Post Office)

4. Regulation still needs to evolve to recognise Credit Union Service Organisations and allow credit unions to establish and own them. (Fair4AllFinance)

5. Digital innovators should work with community finance providers to help provide new products and services that will give them a bigger platform to offer an affordable and ethical alternative to high-cost credit. (Fair4AllFinance)

Martin Kearsley,
Director of Banking,
Post Office

POST OFFICE

"Post Office is committed to providing free-to-use cash for the long term, with the support of our partners, such as Vocalink."

Mastercard supporting the Post Office to build better lives

The role of Post Offices in communities up and down the country has been vital in helping people to stay connected to family, friends and customers throughout this last year.

Whether it be helping to send a parcel, withdrawing and depositing cash or making bill payments, our Postmasters have been working day in and day out to provide everyday services and keep their customers' lives moving during these challenging times.

A key element of this is in providing essential cash and banking services to communities and businesses alike. Post Office is proud to work with Vocalink, a Mastercard company, to help 99% of all UK bank and building society customers to access their accounts via Post Office counters.

In doing so, we are a key service provider of everyday banking services – including free, to-the-penny cash withdrawals, cash and cheque deposits and balance enquiries.

Moreover, our reach and coverage is almost universal in the UK; Post Office has 11,500 branches in communities across the United Kingdom and 97% of people live within one mile of a Post Office. We serve as the physical presence for over 30 banks and building societies, including digital challenger banks. Our role in communities to provide cash is more important than ever before and Vocalink's technology is helping us to help more people across the country.

Cash is increasingly hard to access on the high street and in rural communities; in fact, since 2015, over 4,200 bank and building society branches have closed – that's 55 each month; two every day[5]. We're operating in a fast-changing landscape and the impact of the pandemic in the last year has accelerated the decline of cash, with more bank branch closures reducing accessibility to cash services. This means that, in many cases, we are now the last counter in town and people rely on our services for their cash requirements without having to travel to their nearest bank branch or ATM.

Against this backdrop, however, the UK is simply not ready to depart from cash. It is estimated that over 8 million adults in the UK would struggle to survive without access to cash[6]. Cash is essential in promoting financial inclusion — it's universal, accepted everywhere and used by anyone regardless of ethnicity, age or socioeconomic background, whether that's the 1.2m million people in the UK who don't have bank accounts or the countless more who cannot or prefer not to use online banking[7].

That's why we are stepping in to ensure that everyone can access cash in their community, close to where they live and work, for free. People in remote and rural communities rely on access to cash to use public transport and to avoid being cut off and isolated[8].

However, cash is also vital for more vulnerable consumers; for some, using cash provides the ability to budget through safe deposits and to-the-penny withdrawals, while for others over-the-counter service means a friendly face to help with transactions. Likewise, for people experiencing financial control and other forms of domestic abuse, being able to save and use cash can mean the ability to escape perpetrators and seek refuge.

5 Which?, 'Bank branch closures: is you local bank closing?', May 2021.
6 Access to Cash Review, March 2019, p6.
7 HM Treasury, Financial inclusion report 2018-19, March 2019.
8 Citizens Advice, Rural Post Office Use, November 2017.
9 Public First, The Economic and Social Impact of Post Office, August 2020 https://postofficeimpact.co.uk/

Moreover, small businesses rely on cash and proximity of services to keep themselves going. This is particularly true for those businesses reliant on time-dependent services or typically cash-in-hand professions – whether builders or beauticians. For SMEs, being able to deposit their takings into business accounts at the end of the day or week, conveniently and safely – near to where they live and work – is a lifeline. In fact, around a quarter of small businesses (28%) say that they use the Post Office at least weekly to withdraw or deposit cash[9].

We're taking action to ensure that more people can access our services, and this year we are trailing a new format of branch, in partnership with the Community Access to Cash Pilots and the major high street banks. Our BankHubs – shared retail spaces with major banks, located in communities where there is an urgent need for cash services – is just one example of the new, innovative solutions we are trialling in order to provide communities with access to vital cash services and ensure that small businesses can thrive.

Post Office is committed to providing free-to-use cash for the long term, with the support of our partners, such as Vocalink. Indeed, our role will become more vital still going forward. Already, over £2bn of cash is withdrawn and deposited each and every month at Post Office branches, with this figure expected to rise as bank numbers fall[10].

Government is considering legislation that compels banks to provide a "right to cash" on a nationwide, robust and secure basis, protecting access to cash for the millions who still rely on it. Action is needed now before many lives are adversely impacted and thousands cut off.

10 Post Office, Post Office Cash Tracker, April 2021.
11 Global state of pay: What people want in 2020/21. Mastercard, 2020
12 https://www.vocalink.com/news-insights/stories/link-on-cash-and-atms/
13 https://www.link.co.uk/about/news/link-atm-usage/
14 https://www.link.co.uk/about/news/link-atm-usage/

Gregor Dobbie,
CEO, Vocalink, a
Mastercard company

VOCALINK mastercard

"Millions of people are still dependent on cash for their day-to-day living."

65%

of people said that they had used cash during April 2020

"If we want to build back a fairer, more inclusive economy, we must continue to provide and protect consumers choice in how they make and receive payments, including access to cash alongside other digital payments. This will ensure everyone can make the most of the UK's digital economy."

We must preserve access to cash to ensure inclusive financial services

According to Mastercard's most recent State of Pay report, four fifths (82%) of respondents said using a banking app during the pandemic ensured they continued to pay all their bills. The majority (87%) of those who had not used banking apps previously said they would continue to use them after the pandemic[11].

Data from LINK, the UK's largest ATM scheme, showed that as lockdown took effect in April 2020, usage of LINK ATMs fell by over 60 percent by volume, and almost 60 percent by value[12].

With such a shift to digital payments and a reduction in the use of ATMs, reports are circulating that the end is nigh for cash.

However, the reality is that there are millions of people who are still dependent on cash for their day-to-day living. Sixty-five percent of people said that they had used cash during April 2020; in mid-January, the figure was 53%[13]. During April 2021, 7% of people used an ATM 2-3 times a week, 19% once a week, 18% once a fortnight and 18% once a month[14].

If we want to build back a fairer, more inclusive economy, we must continue to provide and protect consumers choice in how they make and receive payments, including providing access to cash alongside other digital payments. This will ensure everyone can make the most of the UK's digital economy.

At the same time, we need to help consumers understand digital payments. Having the skills and confidence to use digital payments technology alongside cash will ensure that UK consumers are not left behind in the long term, and that our businesses can thrive, innovate and grow.

Enabling access to cash through digital innovation

Last year, the Post Office announced a £16 million investment to take ownership of, modernise and operate around 1,400 free ATMs across the UK. We are proud to be working with them on this via Vocalink's ATM Managed Services arm. These innovations are very welcome and reiterate the industry's commitment to ensuring access to cash for consumers alongside digital payments.

Longer term however, sustainable provision of cash withdrawal and deposit making services in the UK should be based upon a suite of services. These should include ATMs, the Post Office branch network, innovations such as cashback at the point of sale and improved digital financial access and skills among the most vulnerable. No one specific solution will be sufficient to meet access to cash requirements in an evolving and increasingly digital economy.

That's why for Mastercard, the opportunity to look for creative ways to enable access of cash extends further. Last year, we introduced a UK-wide initiative for shops and businesses to earn a fee every time they dispense 'cashback' to a shopper paying with a Mastercard debit card.

Not only does this offer an additional income stream to high street shops at this tough time, but it provides further incentive for local shops to offer cashback and increase the opportunities for their customers to access cash. We are working closely with the payments industry to implement the Government's cashback without purchase initiative, which will no doubt help those most vulnerable.

Alongside these initiatives, prepaid cards are also playing an increasingly important role in getting funds quickly to vulnerable individuals whose access to cash may have been affected by the pandemic. Around 160 local authorities currently use Mastercard's prepaid network to make welfare disbursements.

Prepaid cards can also provide a bridge for individuals and businesses that want to realise the benefits of digital payments, without having to open a bank account – thereby enhancing financial inclusion.

A long term, sustainable solution

We welcome the Government's legislative proposals as further progress in ensuring that individuals and businesses only need to travel reasonable distances to pay in or take out cash, but also that cash access will be via a suite of methods in the future and not solely reliant on ATMs.

Acknowledging that ATMs remain a very important part of the solution, a sustainable and durable solution, requires the long-term economics of ATMs to be addressed – a key facet missing from the Government's current proposals.

Achieving better co-ordination of supply side management, by moving to a utility model for ATMs, could drive a more geographically equitable distribution of ATMs. This would ensure that the underpinning economic model supports the provision of ATMs in areas of low footfall rather than discouraging it. This could be achieved in part through consolidation of the supporting supply chain to achieve economies of scale.

It may be necessary to provide a legislative or regulatory platform that facilitates and enables the industry collaboration that would be needed to realise a new ATM utility model. The Government must make sure that solutions make both economic and commercial sense for both users and providers, including payment service providers and retailers, balancing the risks and rewards for all.

Building back an economy that works for everyone

As digital inclusion grows, people are becoming more comfortable using a mix of digital and in person channels. As an industry, we must continue to ensure that people have choice in how they pay and that nobody is left behind when it comes to accessing financial services. By enabling payments across cards, between accounts and cash, Mastercard's multi-rail approach enables people and businesses to pay or send and receive money how, where and when they choose.

Building better lives for individuals post the pandemic starts and ends with financial services that are accessible to everyone. Leveraging a suite of digital payments innovations and improving digital inclusion both in terms of access and skills is vital to ensuring access to cash endures.

Inclusive innovation that's fit for the future

Inclusion isn't just about ensuring access to current payment services. It's fundamental that new innovations, such as those based on Open Banking technology, and those being brought to market by both traditional financial institutions as well as fintechs and emerging payment providers, are inclusive by design and fit for the future.

And it's essential that Government leads by example by adopting some of the digital payments technology that already exists to drive both digital and financial inclusion in tandem to improve how public services are delivered, and to improve how citizens interact with Government.

Kelly Devine,
President UK&I,
Mastercard

1.2M

people in the UK remain unbanked, either by choice or because they cannot access appropriate financial products

"In 2019 low-income households incurred £478 of extra costs through poverty premiums."

"At Mastercard, we recognise we also have a part to play in helping tackle financial exclusion, by using our digital payments capabilities and expertise."

Building back better means an economy that works for those long underserved

Right now, 1.2 million people in the UK remain unbanked, either by choice or because they cannot access appropriate financial products[15].

This can, in some circumstances, lock them out of the digital economy, unable to contribute to it or benefit from it. It leaves those who can least afford it, paying more for goods and services. On average, in 2019 low-income households incurred £478 of extra costs through poverty premiums[16]. And these individuals have less choice and control over their finances.

These are also the households for which digital and financial exclusion has been worsened during the pandemic. With cash use dropping 50% as e-commerce shot up by 80%, many of those already digitally excluded were effectively cut off from a significant proportion of modern, digital life.

