

Presentation/Demonstration ICL
n
to
Rt. Hon. Frank Field, MP
Minister for Welfare Reform
Thursday 16th July 1998

Agenda

- **Introduction**
- **The Horizon service**
 - **Requirements / Solution**
 - **Demonstrations**
 - **Banking services at the Post Office**
 - **Payment card**
 - **Fraud savings**
 - **Family budgeting**
- **Summary and close**



Requirement

S



- **Automation to:**
 - enable re-engineering
 - improve competitiveness
 - kill encashment fraud
 - reduce administration costs

The Services

- **Benefits Agency:**
 - 20+ benefits, £80bn, 900m payments
 - Payment Management Service
 - Card Management Service
 - Fraud prevention and detection
- **Government Clients: DVLA, National Savings**
- **Licencing: television, driver, vehicle, fishing**
- **Bill payments: gas, water, electricity, telephone, cable, LAs**
- **Over 170 services for over 300 clients handling £125bn pa**

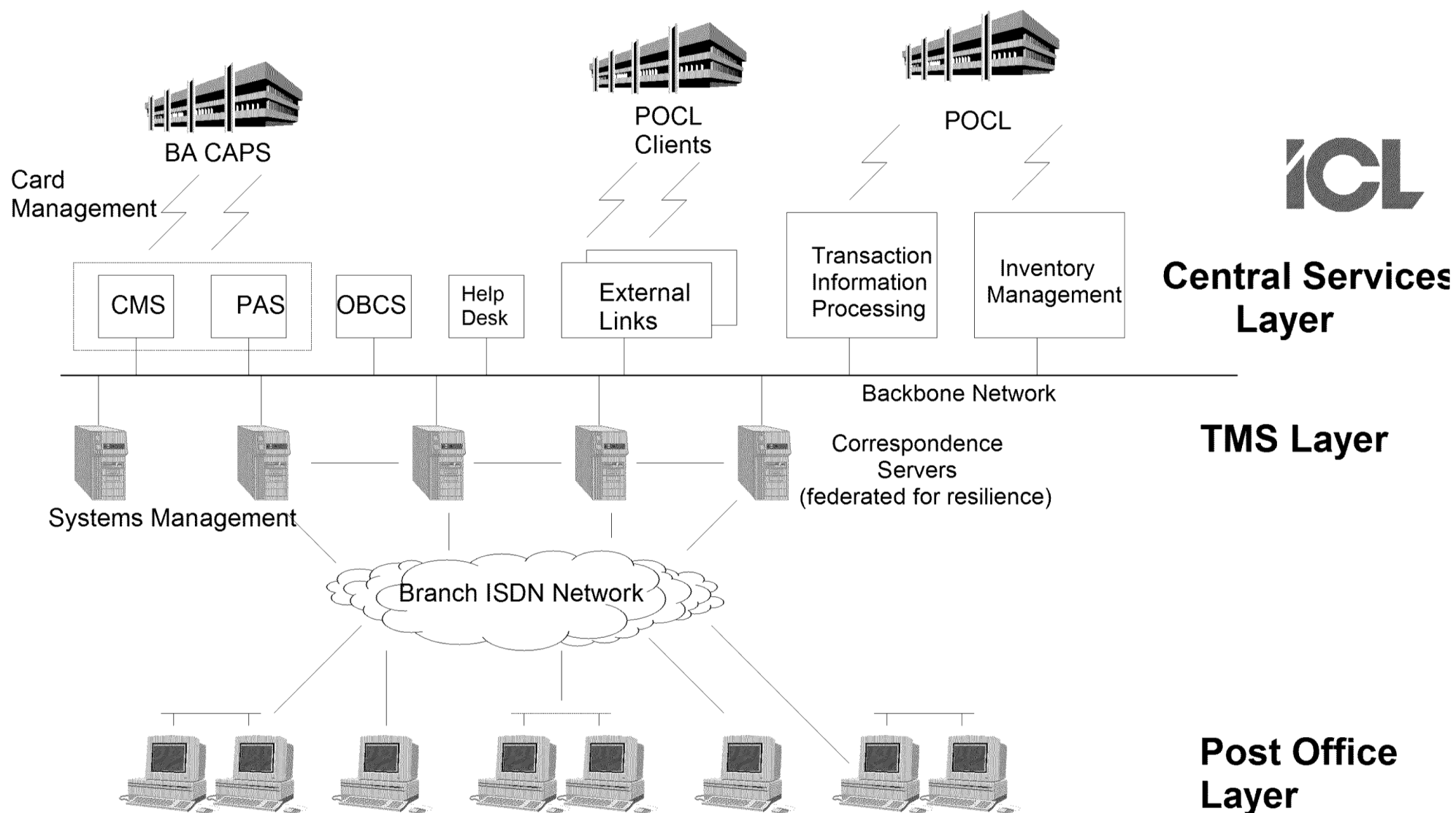


Design Aims

- **No technical knowledge**
- **Intuitive, event driven**
- **Allows user to concentrate on quality Customer Service**
- **Very high security**
- **Fast and resilient**
- **Smart card enabled from Day 1**

