



## **ISO 2022 consultation paper: a global standard to modernise UK payments**

### **Consultation from the Bank of England**

#### **Response by the Council for Licensed Conveyancers**

*July 2018*

#### **Summary**

1. With over 1 million property transactions taking place in the UK every year<sup>1</sup>, the need for an effective and efficient payment system is vital in ensuring the property market is able to operate properly.
2. Changes to the payment system will impact a wide range of individuals and businesses involved in a conveyancing transaction including the seller and purchaser, the conveyancer, the lender. It may also impact third parties to whom payments are made, such as search companies, local authorities and HM Land Registry.
3. Due to the high value of properties and the volume of transactions, the conveyancing sector is at high risk of fraud and financial crime<sup>2</sup>. Any additional safeguards that the payment systems can provide, such as the proposed increase in data and personal identifiers, will help to protect conveyancers and their clients from these crimes.
4. The potential increased competition and innovation may help to improve the house buying and selling process through innovative payment methods and changes to the existing process, for example the development of escrow systems.
5. There is a risk of significant negative impacts on the property market. For example, any disruption to the payments system could delay completions leaving members of the public with additional costs and potentially temporarily without a home.
6. There is also concern about the additional cost of implementing the new system as well as ongoing costs. It is anticipated that additional training will be required for employees in the accounts departments of conveyancing practices which is likely to have financial and resource implications. It is hoped that these costs will be minimal and not passed on to clients.
7. While the collection of richer data will help organisations make more informed decisions, there are concerns about the implications of increased data sharing under the General Data Protection Regulation.

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<sup>1</sup> [Number of property transactions completed in the UK with a value of over £40,000](#), Office of National Statistics, May 2018

<sup>2</sup> Chapter 8, [National risk assessment of money laundering and terrorist financing, 2017](#)

### **About the Council for Licensed Conveyancers (CLC)**

8. The CLC was established by the Administration of Justice Act 1985 and is an Approved Regulator under the Legal Services Act 2007, subject to the oversight regulation of the Legal Services Board.
9. It licenses and regulates licensed conveyancers and practices in the provision of reserved legal activities, currently conveyancing and probate services, and other non-reserved legal activities, including will writing. It is also a Licensing Authority authorised to license and regulate Alternative Business Structures (ABS). It has no representative function having always been an independent regulator.
10. The CLC's role is to safeguard the public interest and consumers by regulating providers to deliver high quality and accessible legal services.
11. The CLC welcomes the opportunity to respond to this consultation.

### **Response to consultation**

#### **Question 1: Do you agree with the proposed approach to the CCM to align the content of payment message across key UK payment systems? i.e. the proposals to introduce shared data definitions, structure and format; and a consolidated approach to governance and maintenance.**

12. Yes. The opportunity to identify senders and receivers along with the ability to include further information about the payment will help support the detection of fraud and financial crime. This should help to reduce the risk of these crimes occurring and protect conveyancing practices and their clients.
13. The improved operational resilience to enable the transfer of payments to other systems in the event of a system failure, would provide additional protection to ensure housing transactions could complete without disruption to the market.

#### **Question 2: In what ways will the CCM approach benefit you, your end users and/or those you represent?**

14. The CCM will benefit not only the CLC-regulated community and their clients, but the whole property market by helping to prevent fraud and financial crime and ensuring payments are made without delay.
15. We have seen cases in the conveyancing sector of criminals intercepting emails resulting in parties to the transaction sending payments to the fraudsters instead of the intended recipient.
16. The ability to capture more data about the ultimate beneficiary and originator of payments should help to detect any irregularities between information contained in the payment and the parties to the transaction, thereby helping to highlight fraudulent activity.
17. The failure of the CHAPS payment system in October 2014 saw huge disruption to the housing market as the completion of many transactions were delayed and some were even unable to complete. The improved operational resilience should help to avoid any potential disruption to payments and the completion of housing transactions.

18. The potential increased competition and innovation may help to improve the house buying and selling process through innovative payment methods and changes to the existing process, for example the development of escrow systems.

**Question 5: Are there any additional CCM fields or data elements that you consider should be included?**

19. No. Whilst it is valuable to collect more data, it is important that providing additional data does not become unnecessarily burdensome for users.

**Question 6: The implementation of ISO 20022 is a rare opportunity to achieve the desired outcomes outlined in Diagram 2, but the extent to which many of these are achieved is dependent on the uniform and universal adoption of ISO 20022 in the United Kingdom. Do you agree that the Bank and NPSO, as payment system operators, should promote and influence the wider use of ISO 20022 and the CCM across the payment chain to achieve the desired network effects?**

20. Yes, the Bank should promote the wider use of ISO 20022 and the CCM.

**Question 7: Do you agree that there should be a senior strategic change advisory panel, supplemented by subgroups, to advise the Bank and NPSO on the effective adoption of ISO 20022 across the United Kingdom?**

21. Yes. It is important that the potential impact of the changes on different users is fully understood to avoid unnecessary costs and disruption to businesses and markets. The industry working subgroups would provide an opportunity for learning that could be shared with the senior advisory panel.

**Question 14: Please order the following risks you face from implementing the CCM across key UK payment systems by the scale of the anticipated risk.**

22. The main risk to the conveyancing industry is the potential disruption of the processing of payments. If this were to occur, it may mean that contracts may be breached due to late payment. In some cases, clients may be left temporarily homeless if completion could not take place on time along with financial implications such as removal costs, temporary accommodation and potentially interest on the late payment.

**Question 15: Do you agree with the proposed approach to the CCM implementation in CHAPS?**

23. Yes, in particular the proposal to mandate the use of purpose codes for any housing completion payments to allow them to be prioritised.

**Question 16: In order to achieve the desired outcomes set out in Diagram 2, should there be further mandatory data requirements in the CHAPS implementation of the CCM?**

24. No, see answer to question 5.

**Question 17: Do you agree with the proposals for improved identification of parties and agents in a CHAPS payment?**

25. Yes. This would help to detect and prevent fraud and financial crime if the names included on the payment do not match those involved in the conveyancing transaction.

**Question 22: Do you agree that purpose codes should be made mandatory for the specified CHAPS payments in order to achieve the expected benefits?**

26. Yes. As stated in the consultation document, successful completion of a house purchase is dependent on a number of time critical payments including the deposit, mortgage advance and completion monies. This is even more critical when there is a chain of transactions relying on monies moving through the chain.
27. Prioritising payments would help to reduce the delay in completion monies being received to ensure transactions complete on time.

**Question 24: Please order the following where you would expect the greatest benefit from purpose codes.**

28. The greatest benefit would be the efficiencies in processing as discussed above in response to question 22.

**Question 35: Please order the following proposed enhancements to the of the CHAPS implementation of the CCM by the scale of anticipated benefits.**

29. The two greatest enhancements would be i) personal identifiers to detect and prevent fraud and financial crime, and ii) purpose codes to prioritise housing completion payments.

**Question 36: Please order the following where you would expect the greatest benefit from the CHAPS implementation of the CCM.**

30. The greatest benefits would be fraud and financial crime prevention along with efficiencies in processing.

**Question 37: Do you agree with requiring migration of CHAPS to ISO 20022 on a single cut-over weekend and on a phased introduction of mandatory new data requirements?**

31. Yes. The migration of CHAPS on a weekend would help to minimise disruption to the conveyancing market as all housing completions take place on weekdays.
32. The phased introduction of mandatory new data requirements would help to ease the burden on users. It is likely that additional training would be required to learn about the new requirements and how to adhere to them.