On the other hand, the UK's flourishing digital economy, which relies on electronic payments to enable businesses, governments and individuals to connect and transact seamlessly and securely, has continued to grow.

And so, while we welcome the Government's commitment to tackling financial inclusion and recognition of the link between digital and financial exclusion, we also believe that further action is needed.

Bolstering the financial and digital resilience of those most severely impacted by the pandemic should be the cornerstone of the Government's recovery strategy. The Government's Financial Inclusion Report in the autumn will include plans for activities to tackle financial exclusion. The focus needs to be on ensuring these activities will have a long-term impact and will create sustainable inclusion.

The ten tech priorities set out by the Department for Culture, Media and Sport are another step in the right direction, but more detail is needed, including the long awaited national digital strategy, on how Government will achieve these priorities and tackle digital and financial inclusion in tandem.

15 https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf
16 The-poverty-premium-A-Customer-Perspective-Executive-Summary.pdf (bristol.ac.uk)

Innovation should be inclusive by design

At Mastercard, we recognise we also have a part to play in helping tackle financial exclusion, by using our digital payments capabilities and expertise. There is also an important role for the wider industry, including fintech providers who are already creating new solutions that serve people for whom mainstream banking is not right.

Prepaid cards are one such digital payment option and act as a bridge for financially excluded, hard-to-reach individuals, helping them to realise the benefits of digital payments in addition to cash without having to open a bank account. These cards have long been used to provide unbanked and underbanked individuals with quick and secure access to funds, enabling them to participate in the digital economy.

During the height of the pandemic last year, the NHS and Royal Voluntary Service worked with Mastercard to develop a prepaid card solution to support the 1.5 million clinically vulnerable people required to self-isolate. Any clinically vulnerable person could apply for a card, load funds onto them (up to £100 at any one time) and give it to an NHS volunteer to do their shopping. This not only enabled those vulnerable consumers to access food and other essential goods online easily, but also significantly reduced the risk of fraud associated with cash transactions in these situations.

Prepaid cards are being used to support economies as well as individuals. In Jersey, Mastercard prepaid cards were distributed to all 105,000 citizens and pre-loaded with £100. The funds could be spent in store with retailers on the island, over the phone and online with locally registered businesses. The scheme reported having a £10 million multiplier effect on the local economy, benefiting over 2,000 businesses.

As part of a multi-million-pound economic recovery action plan to manage the impact of the Covid-19 pandemic, the Northern Ireland government sought ways in which to stimulate the local economy following lockdowns and restrictions on citizen movement. In the run up to the Christmas period, citizens in Northern Ireland will be able to apply for a Mastercard prepaid card with £100 to spend in their local high streets, providing a much needed economic boost to small businesses across Northern Ireland's local communities.

Prepaid cards, among other digital payments innovations, offer an impactful and measurable policy option. They can help drive digital financial inclusion both in terms of access and skills. Government should consider widening the use of prepaid cards alongside other electronic payment options, not only for one-off emergency funds designed to stimulate the economic recovery but also for longer-term welfare and other disbursements.

An important role for fintech

The highly anticipated Kalifa Review set out fintech's role in providing jobs and trade opportunities for the UK. What was not covered in such detail was that these were just two of the three "prizes" the Review called out. The third was inclusion with the report asserting that helping citizens to "access better and cheaper financial services" in a sustainable way would aid the Government in achieving its goal to "build back better".

The industry has known for years that poverty fuels the digital divide, which in turn excludes those on lower incomes from accessing often the most suitable, and affordable, financial products. And so, the industry must continue to take the lead on improving access to digital financial services for the most vulnerable.

Mastercard is working with fintech partners looking to address the needs of the underbanked by developing products and services that account for faith, sexual orientation, gender, age, ethnicity and social impact plus other values-based frameworks that may impact how people live their lives.

We recently partnered with Hi55 Ventures, a disruptive new fintech company, to launch a market-first salary access card, enabling people to access their pay as soon as they've earned it. Like a debit card, the card gives employees direct access to money they've earned in real time with a limit in line with their earnings.

By changing how people are paid, Hi puts them directly in control of their pay for better budgeting. With the card, employees can access their salary free of charge in real-time, helping to increase their financial freedom and flexibility and reducing the potential reliance on high rate borrowing.

For Mastercard, our involvement in these initiatives is an extension of our global commitment to better serve the underbanked and strengthen the financial resilience of individuals.

Government needs to lead by example

If the economy is to work for everyone, we must all have access to it. To make this happen, while business has a role to play, Government must provide leadership in championing digital financial services that are accessible to all alongside initiatives to improve digital and financial access, skills and connectivity.

By continuing to support the UK's thriving fintech and payments sector, and by widening its use of digital payments innovations, such as prepaid cards and faster account-to-account payments – whether to disburse funds to those most in need or to collect taxes – the Government has the opportunity to take the lead on tackling exclusion.

For the industry, this means we must keep innovating to improve digital and financial inclusion. Through world leading solutions, the industry must continue to provide choice that helps individuals engage with the digital economy and reap all the benefits it can bring.

Jonathan Turner,
Technology Strategy and Innovations Lead,
Fair4AllFinance

"Digital innovators can set community finance providers free on a journey of new products and services that will give them a bigger platform to offer an afforable and ethical alternative to high-cost credit."

Now is the time for digital technology providers to join the community finance sector in tackling financial exclusion

For years, community finance providers have been serving their communities with passion and purpose through their networks of local branches, underpinned by systems designed for bricks and mortar operations.

As they front up to their consumers' digital expectations, they find themselves constrained by their legacy monolithic technologies that force them to march in lockstep with their suppliers' development roadmap and ambitions.

Digital innovators hold the keys to unlock these shackles and set providers free on a journey of new products and services that will give them a bigger platform to offer an affordable and ethical alternative to high-cost credit. People who have traditionally been too costly or risky to serve can now be served.

From branch-based to digital

Community finance is typically provided by mutually owned non-profit organisations looking to build better lives for the communities in which they operate. They fall into two categories: credit unions and community development financial institutions (CDFIs), each operating within its own regulatory framework. It's a highly fragmented market with over 400 credit unions alone in the UK. Although branches will remain a necessary channel to provide face-to-face support of their community, Covid-19 has shone a light on the need for providers to present themselves to their customers and members as digital.

At Fair4All Finance, we surveyed the community finance sector to better understand providers' attitudes towards technology. The survey highlighted three features that, although not unique to community finance, are amplified in this sector:

- **Legacy platforms** – community finance providers' innovation and flexibility have been constrained by their legacy platforms
- **Low technology capability** – over 50% of providers we surveyed had nobody on their team with a dedicated technology role
- **Technology funding is a challenge** – as a large number of small businesses they are limited by small IT budgets; 50% have annual budgets under £50k… yes, that is for everything.

These are fantastic businesses run by passionate people. Society needs them to succeed in their mission. But they need a little help.

An appetite to innovate

Leading community finance providers are generally eager to try out new fintech offerings. These are often presented with a transaction pricing model, making it a seemingly no-lose experiment for them to undertake. But the array of sweets in the sweet shop is confusing and, from past experience of onboarding new technologies, they may well taste more bitter than they appear in the jar.

Buckling to the temptation, without fitting it into a digital strategy, will likely lead to unintended consequences – like building an overly complex and costly technology architecture, and confusing the customer journey. But only 50% of community finance providers we surveyed have up-to-date digital strategies to align with. And even if it does slot neatly into the digital strategy, running platforms on closed architectures with suppliers acting as gatekeepers makes integrating any of these new digital solutions costly and complex, if indeed feasible.

Lenders could find themselves with clunky manual hand-offs between processes, leading to disjointed customer experiences and time-consuming resolution of reconciliation between systems.

So how can digital technology providers help?

Unless they've been founded on social impact motivations, technology suppliers will generally see the community finance sector as difficult to navigate and expensive to service with low revenue potential. That is if they see the market as 400+ individual businesses, each requiring their own sales meetings, implementation strategies and servicing. Digital technology providers could prove their worth at the largest, most influential community finance providers in the hope that others will follow. Or they could find ways to engage with the individual businesses through a collaborative entity.

Collaboration is surely the best outcome for all parties, particularly as community finance providers are operating in a non-competitive market. But such a concept of collaboration, while mainstream among credit unions in the USA via shared service organisations regulated as CUSOs (Credit Union Service Organisations), is aspirational in the UK. The regulation still needs to evolve to recognise CUSOs and allow credit unions to establish and own them.

So, while the market waits for formal collaboration, the next best thing is to partner with organisations already serving the market. And many have forged partnerships with the larger, incumbent technology suppliers of loan management systems. From our survey data, we estimate that 90% of the market is served by as few as six core technology suppliers.

Notable successes of digital technologies partnering with incumbents include Nivo, the instant messaging consumer engagement app; CUApps, a loan origination and servicing app specifically designed for Credit Unions, and Credit Kudos, a credit risk management tool powered by Open Banking. Each of these suppliers has built commercial partnerships with core technology suppliers, slashing their cost of sales, increasing their reach and incentivising the supplier to build off-the-shelf APIs.

The Open Banking opportunity

Open Banking in particular has made significant inroads into the sector. This might seem surprising to many, but since the Department for Work and Pensions has required all claimants to have a payments account into which Universal Credit and other benefits are paid, using Open Banking as a core part of the loan origination process is not as digitally exclusive as might be imagined. In fact, Open Banking has even been used creatively by lenders as a means of eradicating fraudulent payments to bank accounts through phishing and other scams. By mandating loan pay-outs to be made only to the bank account used to underwrite the loan through Open Banking, the lender can be assured that the bank account belongs to the applicant.

Adopting and adapting

Digital adoption has been the reason why many community finance businesses have been able to weather the Covid-19 storm. And in a number of cases, it's the reason why they have survived. It has allowed access and contact with customers and members anytime on any device. It enables better lending decisions through smarter use of alternative data source, resulting in fewer losses through bad loans, which in turns should allow for a lower cost of credit for the community. But can this really replace human-to-human interactions for what is supposed to be a community focused business? What if "computer says no"?

What next for the consumer in genuine need of credit? Some lenders are working on building smart analytics solutions to examine the cause of the decline and signpost alternatives, or help with specific, targeted financial management or advice. A loan is often not the answer.

Partnerships with purpose

So how can the sector attract the meaningful digital innovation it needs to thrive? And how can it build better lives for people in financially vulnerable circumstances, protecting them from the need to use high-cost credit, or far worse, illegal money lenders?

Collaboration is a given. But even in the absence of formal collaborative entities, this sector presents a unique opportunity to suppliers of digital technologies to build true partnerships with community finance providers, sharing the purpose and passion in tackling financial inequity and exclusion. These partnerships will win the hearts of their own people and will make a real impact on people's lives. They should even make some money in doing so.

Innovation for the underserved: Open Banking

Over the past two decades, the UK's payments industry has seen profound change. Everything from the introduction of Chip & PIN, the launch of near real-time payments, to the ubiquitous rollout of contactless, have been embraced by consumers.