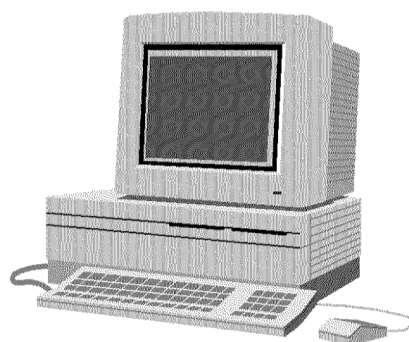


Solution



Demonstrations

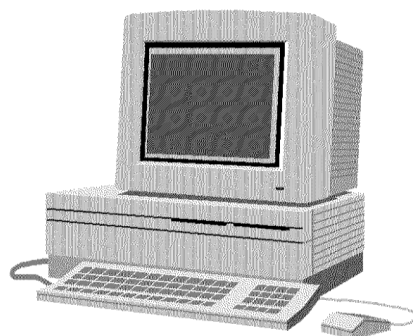
● **Release 1C Demonstration**



- **Live in NE & SW**
- **204 Post Offices**
- **Paying Benefit to Customers NOW!**



● **Release 2 Demonstration - National Rollout**



- **BES**
- **OBCS**
- **EPOSS**
- **APS**



Banking Services at the Post Office

Product Definition

- **Withdrawals**
- **Deposits**
 - **Savings, utility payments, pension contributions**
- **Account balances**
- **Opening new accounts**
- **Investment information**
- **Card based services**
 - **Magnetic stripe cards**
 - **Smart cards**
- **Pin pad authorisation**




POCL's Position

- **Strengths**
 - **45 million transactions p.a.**
 - **National Savings, Girobank, Lloyds/TSB, Co-op**
 - **Face to face personal service**
 - **Reach in community**
 - **Secure and Trusted**
 - **28m customers per week**



The Banks

- **Banking trends that support POCL** 
 - Closing branch networks
 - Reduced reach in community
 - Poor access to rural customers
 - Additional choice for customers
 - Avoid non-profitable counter transactions
 - Move to sales offices

POCL's Position

- **Key Challenges**



- **£1.1bn cost base : current transactions are expensive**
- **Market VERY competitive. Requires:**
 - **Low price to client**
 - **No charge to customer**
 - **Well funded, aggressive marketing**
- **Access to ATM networks (e.g. LINK)**
 - **Additional transaction charges**
 - **Requires agreement from the Banks**

The Banks



- **Key issues for the Banks**
 - **Access to ATM networks for POCL**
 - Existing revenues from ATM transactions
 - Competing ATM networks
 - **Risk of customers being poached at the Post Office**
 - **Charge from POCL - will only pay a low fee**
 - **Transaction charges to customers**
 - **Channel of last resort**

The Business Proposition

- **Natural core business for POCL**
- **Supports 'social banking'**
- **Market exists - potential growth area**
BUT:
- **Uncertain volumes**
 - **Customer incentivised to other channels**
 - **Charges to Banks / Charges to customers**
- **Requires POCL to price competitively**
- **Incremental investment**
- **Requires 'permission' of the Banks**



Progress to Banking - The Way Forward

- **Issues for moving to ACT**
 - ◆ **Requires banking in national Post Office network to provide access**
 - ◆ **Replace BA revenue - remove dependency**
- **Control timing of move to ACT**
- **Support POCL in re-engineering the network**
- **Re-engineering will take time (5-10 years)**
- **CARD or PAPER?**



Benefits of Payment Card over Paper

- **Reduced paper processing costs**
- **Retain flexibility for customer**
- **Fraud savings**



Delivers Good Value

Retain Flexibility for Customer

- **Payments at 'foreign' offices**
- **RPOI - Restricted to nominated Post Office**
- **Temporary tokens**
- **Emergency payments**
- **Temporary agents**
- **Carded casual agents**
- **Standing / permanent agents**
- **Alternative payee - Child benefit**
- **Milk tokens**
- **Contingency payments - BA system failure**
- **Appointee - court appointed**