Without a doubt, emerging and evolving technologies have revolutionised the way we make and receive payments, and this revolution is still going strong. This innovation, grounded on secure and resilient payments infrastructure, has ensured the UK remains a world leading digital payments and technology market, and the UK's vibrant digital technology market has now become home to one of the most dynamic fintech sectors in the world.

Innovation continues at pace. The advent of Open Banking and financial technology services has opened the way to new products and services that are helping individuals and businesses get better deals, a better understanding of their accounts, and finding new ways to make the most of their money.

However, the real prize is to ensure this innovation is also helping long underserved consumers make the most of financial services better suited to their needs. Open Banking is one such innovation.

Policy recommendations for Government at a glance

1. The Financial Conduct Authority (FCA), the Government and the Competition & Markets Authority (CMA) should maintain the momentum of Open Finance (Mastercard and Open Banking Excellence)

2. Government and regulators should give Open Banking-based innovations, including Open Finance, time before they consider what more, if anything, is needed. Government should also consider how it can take full advantage of Open Banking, particularly in support of the most vulnerable or those at risk of long-term financial exclusion. (Mastercard)

3. HM Treasury and the FCA should support the work done by the industry to develop variable recurring payments (VRPs), and in particular encourage the development of suitable customer protections (Mastercard and Open Banking Excellence)

4. The FCA should consider reviewing the 90-days re-authentication rule (Open Banking Excellence)

5. The FCA should start considering in more detail what comes next beyond payments when it comes to APIs, as referred to in their published feedback on Call for Input on Open Finance, March 2021. (Open Banking Excellence)

6. The FCA, the Government and the CMA should maintain the momentum of Open Finance by accelerated delivery of the outcomes from the Call for Input with design of future Smart Data legislation and support industry-led efforts to develop common standards and roadmaps to Open Finance. (Open Banking Excellence)

Giovanni Caccavello, Head of Research and Blog, Open Banking Excellence

Open Banking: a powerful new technology that can energise the UK's economy for years to come

Since its official entry into force on 13 January 2018, the UK Open Banking ecosystem has developed rapidly.

Today, as we near the end of the implementation period and consider the future of the ecosystem, over three million Britons are active users of Open Banking-enabled products, 340 regulated providers operate in the market17.

In a recent survey commissioned by Ipsos MORI of the small businesses surveyed, 50% are now using open banking providers, with almost three-in-five starting to use these services in the past six months, of which 90% stated as a direct result of Covid-19[18].

"While we're still at the beginning of the journey, over the last year it's fair to say Open Banking has shown its potential to support the UK economy in the post-pandemic world."

While we're still at the beginning of the journey, over the last year it's fair to say Open Banking has shown its potential to support the UK economy in the post-pandemic world.

To better understand how Open Banking can become a long-standing force for good as people return to the streets after a year of restrictions and social distancing, let's first go back to April and May 2020. The UK was experiencing its first strict lockdown and the NHS was under immense pressure. To provide the NHS with extra funding, Captain Tom stepped in. He began doing laps of his garden to raise money for NHS charities and in a matter of weeks had raised more than £30 million.

What an inspiration he was! From a banking perspective, Captain Tom's fundraising campaign made history because it kick-started a digital revolution powered by Open Banking technology. As over 1.5 million people donated money through the Just Giving platform, many of them clicked on a 'bank transfer' button and in a matter of seconds completed their transaction in a safe way, without having to enter the details on their cards.

Captain Tom's appeal for NHS donations actually triggered the UK's largest-ever single-day volume increase in Open Banking transactions, and also demonstrated how safe and easy the process can be.

Moving to the second half of 2020, we saw Open Banking-powered payments, such as QR codes, becoming a viable digital payment alternative for millions of Brits. With social distancing rules and Covid-19-related restrictions eased in July 2021, it's likely that many restaurants, pubs and shops will continue to ask people to scan the black and white code illustrations to order food or to 'check in'.

During the pandemic, QR codes also became an indispensable tool for national healthcare services around the world to 'track-and-trace' individuals and help to control the virus. As an organisation that strongly believes in the power of Open Banking, in September 2020 Open Banking Excellence joined forces with MoneyHub Enterprise and Streeva to make Open Banking-powered charity donations mainstream. Via a QR code, users can now choose a charity and the donation amount, and the payment is instant and safe. This is just another example of how Open Banking technology can support the economy as Britain re-emerges from the pandemic.

Throughout the whole of 2020, Open Banking-powered services also helped SMEs to maintain their operations during the unprecedented pressures prompted by the pandemic. As a key study conducted by OBIE and Ipsos Mori published in December 2020 highlighted, popular Open Banking-powered products used by small businesses include cloud accounting. This allows firms to manage their accounts and invoices online, as well as give access to trusted third parties such as accountants, cashflow forecasting tools (which harness AI to reliably predict how much money

17 Q2 2021 Open Banking tracker | Vocalink Mastercard).
18 Ipsos MORI conducted 500 online interviews among decision makers at SMEs with 2 to 49 employees, across the UK between 29 September and 8 October 2020. Quotas were set on the number of employees, and region to ensure a spread of interviews was achieved across the UK and across different size businesses.

a business will receive and pay-out over a set period of time) and alternative lending. With the UK economy expected to grow by 7.2% in 2021 and 5.5% in 2022 according to the OECD, the SME market is likely to become the hottest stream of growth for Open Banking-powered services.

Now fast forward to the first quarter of 2021. We saw Open Banking making progress within the public sector, too. In February, for example, the UK tax authority (HMRC) entered into a £3 million contract to Ecospend, a UK Open Banking ecosystem player. Their aim was to make it easy for taxpayers to submit payments directly from their bank accounts, rather than through debit or credit cards. At the same time, untied, another Open Banking fintech, showed us a glimpse of the future by announcing that one of its users made the first 'Making Tax Digital' (MTD) income tax submission powered by Open Banking data. By leveraging Open Banking-powered services, the possibility of human error is removed and the potential for fraud is reduced, as there is no need to share card or bank details.

Thanks to the partnership between HMRC and Ecospend, in the coming years, anyone filling in a self-assessment tax return might be asked to use Open Banking to make payments to HMRC, instead of asking taxpayers to enter their card details. By 2023, MTD rules will be extended and will become mandatory for millions of personal business owners and landlords with annual business income over £10,000. Just think about how revolutionary these services can be for all these individuals, who currently waste an incredible amount of time filling in tax returns. In a post Covid-19 world, the whole economy can benefit from this welcome innovation.

Finally, it's important to highlight how, version after version, the Open Banking standards are starting to revolutionise the payment landscape in favour of British consumers. For example, on 31 March, the Open Banking Implementation Entity (OBIE) published their latest API standard version 3.1.8, which enables both VRPs and Sweeping functionality, which give customers a lot more control over their payments.

1 **HM Treasury and the FCA should support the work done by the industry to develop VRPs; and in particular to encourage the development of suitable customer protections**

2 **The FCA should consider reviewing the 90-days re-authentication rule**

3 **The FCA should start considering in more details what next beyond payments when it comes to APIs, as referred to in their published feedback on Call for Input on Open Finance, March 2021**[19]

4 **The FCA, the Government and the CMA should maintain the momentum of Open Finance by accelerated delivery of the outcomes from the Call for Input with design of future Smart Data legislation and support industry-led efforts to develop common standards and roadmaps to Open Finance**

In light of all these exciting developments, we are now at a critical juncture in the journey of Open Banking in the UK. We see the following four actions as key for Open Banking to keep growing in the short and medium term: In a country disrupted by Covid-19, and which in 2020 suffered the biggest decline in GDP growth since the 'Great Frost' of 1709, the rising adoption of Open Banking services and technologies is the best sign that the progress made within the banking sector in the last three years was real.

With Brits starting to share account data more openly and more frequently, Open Banking will soon turn into an essential feature of our economy. From Open Finance to Open Communications, from Open Energy to Open Data, we're at the beginning of a fascinating journey that will power the whole economy for years, if not decades, to come.

19 FCA Open Finance Call for Input, March 2021

Realising the full potential of Open Banking

Jim Wadsworth,
Senior Vice President,
Open Banking,
Mastercard

"Open Banking is poised to transform financial services in more radical ways by facilitating the market entry of new and specialist services."

Open Banking is poised to transform financial services in more radical ways by facilitating the market entry of new and specialist services. It is also helping foster competition and inclusion. It enables the industry to reach those who have a bank account but aren't using the services fully or accessing the services most appropriate to them. Moreover, it will add to consumer choice in payments as the UK enters the post-pandemic economic recovery.

As such, it is essential the government and regulators continue to support the UK's thriving Open Banking environment including supporting the growth of Open Finance.

The right regulatory environment

Mastercard welcomes the recent commitment by HM Treasury and the FCA to both Open Banking and Open Finance.

While we have already witnessed moves towards greater data sharing in the UK, the concept of Open Finance goes far beyond this. It has the potential to radically transform the way in which services are provided to businesses and consumers. Open Finance will, for example, substantially increase access to product offerings, and widen consumer participation in the market.

It is imperative that this initiative is given the time to develop, so that any innovation continues to work in the interests of all stakeholders. What is needed is a nimble system, developing organically but with some form of centralised coordination, combined with rules mandating the opening-up of access. Mastercard believes this is critical to the success of Open Finance.

For Open Finance to work in the interests of all stakeholders, responsible innovation is needed. This requires an approach that is both flexible and shaped by industry-wide engagement. Mastercard believes the FCA is the central body that should be tasked with this overarching role.

Supporting customers and businesses

At its core, Open Banking gives consumers and businesses the ability to share financial account data with another financial services provider, enabling them to access new, tailored and more relevant financial services. For example, accessing a personal loan via Open Banking eliminates the need for borrowers or lenders to manually compile, send and verify bank statements; it can result in faster applications and lending decisions.

Open Banking payments provide a faster and more secure way to make payments online. Instead of having to open a banking app or use another online payment interface, consumers (and businesses) can make transfers through the service. New tools integrate with back-office systems to allow companies to manage their payments and collections, make real-time bank transfers and achieve greater visibility over their finances.

Mastercard's Open Banking Connect service enables a single universal connection to any financial institutions' Open Banking functionality, regardless of their API. Both Tesco and Lloyds Bank are using Open Banking Connect to help their customers to pay off their credit cards using near real-time account-to-account payments.

70%

of consumers and…

72%

of small businesses around the world said they'd be likely to use an Open Banking-enabled service to manage their personal or business' financial affairs

This is just the beginning. In total, 36 countries (plus the EU) are now home to either regulatory-driven or industry-led Open Banking initiatives. Moreover, there is growing global demand: According to Mastercard's global state of pay research, 70% of consumers and 72% of small businesses around the world said they'd be likely to use an Open Banking-enabled service to manage their personal or business' financial affairs.

As HM Government looks to ensure an inclusive post pandemic recovery, it should also consider how it can adopt Open Banking solutions to improve the delivery of public services and to help drive adoption among the most vulnerable.

Accelerating inclusion through innovation

Open Banking-based financial services can also help accelerate inclusion and serve underbanked individuals, which will be integral to building better lives post the pandemic. Well-designed and balanced Open Banking solutions can increase banking activity, in particular by providing individuals access to data on how they use their money, which they would not otherwise have.

Open Banking services can help individuals and businesses build credit capacity and build a financial profile and transaction history. This history can then support their transactions and credit applications with a wider range of banks, fintechs or microfinance providers. Experian Boost and Credit Kudos are examples of this type of service live in the UK already. These services also give individuals and businesses an efficient and trustworthy mechanism for loan repayment.

Other Open Banking based innovation is specifically helping low income and other flexible economy workers to improve their financial health. For example, fintech mobile-based applications that help people manage their finances can also boost financial literacy, and deploy data driven nudges to help boost savings.

Open Banking can also help flexible workers to access personalised financial products, such as digital accounts or wallets and digital payment instruments. This technology can help companies extend much needed financial products, such as micro-insurance.

Mastercard has been working closely with gig economy platforms across the globe using Open Banking technology to develop payment solutions, including in the UK. These include creating digital wallet solutions for consumers to use the Grab gig platform in South East Asia and developing a co-brand solution with Natura for gig workers to pay and get paid in Brazil.

Security and privacy remain paramount

While innovation is the driving force, safety and security are important considerations in Open Banking. Consumers should always be in control of their financial data, including the aspects of their data that are shared. The provision of services by trusted providers, such as Mastercard, can help to maintain consumer confidence in Open Banking.

Mastercard is playing a facilitating role in the fast, simple and secure data exchange through its Open Banking Solutions, and recently acquired Finicity to expand this work. We are collaborating with key industry stakeholders to define and develop the rules and processes to resolve inquiries and disputes in Open Banking across the global ecosystem.

And for fast growing consumer services powered by Open Banking such as VRPs, robust consumer protections are needed to ensure these and other innovations, that give consumers more control over their payments, reach their full potential.

To further improve security, industry is moving towards greater tokenised access — a coded alternative to bank account credentials that has no meaningful value if breached.

A solution for many problems

Open Banking is gaining traction in the UK. The trend of Open Banking innovation and adoption is set to continue during the post pandemic recovery phase, and Mastercard stands ready to support our customers in the adoption and usage of this exciting new technology.

Government and regulators should give Open Banking-based innovations, including Open Finance, ample time before they consider what more, if anything, is needed. Government should also consider how it can take full advantage of Open Banking, particularly in support of the most vulnerable or those at risk of long-term financial exclusion.

That is just one way of ensuring this emerging technology will continue to help build better lives for the millions of individuals and businesses impacted by the pandemic.

Tackling economic crime

Payments have never been safer, but as payments evolve, so do criminal techniques.

With new innovations come new threats, and we expect the pace of change in the next decade to be similar, if not even faster, than the huge changes seen over the past ten years. And so, it's imperative that digital payments technology continues to remain at the forefront of tackling economic crime and fraud while enabling fast and secure payments.

Policy recommendations for Government at a glance

1. To keep pace with evolving economic crime threats, we must continually evolve and enhance the protection of whole cyber environments. This requires new levels of close collaboration across Government and industry — working together to nurture trust in our digital economy and foster responsible use of the latest technologies, focusing on privacy, security and accountability. (Mastercard)

2. To tackle fraud effectively, industry and regulators must look at those enablers of fraud and how technology can be used to prevent fraudsters from reaching potential victims in the first place. (Which?)

3. More should be done to harness technology and match innovation with action to protect consumers from online fraudulent content. (Which?)

4. The Government should give online platforms legal responsibility to identify, remove and prevent fake and fraudulent content from appearing on their sites. And it should work with the Payment Systems Regulator to introduce requirements on payment firms to protect their customers from authorised push payment fraud (APP), with clarity on when losses should be reimbursed, aligning more with the approach to unauthorised payment fraud. (Which?)

Paddy Greene,
Head of Money Policy,
Which?

"Consumers need to trust the products, services, and markets they engage in."

The role of digital technology and Government in tackling economic crime

The way in which we make payments is changing. Most often, this is driven by the objective of giving the consumer greater choice and convenience, removing as much friction from the transaction as possible. Innovation in this space is rapid. New payment models can be established and adopted by consumers quickly. You only have to look at the growth of the Buy Now Pay Later (BNPL) market, which more than trebled in size in 2020, to see how quickly consumer behaviour can change.

However, new payment models can also expose consumers to harms they might not be aware of. For example, some people do not view BNPL products as credit, or wrongly assume that the multiple different payment options they are often presented with, such as card, bank transfer, PayPal or BNPL, offer the same level of consumer protection. Here, robust regulatory frameworks to ensure the right protections for consumers have severely lagged behind the pace of innovation.

In 2016, Which? made a supercomplaint to the Payment Systems Regulator, highlighting a glaring gap in the protection consumers have when making authorised push payments (APP). The problem of APP fraud is now wellknown, and is a prime example of how new payment systems delivered obvious benefits – a faster, simpler way to make a payment – but also failed to mitigate against the risk – consumers being defrauded and having no right to reimbursement when things go wrong. Without this critical consumer protection, the harm – £479m lost to APP fraud in 2020, over half of which was not returned to victims – has been suffered by those the new payment system was supposed to benefit.

It's not immediately clear why the technological solutions that enable you to pay with a click of a button haven't been matched by the use of technology to prevent the harm caused by fraud. For example, mobile banking apps are no longer an optional extra for any bank, yet the introduction of confirmation of payee – a tech solution to prevent customers from unwittingly transferring money to an account that isn't the one they intended to pay – has been excruciatingly slow and is still not implemented by many providers. It suggests that while the technology might exist, or at least has the potential to be developed, the incentives on firms to implement measures to adequately protect consumers may not be strong enough.

Our supercomplaint focused on the actions that the payments industry could take, but the role of digital technology in enabling fraud goes far beyond the payment transaction. Fraudsters can place fake adverts online, insert themselves into a legitimate chain of text messages from their victim's bank, and call them from what appears to be the bank's phone number. The same technology that brings benefits to consumers is also being exploited by fraudsters, often in highly sophisticated and convincing ways.

To tackle fraud effectively, we must look at those enablers of fraud, and how technology can be used to prevent fraudsters from reaching potential victims in the first place. The telecoms sector has put in place some technical controls aimed at tackling number spoofing. It is also working with the banking industry to make insecure forms of communications, such as text messages, more secure. But nowhere is the problem more obvious than online. Search engines, social media sites, and other online platforms are being used by fraudsters on an industrial scale to target victims.

Many of these companies have demonstrated their ability to innovate and use some of the most sophisticated technology in the world to deliver incredible benefits to consumers. But more should be done to harness that technology and match that innovation with action to protect those consumers from online fraudulent content.

The common theme, whether it's the action being taken by banks, telecoms providers, or online platforms, is that it's voluntary. Our laws and regulations designed to protect consumers have failed to keep pace with both innovation and the criminals. Most existing legislation and regulation was written in — and for — an analogue world, leaving large gaps in the protections consumers should have.

A voluntary approach can address the harm quickly. But when voluntary action is insufficient, and the incentives on firms to implement safeguards to protect consumers are too weak, it is the role of government and regulators to step in and require action to prevent bad consumer outcomes.

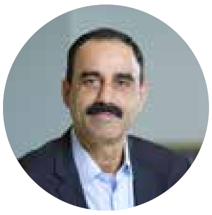
For example, Government should give online platforms legal responsibility to identify, remove and prevent fake and fraudulent content from appearing on their sites. And it should work with the Payment Systems Regulator to introduce requirements on payment firms to protect their customers from APP fraud, with clarity on when losses should be reimbursed, aligning more with the approach to unauthorised payment fraud.

The consequences of not taking swift action will mean consumers will continue to suffer harm. But in addition, the potential negative impact on future innovation, growth and competition should not be underestimated. All three would be threatened if consumer confidence is eroded by negative experiences of engaging with digital technology.

The answer is not to stand in the way of innovation and the benefits it brings. But consumers need to trust the products, services, and markets they engage in. They need to know that they will be protected if things go wrong, that the law is on their side and it will be enforced. Without the right protections, not only are consumers exposed to greater harm, there is a danger that they will not engage effectively, leading to a lag on growth, which in turn won't deliver good outcomes. This doesn't mean more regulation; it means having the right regulation, and a principles-based approach to ensure measures don't become quickly outdated as further innovations shift what is required.

Similarly, if consumers lose trust in new offerings (or do not gain it in the first place), they are more likely to stick to what and who they know. Competition and innovation are central to economic growth and consumers are critical for both to happen effectively. Without strong consumer trust and engagement, there will be less competition and less innovation, which is unlikely to benefit anyone except the larger incumbents.

Facilitating smooth payment transactions as the pent-up savings of many consumers is unleashed will help the economic recovery. But demonstrating how technology makes payments easier or quicker, or even more secure, cannot be the sole objective. Using digital technology to prevent known consumer harm, such as fraud, will ensure that attempts to build back a better, more inclusive UK are not undermined by a lack of consumer confidence.



Ajay Bhalla, President, Cyber & Intelligence, Mastercard

Advancing trust in the UK's digital economy

The huge digital shift that we have seen over the past year has great potential to solve some of the world's biggest challenges. However, it is not without risks.

While we are all more connected than ever before, so are hackers and fraudsters who are continually developing more advanced and sophisticated techniques to breach security defences.

Mastercard's recent Digital Intelligence Index[20], in partnership with The Fletcher School at Tufts University, has shown that economies that have proven to be most resilient to the turmoil created by the pandemic, are those that invested early in digitalisation and worked to foster trust in their digital economies.

If individuals and businesses are to realise the positive outcomes of digital payments and the digital economy more generally, one of the key issues that needs to be addressed is reducing fraud and advancing trust.

"If individuals and businesses are to realise the positive outcomes of digital payments and the digital economy more generally, one of the key issues that needs to be addressed is reducing fraud and advancing trust."

An economic snapshot

Fraud and money laundering are ever-present and growing threats. By 2027, the global e-commerce market is expected to reach over $18 trillion[21] and it is predicted that digital transaction fraud will climb by 130 percent by 2024[22].

The speed and reach of modern payments systems are being exploited to launder stolen and illicit funds through mule networks quicker than ever before. The UK's National Crime Agency has estimated that money laundering costs the UK more than £100 billion pounds every year[23]. And according to UK Finance, there were close to 150,000, incidents of Authorised Push Payment (APP) scams in 2020, with gross losses of £479 million[24]. This type of crime, in which consumers transfer money to scammer accounts, is soaring and is now estimated to affect one in four people.

150k

incidents of Authorised Push Payment (APP) scams in 2020, with gross losses of £479 million

20 Digital Intelligence Index (mastercard.com)
21 Statistics MRC, 'Global E-Commerce Market is Expected to Reach $18.89 Trillion by 2027'
22 Juniper Research 'Online Payment Fraud Losses to Exceed $200 Billion Over Next 5 Years'
23 National Economic Crime Centre leads push to identify money laundering activity - National Crime Agency
24 Fraud The Facts 2021- FINAL.pdf (ukfinance.org.uk)
25 How Gmail helps users avoid email scams | Google Cloud Blog

Since the beginning of the pandemic, news outlets around the world have reported a significant increase in the number of phishing emails, in which criminals try to trick people and businesses into revealing personal and/or financial data. Criminals have been effective at preying on people's anxieties: of the more than 100 million phishing emails Google blocks every day, almost a fifth were scam emails related to coronavirus last year[25].

The impact of fraud today

The impact of this fraudulent activity is felt far and wide. Three in five (61%) people surveyed in May 2021 by consumer group Which? said they had received a fake text claiming to be from a delivery company in the past year[26].

In addition, businesses are not immune to fraud. Mastercard's 2019 UK business fraud report shows that 37% of business owners have either been a target of attempted payments-related fraud, or know a business that has, losing thousands of pounds in the process. Ten percent of business owners contemplated closing their business as a result[27].

However, the impact of these attacks can go beyond immediate financial loss, potentially damaging trust in the wider digital economy.

Ultimately, if individuals and businesses do not have the confidence to operate online, it will be the UK's increasingly digital economy that suffers. But we can address this by ensuring transactions and interactions are safe and secure. By doing this, we can help to advance trust and improve confidence in the UK's digital economy.

Securing the digital economy

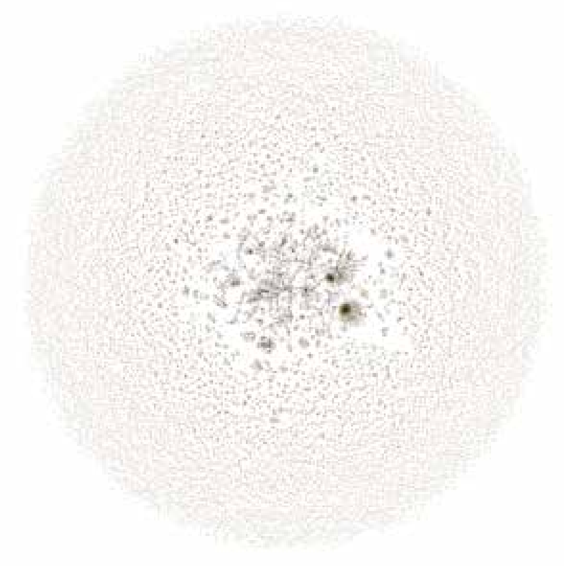
Our world today is built on a network of digital connections — between businesses, financial institutions, governments, merchants and consumers. And each digital connection is another point of vulnerability. In this borderless digital environment, it isn't enough to secure the payment transaction alone. That's why we have widened the net to encompass every touch point along the consumer journey — before, during and after the transaction.

This means providing joined-up protection across all payment rails — whether a person chooses to pay using a card, bank account, digital wallet or in cash. With the advent of open banking and the Internet of Things (IoT), it means securing all touch points, at all times: in-store and online; whether a person uses a device or no device. This is where Artificial Intelligence (AI) plays an important role.

Since the pandemic began, we have seen AI in action across the Mastercard network, which handles up to 1 billion transactions every day. At its most basic, AI helps to combat cybercrime by identifying and alerting us to deviations from the norm, such as suspicious transactions or account activity. With AI, we can do this far more intelligently and, crucially, continuously in real time.

One of the first steps to build trust in a digital world is enabling people to identify themselves. AI capabilities and biometrics are at the centre of innovation in this area. Here, we have replaced the password with the person, combining physical biometrics – such as fingerprint, face or palm – with AI-powered technologies that recognise behavioural traits, such as the speed at which you type or navigate a web application – to create seamless, intelligent and more secure methods of authentication. We already see a future where biometrics don't just authenticate a payment — rather, they are the payment, with consumers simply waving or smiling to pay.

To stay ahead of fraud and cybercrime, we also need to be smart and to work collaboratively across the payments ecosystem. For instance, our UK Mule Insights Tactical Solution is testament to industry collaboration. By tracing funds at the network-level, beyond the visibility of an individual bank, we can help stem the flow of illicit funds, shut down mule accounts and combat financial crime.



A graphic representation of all suspect money mule data. October 2018 to April 2019 inclusive.

Similarly, Confirmation of Payee allows a payer to verify that the account to which they are making a payment is legitimate. The prospective funds repatriation service, which will facilitate the return of fraudulent funds to victims' accounts when appropriate legislation is in place, will also serve to better protect consumers and businesses. For these innovations to deliver further protection to consumers and businesses requires the intervention of Government.

Looking to the future

There will be further challenges and opportunities to come as the world recovers from the pandemic, as 5G begins to unlock bandwidth and connectivity, and with the potential for quantum technology to introduce a whole new dimension in computing power.

To keep pace, we must continually evolve and enhance the protection of whole cyber environments. This requires new levels of close collaboration across Government and industry — working together to nurture trust in our digital economy and foster responsible use of the latest technologies, focusing on privacy, security and accountability.

As HM Government turns to harness technology innovation in the UK through a number of reviews and initiatives in 2021, it should have these requirements in mind.

26 https://www.which.co.uk/news/2021/06/three-in-five-people-have-received-a-scam-delivery-text-in-the-last-year/
27 Business fraud report: UK | Vocalink Mastercard

Building better, more resilient businesses

The pandemic brought into sharp focus the increasing importance of SMEs making the most of the digital economy and innovation.

Enabling small businesses to get online, and more importantly, stay online, will support them in becoming more productive and resilient to future economic shocks. By utilising digital technologies to increase their market access, they will be able to better manage operations and cash flow and invest more in staff development.

Mastercard's approach to helping SMEs is all about partnership. We seek to work with all corners of the ecosystem – from our customers, the banks and other card issuers, to large and small businesses, to reduce the many pain points they are experiencing, and which have been particularly exposed by the pandemic. Our approach is set into three pillars; helping SMEs to get capital, get paid and go digital.

In our recently published white paper, 'Reimagining Support for Small Businesses', produced in partnership with global consulting firm Kearney, we set out how the public and private sectors can collaborate to advance policies that help small businesses become stronger and more resilient post the pandemic.

Policy recommendations for Government at a glance

1. Take a proactive approach to directly tackle the areas where SMEs continue to struggle the most, including bolstering their digital and financial resilience (Mastercard)

2. Ensure SMEs know about the full range of digital payments options to help with their cash flow issues (Mastercard)

3. The Government should lead by example, by deploying digital payments innovation when dealing with SMEs (Mastercard)

4. By excluding micro-businesses from the Help to Grow Scheme, the government risks excluding some of the businesses which may benefit the most. Research from The Coalition for a Digital Economy suggests that by extending the eligibility criteria to include micro businesses and expanding the range of productivity-boosting software made available through the scheme, it could deliver an additional £1.9bn of gross value added (GVA). (The Entrepreneurs Network)

5. We should aim for every adult to have access to a bank account and the skills needed for online shopping and banking. We should continue to foster innovation in financial services and enable customers and businesses alike to use whichever means of payment suit them best. The government should also forge ahead with plans to improve digital infrastructure, by bringing in faster internet to the whole country. (The Entrepreneurs Network)

6. The Government should seek to leverage relationships that entrepreneurs already have, to encourage SMEs to take up more productivity-boosting technology. (The Entrepreneurs Network)

Building better businesses: how digital technology can help SMEs grow

Aria Babu,
The Entrepreneurs Network

"Card payments are quicker and eliminate the need to carry around change. But the recent shift could not have happened without technological and regulatory changes that have made card payments an attractive choice for businesses."

Now, over half of British people carry less than £10 on them at any point[28]. In fact, one in ten people have given up carrying any kind of wallet or purse at all. Instead, they just carry a card or a smartphone with them.

This is because every year, alternatives are becoming more and more popular[29]. This trend predated the pandemic. Cash made up 52% of transactions in 2014 and fell to 37% in 2019.

Most of these transactions have been picked up by card payments. Over the same time period, the share of card retail transactions has risen from 42% to 61%, and the share of retail sales value has risen from 72% to 78%.

Card payments are quicker and eliminate the need to carry around change. But the recent shift could not have happened without technological and regulatory changes that have made card payments an attractive choice for businesses.

While historically, processing card payments has been expensive for businesses, resulting in reluctance from business owners to offer the option for free, recent innovation and competition in payments technology has shifted the balance[30]. This is especially true in the UK, which has a thriving fintech scene, encouraged by the FCA's fintech regulatory sandbox.

One of the biggest changes is that businesses no longer need expensive hardware to process card payments. They do not need a separate landline, and with companies like iZettle or Square, they don't need to pay expensive equipment fees either. Instead, contactless payment can be processed over 4G or WiFi and, if taken from a debit card, can be immediately deposited directly into a business's bank account, making managing cash flow easier. The cost of processing card payments has fallen dramatically over the past five years. In 2014, the average debit card transaction cost 9.5 pence; by 2019, it had fallen to just under six pence.

When cheap digital payment options became available, it was inevitable that businesses would make the switch. The cost of handling cash costs the average business about £3,600 every year. Employees have to physically handle it; collecting it from the customer, sorting it, and later taking it to the bank. It poses a risk to businesses, as larger amounts of cash kept on the premises can pose an attractive target for thieves, and there is also a danger that someone has paid in counterfeit cash.

SMEs are the major beneficiaries of this shift. It is no wonder then, that some businesses are choosing to go completely cashless. For our report Cashing Out, we asked businesses why they went card-only. The owner of London cafe, Browns of Brockley, told us that his tipping point was when he had to go through the difficulty of processing and reporting a counterfeit note. He reasoned that card payments already made up 70% of their transactions anyway, so it was worth saving them the hassle of processing cash at all.

Both cash and card payments have their benefits and their drawbacks, but while digital payments are a competitive and thriving industry, the costs of handling cash have stayed the same, so the balance is shifting in favour of cards and other digital payments. This was true before the pandemic, but Covid-19 has accelerated these trends.

Online retail has grown by 68% over the past year. While for some, the switch will have been temporary and a result of lockdowns and a need to isolate, for others this will be permanent as they

28 Mastercard. (2016). Britons now carry less than £5 cash in their wallets.
29 British Retail Consortium. (2020). Payment Survey 2020.
30 De Fossard, F. (2020). Cashing Out.

discover that online shopping suits them. Selling online has always been beneficial to businesses by expanding the range of customers they can reach and boosting their sales by an average of 7.5% per employee. Under Covid-19, when non-essential retail shops were closed, this became necessary.

Businesses that wish to remain predominantly physical retailers are going to have to find a way to stay competitive and match the convenience of online shopping. For some, this will mean more card payments, for others self-checkout services and partnerships with on-demand apps. Whichever approach they take, it will involve embracing new technologies to at least some degree.

There is some apprehension from policy makers about this shift. There are concerns that as more and more businesses go cash free, people without bank accounts could be left behind by the shift to digital. This shows a lack of ambition on the part of policymakers, who should be trying to help everyone take advantage of online banking services, rather than hold small businesses back from taking advantage of productivity and cost-saving innovation.

We should aim for every adult to have access to a bank account and the skills needed for online shopping and banking. We should continue to foster innovation in financial services and enable customers and businesses alike to use whichever means of payment suit them best. The government should also forge ahead with plans to improve digital infrastructure by bringing in faster internet to the whole country.

They should make it easier for businesses to learn about the options available to them. The new Help to Grow: Digital scheme is a good start, but it has its limits. For example, the scheme is only open to businesses with five to 249 employees. There is a significant productivity gap between SMEs that use digital services and SMEs that do not. This gap is bigger for SMEs with 2-5 employees, than it is for SMEs with 5-249, meaning that by excluding micro-businesses from the Help to Grow Scheme, the government risks excluding some of the businesses which may benefit the most.

Research from The Coalition for a Digital Economy suggests that by extending the eligibility criteria and expanding the range of productivity-boosting software made available through the scheme, it could deliver an additional £1.9 billion of GVA[36].

Our own research finds that British SMEs have a low rate of digital technology adoption when compared with our closest European counterparts[37]. Along with payments technology and selling things online, this also includes cloud-based software, CRM software and web-based accounting. This creates a drag on productivity, which in turn lowers wages. We estimate that this costs the UK economy £16.6 billion.

Government schemes are not enough to encourage businesses to take up new technology. Entrepreneurs generally trust the advice of peers and business groups better as they perceive them to be more in touch with their needs than policymakers. And so, the Government should seek to leverage relationships that entrepreneurs already have to encourage SMEs to take up more productivity-boosting technology. This could involve working with organisations, like the FSB and IoD, creating peer-networks, and working with accountants and banks, who are already trusted sources of advice.

No one can know for certain what the future of retail will look like, but it is clear that businesses that are embracing the shift to digital technology are more productive, and better able to provide their customers with what they want. It is the role of Government to help everyone use whichever means of payments suit them best. In many cases, this will involve more people moving over to card and online transactions. Instead of holding back this progress, the Government should do what they can to stop people from being left behind.

Regardless of what precise technology the future holds, it is certain that for consumers and business owners alike, cash is no longer king.

31 Opayo. (2014). Cash costs UK businesses more than £17.8bn a year.
32 ONS. (2021). Retail sales, Great Britain: March 2021.
33 Roper, S & Hart, M. (2018). State of Small Business Britain Report 2018.
34 Access to Cash Review. (2019). Access to Cash Review Final Report.
35 Help to Grow Campaign. (2021). Help to Grow.
36 Coadec. (2021). Making the Most of Help to Grow
37 S, Dumitriu. (2020). Upgrade.

James Anderson,
Executive Vice President,
Commercial & B2B
Solutions, Mastercard

"Technology, and in particular digital payments, can play a significant role in addressing some of the most pressing issues faced by SMEs by helping businesses go digital, get paid and get capital."

Get paid, get capital, go digital: how digital technology can help SMEs build back

SMEs are the backbone of the UK economy. There were 5.9 million small businesses before the onset of the pandemic, a vital part of the UK's economic and social fabric. SMEs will have a significant bearing on the extent and the speed of the UK's economic recovery. It's important to consider how digital technology and innovation can help them to achieve this and build back more resilient.

Technology, and in particular digital payments, can play a significant role in addressing some of the most pressing issues faced by SMEs by helping businesses go digital, get paid and get capital.

Even before the pandemic many small businesses were shifting online, while others made the move during the pandemic to keep afloat. Many of those who made that shift – from yoga instructors to window cleaners – demonstrated their adaptability. However, they are now grappling with new and unexpected challenges, such as maintaining strong cyber-protections, managing suppliers online and dealing with online customer requests.

In addition, the traditional problems for small businesses persist – like liquidity challenges, late payments from customers and lack of access to finance. Companies that didn't, or couldn't, make the shift to digital risk being left behind in an increasingly digital world.

But technology cannot address these issues on its own; there is an acute need for Government support to help the SME sector adapt to its new digital environment, and to address some of the long-standing issues that have inhibited SME growth long before the pandemic struck.

Getting paid: cashflow problems caused by late payments

SMEs will face a challenge in expanding if they are constantly facing liquidity issues. In the UK, SMEs have consistently identified late payments as the largest barrier to their survival, let alone being able to invest in innovation.

Up to 60% of businesses say that all or most of their failure was due to cash flow problems[38]. Recent research from Tide revealed that UK SMEs are "crippled" by late payments, with businesses chasing more than £50bn worth of invoices, according to a survey of 1,000 SME CEOs, founders, directors and senior management.

Digital payments technology can help to address the scourge of late payments.

One 'live' UK solution offers SMEs the opportunity to receive bill payments from customers in real time, with the payment cleared instantly in the biller's account, using the Faster Payments system. This gives businesses greater certainty and control over their cashflow at any given moment. Though this system is used for consumer payments, we believe there is potential for it to be used on a more widespread basis for time-sensitive bill payments to SMEs.

Other new technologies can also deliver much needed efficiencies for SMEs. E-invoicing enables SMEs to issue an invoice to a supplier electronically, helping cut down the time it takes to request a payment and resource spent chasing payments. Ultimately, this brings the date for receipt of payment forward.

38 Late payments to SMEs are getting worse | A hidden crisis. (dnb.co.uk)
39 Access-to-Finance-of-Women-Owned-SMEs-in-Southeast-Asia-An-Assessment-of-Five-Countries1.pdf (womensworldbanking.org)

70%

of women-owned SMEs with credit needs are underserved, or unserved altogether

Request to Pay (RtP), a nascent payments mechanism in the UK, gives businesses and individuals the control to pay their pre-existing periodic bills at a time of their choosing, within time parameters set by the biller, and in separate 'segments' depending upon their financial circumstances at that moment. This flexibility can enhance the likelihood that an SME will be paid – an important consideration in a challenging economic environment.

This is an issue that we, at Mastercard, want to help address. Through our support of 'Good Business Pays', which went live in May 2021, we have cemented our commitment to helping end late and slow payments. We believe that such commitments are now more necessary than ever, given the economic and financial impact of Covid.

Getting capital: access to finance remains difficult for SMEs

Getting access to working capital is amongst the most pressing needs for SMEs. More than half of SMEs applying for financing either receive less than, or none of what they seek. Moreover, 70% of women-owned SMEs with credit needs are underserved, or unserved altogether39. This is because many of the smallest or newest businesses may lack a sufficiently detailed credit history that will allow lenders/financers using traditional credit risk measurement methods to accurately assess risk.

Open Banking can play a significant role in improving the ability to accurately judge credit risk – especially of the smallest microbusinesses and start-ups that may not have a comprehensive credit history. Mastercard's Open Banking services enable SMEs to better leverage their own data and streamline the credit decision making process.

New and emerging payment technologies and services should be used to maximum effect in the economic recovery phase, following the pandemic. Mastercard stands ready to play its part in this

39 Access-to-Finance-of-Women-Owned-SMEs-in-Southeast-Asia-An-Assessment-of-Five-Countries1.pdf (womensworldbanking.org)

process.

Going digital: shifting to an online environment

To survive and contribute to economic growth, SMEs – like their customers – need to be able to operate effectively within a new, digital world. E-commerce has nearly doubled in relative importance during the Covid-19 crisis.

Even though many SMEs were able to adapt almost overnight, they now face new and unexpected difficulties, including maintaining strong cyber-protections, managing suppliers and dealing with online customer requests.

The support Mastercard provides is aimed at helping small businesses adapt to their new digital requirements. This support includes helping SMEs understand their digital readiness, protect current assets and digitise their operations.

We are also working on several initiatives to ensure that small and micro businesses can accept card payments. For example, Mastercard has been working with Square to offer small and micro-businesses low cost, flexible and mobile card acceptance devices. To protect SMEs operating online during the Covid-19 pandemic, we developed an e-commerce Safety Package for merchants. We are also continuing to work with UK banks to prevent business-related payments fraud.

Through our philanthropic hub, Mastercard's Center for Inclusive Growth, we will be launching a social impact programme to help bolster the digital and financial resilience and growth of British micro enterprises. The programme will focus on addressing the lack of support specifically aimed at Black, Asian and Ethnic minority owned micro businesses. In addition, we will support those businesses not able to take advantage of support schemes for various reasons, from a lack of knowledge or resource, to not being the 'right' size. We believe that this scheme can play an impactful role in the economic recovery following the pandemic.

Working together to build better businesses

Payments have a particularly important role to play in boosting liquidity, enabling new transactions and supporting a move to digital. And Government has an equally important role to play in helping SMEs make the most of digitalisation – by not only by working in concert with the private sector, but also by becoming an early adopter of digital payments technology in their transactions with small business.

The combined effect of Government and industry working together has the potential to be transformational for this important part of the economy, with the benefits being felt right across the UK's economy. At this critical time in the UK's recovery, it's vital that we pull all the levers at our disposal.

Building better public services

Digital technology and data insights hold great promise as a transformative resource for social and economic development. Better use of timely, regionally focused and accurate data, as well as better data sharing, have the potential to facilitate more inclusive economic growth, improve lives and empower communities.

From a citizen's perspective, effectively using data insights presents the opportunity for public services to be developed based on their needs, to be available with less friction and with more personalisation, and improve the experience of interaction with Government at all levels.

For Government, data innovation allows greater measurement of how effectively various policies are working. And as a deliverer of public services, it offers Government substantial opportunities to improve the efficiency with which services are delivered.

Policy recommendations for Government at a glance

1. Establish principles about data sharing that enable "data sharing for good" without compromising privacy. The current ad hoc mechanisms for data usage approvals and permissions need to be simplified to enable the sharing of data to be more efficient, with appropriate safeguards. (Mastercard)

2. The Government's commitment that they will explore how Privacy Enhancing Technologies can remove barriers to data sharing, as part of the National Data Strategy, is a helpful first step. But they must ensure that this happens quickly, or the opportunities and value that a much-needed data sharing eco-system can bring, may be lost. (Mastercard)

3. The Government needs to lead by example, through achieving a world leading data sharing ecosystem. (Mastercard)

4. Wider access to economic activity data, and a greater selection of data, should be made available to local Government and placemaking organisations, to empower, inform and enable a stronger recovery for our high street economies, building commercial confidence for businesses and investors in our towns. (Wimbledon Business Improvement District)

5. The UK's innovative GovTech companies have significant potential to scale overseas and address a truly global market as other Governments, following The UK's example, begin their journey toward digitisation. Having left the EU, there has never been a more important time to support home-grown exports. (PUBLIC)

6. The Government should focus on making the UK a true global leader in digital public services. (PUBLIC)

Edward Elliott,
Head of Growth,
PUBLIC

PUBLIC

Digital technology meets public services: What is the GovTech opportunity?

Digital technology is changing every part of our lives, from the way we travel, to the way we shop, to the way we bank - and the UK public sector has a huge amount to gain from joining this transformation.

Across the private sector, new business models enabled by technology innovation have created faster, easier and often cheaper services for customers and businesses to use. At the forefront of this evolution has been a cohort of entrepreneurs and 'intrapreneurs', working within an ecosystem of forward-thinking industry, corporates, investors and regulators.

Much of the public sector has yet to truly embrace and benefit from this change - it isn't an exaggeration to say that many hospitals, police stations or local councils are still technologically five years behind their private sector neighbours. However, given the ways in which technology has allowed us to care for the most vulnerable in our society, there is a digital moment for public services upon which we should seize. Better designed, more innovative Government technology (GovTech) can not only reduce cost, save time and increase citizen satisfaction, it can also create jobs - and save lives.

> "Better designed, more innovative Government technology (GovTech) can not only reduce cost, save time and increase citizen satisfaction, it can also create jobs - and save lives."

Covid-19 has been a lightbulb moment for technology in public services. In many service lines, due to the sheer necessity of social distancing, digital technology has seen a previously unimaginable surge in adoption. Primary care is an obvious example. Pre-pandemic, less than 15% of GP appointments were carried out virtually. Throughout the last year, that number has increased to almost 50%, with a BMA survey finding that 95% of GP surgeries now provide the option for video consultations (and 88% saying they will continue to use and promote these post-pandemic)[40].

Similar (often less visible) examples exist across the entire public sector: Government departments have committed wholesale to homeworking; probation officers and justice services have piloted virtual parole meetings, and adult education has been transformed online and adopted in droves (90% of adult learning during the pandemic has taken place online)[41]. It is now a slightly over-used truism, but a no less correct one: we have seen more digital transformation in public services in the last 12 months than the last 12 years.

We can't now let this momentum slip. As those who work closely with GovTech startups and innovation consultancies will tell you, there is a lot more to come and a lot more benefit the public sector can reap from digital technology.

In April 2020, PUBLIC partnered with NHSX and MHCLG to create TechForce19 — a new innovation programme aiming to find the most cutting-edge technology in the market with the capability to provide game-changing assistance to care services supporting the elderly and most vulnerable citizens in our society during the first wave of Covid-19.

Through ten short days of open call to the market, we received over 1,600 applications from tech SMEs and startups — a testament to the huge and diverse technology market the UK has at its disposal. Some of the leading solutions included: Virti, a game-changing startup using Virtual Reality (VR) and Augmented Reality (AR) to rapidly train and upskill health workers; and Feebris, a company using IoT and AI to allow nurses and clinicians to analyse patients remotely, through a series of digitally-enabled stethoscopes, thermometers and breathalysers.

39 https://www.theguardian.com/society/2020/jul/05/gp-appointments-phone-video-coronavirus-lockdown-nhs
40 https://learningandwork.org.uk/resources/research-and-reports/learning-through-lockdown/

In some cases, such as Virti, these solutions replace manual or paper-based approaches to deliver more accurate, effective and scalable ways of working; in others, such as Alcuris, effectively utilising new technology has saved frontline workers hours each day as they reduce driving time and costs and enable remote support where more appropriate.

Look outside health and you could name similarly brilliant UK-fostered innovators working across public sector verticals. To name but a few: Immense Solutions, a spin-out of the Future Transport Catapult supporting the likes of Cambridgeshire and Northamptonshire model transport data; Cyan Forensics, an Edinburgh-based AI company helping over fifteen police forces across the UK identify illicit and terrorist content, and Future Fox, a winner of the CivTech Scotland award, identifying opportunities for small infrastructure improvements in cities.

The most recent TechNation report showed the UK to have a startup sector second only to the US and China. We are the technology powerhouse of Europe. The UK public sector has an enviable resource on its doorstep — a resource it is currently not fully utilising.

PUBLIC's 2019 research into public procurement found that tech SME often makes up less than 10% of public sector technology spend — a third of the Government's current target. Tech founders still find it hard to navigate complex public procurement mechanisms and public sector buyers still want innovation to come in a corporate-sized box. It's now time to break down some of these barriers, and harness the capability that sits in our own backyard to make public services better.

Supporting digitisation could have deeper benefits still. Helping cities to plan transport infrastructure, or helping the elderly live safely in their homes, aren't only challenges faced by the UK; they are challenges faced by Governments across the globe.

Our innovative GovTech companies have significant potential to scale overseas and address a truly global market as other Governments, following the UK's example, begin their journey toward digitisation. FutureFox, mentioned earlier, as an example is now increasingly delivering its solutions across Germany and central Europe.

Having left the European Union (EU), there has never been a more important time to support home-grown exports. In utilising the best of British innovation, our public sector can give leading UK companies the first stepping stone they need to capture a huge global market, creating jobs in the UK and its emerging tech clusters: Manchester, Birmingham, Edinburgh and Bristol.

As we leave the pandemic behind and exit the EU, we have an opportunity to make the UK a true global leader in digital public services. Let's grasp this moment and realise a vision that will have deep societal benefits across citizens and service providers alike.

Harnessing the power of data

The Covid-19 pandemic has demonstrated the importance of data in providing Government and other public bodies with timely and targeted information to help inform policy decisions.

Having access to actionable insights and aggregate data sets, including those specific to different locations, enables economic recovery policies to be developed that are targeted on a specific location, and to address local economic challenges. A key lesson is the importance of having an adequate data sharing ecosystem in place, which during the pandemic enabled data to be shared efficiently across both the public and private sectors for the wider benefit of the UK.

There has never been a more important time or need, than now, for the public sector and both local and national Government to harness the power of data for good.

Helen Clark Bell,
CEO, Wimbledon
Business Improvement
District

"We all want our local economy or town centre to succeed and be vibrant, creating jobs and bringing investment; data such as footfall and Geoinsights provide this, helping the commercial decision makers to ensure plans are viable."

Data, data everywhere — but analysis is key

Reports on footfall, sales, mobile phone, movement data, transport and traffic and, of course, internet searches are able to provide individual data sets. When combined they can provide a fascinating story about a place.

Vibrant town centres are complex to manage, the variables are immense and a small change in weather, protracted roadworks, introduction of a street market, or a change in retail or hospitality occupier, can dramatically shift the dynamics of this somewhat fragile economy.

The rapid growth in online shopping during Covid-19 has been promoted as the death knell of the high street, but what has become apparent during the third lockdown is our pent-up desire to return to our localities, our neighbourhood haunts, to socialise with friends and experience our favourites with fresh eyes; a simple craving for a sense of normality. Equally, Google declared that there was a 61% increase in calls from a local internet search for a business between January and July 2020.

We have been offering 360-degree photos to businesses, and encouraging the use of Google My Business, to support the digital attraction of Wimbledon, and support the building of individual profiles.

A strong place manager will spend many hours trying to understand how people move around the area - the peaks and troughs of footfall - in order that subtle changes can be made to make the experience more pleasant for the visitor, and more profitable for the business.

The provision and analysis of these complex data sets, such as the Mastercard GeoInsights data and transport data, often fills in the missing pieces of the jigsaw to a have a greater understanding of the town, to attract new businesses, to help influence their opening hours. We all want our local economy or town centre to succeed and be vibrant, creating jobs and bringing investment; data such as footfall and Geoinsights provide this, helping the commercial decision makers to ensure plans are viable.

As we reopen non-essential retail and hospitality economies after Covid-19, businesses are nervous, not knowing how the public will respond to their new freedoms. Measuring consumer confidence nationally does not always translate locally, but after a couple of weeks of trading and analysing datasets, we are clearly on track for a strong recovery in Wimbledon. Sharing this information with businesses, particularly those yet to open, will boost their enthusiasm and enable them to plan with less anxiety.

As a Business Improvement District, we are able to access and share this information with our businesses, giving a valuable asset unobtainable by small, independent businesses individually.

Wider access to this, and a greater selection of data, should be made available to local Government and placemaking organisations, to empower, inform and enable a stronger recovery for our high street economies, building commercial confidence for businesses and investors in our towns.

Using this data allows us to improve the information and assumptions about our place. By combining additional streams of data currently available in silos, the picture of our town turns from a 1950s black and white film to a full technicolour immersive experience, building a level of understanding that can only enhance the business opportunity within that locality.

JoAnn Stonier,
Chief Data Officer,
Mastercard

"Data also allows governments to better understand the economic and social conditions of their citizens. To understand where investment is needed, how investment may improve baseline living conditions and food production, housing availability, education and healthcare."

Building better outcomes by using data responsibly

Data is one of society's most powerful resources.

Organisations around the world use data to tackle major societal and economic problems, creating innovations, insights and solutions that continue to propel society forward. While data's use for commercial advancement is well documented and understood, the opportunity to use and share data to solve societal challenges is still in its early stages.

Current events, such as the coronavirus pandemic, emphasise the growing need to establish better ecosystems and pathways to use data for social good. While much has been done to start to solve societal problems, there is much more to do. And of course, data organisations of all types need better pathways to ensure they are communicating with their consumers, customers and partner organisations on how they are both using and protecting data.

The shift to digital is changing our world as we know it. Every day, individuals generate a stream of data as they tweet, email, post on social media, download music, drive their cars and interact with ever-present digital technology. These interactions, among many others, created 1.7 megabytes of data for each person on the planet in 2020, according to TechJury. That is quite a bit of data. And all this data, in turn, is used to generate the next set of products, solutions and innovations by commercial enterprises, Governments, academic institutions and civil society organisations. We are living in very interesting times. Of course, one of the key challenges is how does an individual keep up with all of this interaction and innovation, even as they continue to both use data-based products and continue to generate more and more data?

Firstly, what are the benefits of all this data? It allows society to be creative and generative. It also allows the development of new products, the next generation of products (mobile phones, cars, smart appliances and homes) as well as new ways of interacting with each other. How would have society have functioned during this past pandemic year without the data innovations of Zoom, Microsoft Windows, WebEx and other connecting data technologies?

Data also allows governments to better understand the economic and social conditions of their citizens. To understand where investment is needed, how investment may improve baseline living conditions and food production, housing availability, education and healthcare. Data and data analytics are powerful solution builders that can assist in solving commercial and "for good" problems.

At Mastercard, we have understood the opportunity of the digital shift, both to enable financial products and solutions, as well as in our work with Governments and other partners to better identify how we can assist all aspects of society. We have used our data improve our understanding of economic patterns and have created products and solutions that provide insights to improve action. Spending Pulse, our economic insight product, gives Governments of all sizes an understanding of how economic conditions are changing in key industry segments in specific geographies.

At the height of the pandemic, we created Recovery Insights to help us better explain the economic impact of the virus in various industries, based on what had happened in geographies hit earlier in the wave. This helped later markets to make better decisions on closings and re-openings and understand how lockdowns and re-openings would impact their citizens and economic activity.

Mastercard's Geo Insights, which include our Retail Location Insights (MRLI) data and visualisation tool, helped the Greater London Authority model to assess the impact of Covid-19 on retail spending across the city and helped support recovery planning. This service was also provided to Belfast City, Hull and Southwark Councils.

We also developed the Business Locator tool, using the data that underpins Geo Insights to indicate whether businesses are open or not. Because it is not sharing spending data, rather just the fact that a transaction has occurred and that spending is happening, it can helpfully provide details of which businesses are affected by decreasing footfall.

Vocalink used a mixture of subject matter expertise, analysis and iterative working to identify core data. This was used by the Office for National Statistics to provide leading indicators to help it assess the impact of the pandemic on the UK population. For example, Vocalink was able to use data on returned direct debits (with a focus on mortgages), and data on gig economy wages to understand the impact the pandemic was having on employment and people's financial wellbeing.

This work is pioneering because 1) this data has been provided to HM Treasury and ONS much faster than was previously possible and 2) Vocalink were able to get consent to share the relevant data from our partners, including Pay.UK, the operator for the UK's Bacs, Faster Payments and cheque Image Clearing payment systems, and the banks, quickly and without any impediments to sharing data.

These uses of data help economies function better. And so, we welcome the Government's recognition that they must overhaul the way data is used in public services to improve life for people across the UK. The Government wants to follow the standards set during the fight against Covid-19, when data was used quickly, efficiently, and responsibly to model, predict and ultimately control the spread of the virus. But this recognition must translate into tangible action; the great progress made by the public sector in using data for social policy should not be lost.

To be truly effective and impactful, data must be used responsibly and in a manner that not only provides privacy and security protections (a baseline for any global organisation) but in ways that are increasingly ethical and responsible, and that ensure fair outcomes for all. We must be sure the data represents the individuals we are designing solutions for, otherwise we run the risk of creating biased and inappropriate products and solutions, or worse, we can create outcomes and a future that does not meet the needs of society. This is not desired by anyone.

Part of this challenge is the fact that what an individual might consider good or positive might be different from the organisations that process data – both companies and governments – and this is especially the case if an individual does not understand data practices or has no say in data processing. We simply must increase data transparency for individuals and organisations must increase accountability to do better in how they explain their data practices. Governments and industry can partner here to create disclosure standards so that individuals will feel comfortable and excited by the data driven future that awaits them.

At Mastercard, we have recognised that trustworthy data practices, are responsible and ethical practices. Our Data Responsibility Principles are centred on the fact that we design products for use by individuals. As a result, all of our data practices need to be grounded in the principles that individuals own their data, they should be able to control their data, understand how their data is used to benefit them, and be assured that they are receiving world-class privacy and security protections.

We believe there is an opportunity for the Government to lead by example through achieving a world leading data sharing ecosystem based on responsible data handling principles and practices that engender public trust in data sharing for the public interest. The current ad-hoc mechanisms for data usage approvals and permissions need to be simplified to enable the sharing of data to be more efficient with appropriate safeguards.

This needs to be done while also ensuring appropriate governance is in place so that organisations are accountable and data sharing is done in a responsible way that protects people's privacy. The principles of responsible data stewardship by all parties could form the basis of an improved, voluntary data sharing ecosystem.

The Government's commitment to explore how privacy enhancing technologies can remove barriers to data sharing as part of the National Data Strategy is a helpful first step. But we must ensure that this happens quickly, or the opportunities and value that a much-needed data sharing eco-system can bring may be lost.

Governments, industry and civil society must continue to invest together to improve how we innovate. In this way, we will build new solutions to further society, solve large problems like pandemics, and understand where to make economic investments, always remembering that people should be at the centre of our design and ethical practices. The future is bright if we design together — ethically, responsibly — towards better outcomes for all.

Summary

Our focus in this report has been on how we, collectively, can - and must - deliver better lives for individuals, more resilience for businesses, and better public services, using both the digital technology of today, whilst recognising and being ready to harness the benefits tomorrow's innovations will bring.

Having heard the voices of our many contributors, the following is a comprehensive list of recommendations for action on issues such as tackling digital and financial exclusion, building the digital capability of individuals and businesses, ensuring innovation that works for everyone, tackling economic crime and payments fraud, and harnessing the power of data to help deliver better public services.

As Government looks towards building the UK's economic recovery, we believe it is important that it focuses on the recommendations set out on the following pages.

Building better lives for individuals

Digital and financial inclusion

- The Government should make improving digital financial inclusion and upskilling those with limited or no digital skills a key pillar of its recovery strategy to help level up communities across the UK. (Mastercard)
- The Government should encourage the uptake of Open Banking and Open Finance, including in the delivery of public services (Mastercard)
- The Government should establish a time-limited Coalition for Financial and Digital Inclusion to develop a cross-cutting strategy for digital financial inclusion. This can build on progress already made by the Nobody in the Dark coalition. (Good Things Foundation)
- The Government should consider driving financial inclusion by expanding its use of prepaid cards and account-to-account payments amongst underbanked and unbanked individuals, to continue to improve financial inclusion (Mastercard)
- The Government should invest £130 million over the next four years - the term of their parliament. The 'Great Digital Catch Up' would help 4.5 million more people to cross the digital divide by 2024 through providing basic digital skills and confidence, through trusted local organisations, with world-class online learning products. (Good Things Foundation)
- The Financial Conduct Authority (FCA) should have a duty of regard to financial inclusion across all services and, building on the Kalifa Review, the Government should champion an investment and innovation fintech community which strives to be inclusive by design. (Good Things Foundation)

Maintaining choice for individuals

- Longer term sustainable provision of cash withdrawal and deposit making services in the UK should be based upon a suite of services. These should include ATMs, the Post Office branch network, innovations such as cashback at the point of sale, and improved digital financial access and skills amongst the most vulnerable. (Mastercard)
- The Government is considering legislation that compels banks to provide a "right to cash" on a nationwide, robust and secure basis, protecting access to cash for the millions who still rely on it. Action is needed now before many lives are adversely impacted and thousands cut off. (The Post Office)
- Digital innovators should work with community finance providers to help provide new products and services that will give them a bigger platform to offer an affordable and ethical alternative to high-cost credit. (Fair4AllFinance)
- Regulation still needs to evolve to recognise Credit Union Service Organisations and allow credit unions to establish and own them. (Fair4AllFinance)

Open banking

- The FCA, the Government and the CMA should maintain the momentum of Open Finance (Mastercard and Open Banking Excellence)
- HM Treasury and the FCA should support the work done by the industry to develop VRPs, and in particular encourage the development of suitable customer protections (Mastercard and Open Banking Excellence)
- The FCA should start considering in more detail what comes next beyond payments when it comes to APIs, as referred to in their published feedback on Call for Input on Open Finance, March 2021. (Open Banking Excellence)
- The Government and regulators should give Open Banking-based innovations, including Open Finance, time before they consider what more, if anything, is needed. Government should also consider how it can take full advantage of Open Banking, particularly in support of the most vulnerable, or those at risk of long-term financial exclusion. (Mastercard)
- The FCA should consider reviewing the 90-days re-authentication rule (Open Banking Excellence)
- The FCA, the Government and the CMA should maintain the momentum of Open Finance by accelerated delivery of the outcomes from the Call for Input with design of future Smart Data legislation and support industry-led efforts to develop common standards and roadmaps to Open Finance. (Open Banking Excellence)

Tackling economic crime

- To keep pace with evolving economic crime threats, we must continually evolve and enhance the protection of whole cyber environments. This requires new levels of close collaboration across Government and industry — working together to nurture trust in our digital economy and foster responsible use of the latest technologies, focusing on privacy, security and accountability. (Mastercard)
- More should be done to harness technology and match innovation with action to protect consumers from online fraudulent content. (Which?)
- To tackle fraud effectively, we must look at the enablers of fraud, and how technology can be used to prevent fraudsters from reaching potential victims in the first place. (Which?)
- The Government should give online platforms legal responsibility to identify, remove and prevent fake and fraudulent content from appearing on their sites. And it should work with the Payment Systems Regulator to introduce requirements on payment firms to protect their customers from APP fraud, with clarity on when losses should be reimbursed, aligning more with the approach to unauthorised payment fraud. (Which?)

Building better, more resilient businesses

- The Government should take a proactive approach to directly tackle the areas where SMEs continue to struggle the most, including bolstering their digital and financial resilience. (Mastercard)
- The Government and its agencies should lead by example, by deploying digital payments innovation when dealing with SMEs. It should be constantly evaluating how it can deploy digital payments and adjacent innovation (e.g. Digital identity) to improve the transactional relationship with business and in doing so create efficiencies that businesses can benefit from. In particular, it should:
    - evaluate available options to facilitate rapid payment of invoices in its dealing with small businesses
    - make greater use of e-invoicing, Faster Payments and procurement cards when dealing with small businesses, and consider making this mandatory for all Government and state agencies in the payment of invoices to businesses
    - consider mandating card payment mechanisms for purchases by public agencies and authorities up to a pre-determined limit, as opposed merely to recommending them as is currently the practice
    - evaluate how it can work with industry to be an early adopter of Request to Pay payment solution in its dealings with small businesses (and individuals) at all levels of government, and how it can encourage larger billers to also offer this payment solution to small businesses. (Mastercard)
- By excluding micro-businesses from the Help to Grow Scheme, the government risks excluding some of the businesses which may benefit the most. Research from The Coalition for a Digital Economy suggests that by extending the eligibility criteria to include micro businesses and expanding the range of productivity-boosting software made available through the scheme, it could deliver an additional £1.9bn of GVA. (The Entrepreneurs Network)
- We should aim for every adult to have access to a bank account and the skills needed for online shopping and banking. We should continue to foster innovation in financial services and enable customers and businesses alike to use whichever means of payment suit them best. The government should also forge ahead with plans to improve digital infrastructure, by bringing in faster internet to the whole country. (The Entrepreneurs Network)
- The Government should seek to leverage relationships that entrepreneurs already have, to encourage SMEs to take up more productivity-boosting technology. (The Entrepreneurs Network)

Building better public services

Role of data

- The Government should establish principles about data sharing that enable "data sharing for good" without compromising privacy. The current ad hoc mechanisms for data usage approvals and permissions need to be simplified to enable the sharing of data to be more efficient, with appropriate safeguards. (Mastercard)
- The Government needs to lead by example, through achieving a world leading data sharing ecosystem. (Mastercard)
- The UK's innovative GovTech companies have significant potential to scale overseas and address a truly global market as other Governments, following the UK's example, begin their journey toward digitisation. Having left the EU, there has never been a more important time to support home-grown exports. (PUBLIC)
- The Government's commitment that they will explore how Privacy Enhancing Technologies can remove barriers to data sharing, as part of the National Data Strategy, is a helpful first step. But they must ensure that this happens quickly, or the opportunities and value that a much-needed data sharing eco-system can bring, may be lost. (Mastercard)
- Wider access to economic activity data, and a greater selection of data, should be made available to local Government and placemaking organisations, to empower, inform and enable a stronger recovery for our high street economies, building commercial confidence for businesses and investors in our towns. (Wimbledon Business Improvement District)
- The Government should focus on making the UK a true global leader in digital public services. (PUBLIC)

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About Mastercard

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realise their greatest potential. Our decency quotient, or DQ, drives our culture and everything we do inside and outside of our company. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

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