Fraud Savings

- **Positive authorisation of all payments**
- **Counterfeit/lost/stolen cards**
- **Cardholder verification**
 - **Pick Up Notices (PUNs)**
 - **Extended Verification Procedure (EVP)**
 - **Signature and card detail checks**
- **Fraud Risk Management Service**
 - **Monitoring, trend analysis**
 - **Investigation support**



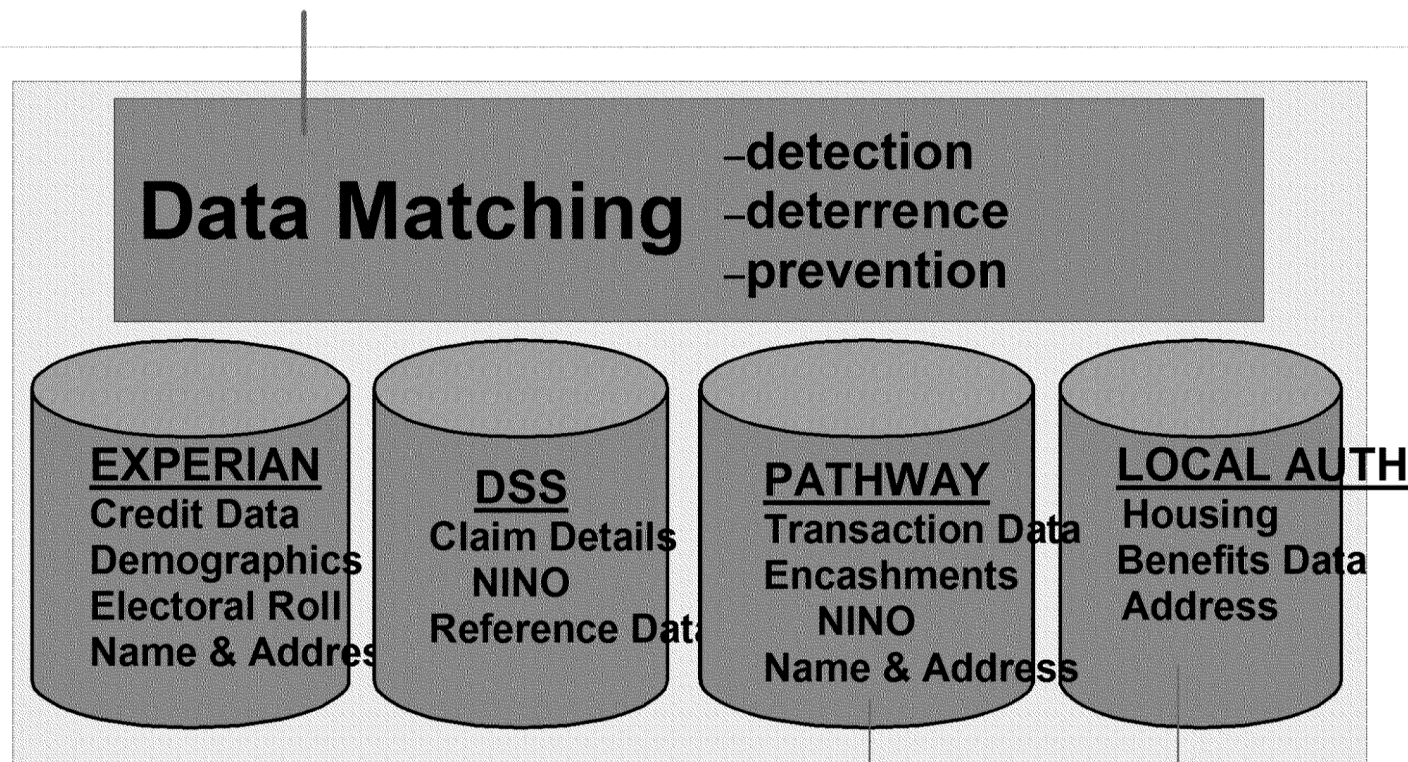
Fraud Management - ICL Vision



- **£7bn - fraud & overpayment**
 - Low value, high volume (majority)
 - High value, low volume (landlords/org crime)
- **Big target - but to reduce by 75%:**
 - Very high cost / long timescales
- **Low investment / quick wins**
 - Use automation for low value, high volume
 - Support fraud teams for high value, low volume

- Claim Support
- Fraud Investigation - profiling, sampling, evidence
- Claim Verification - sampling of batch updates

- **Government Services**



- **System Services (ICL)**

- Notify change of circumstances
- Claim inspection
- HB Payments
- BA Payments
- Debt Recovery

- **Customer Services**

Benefits of Payment Card

- **Up-front fraud savings**
- **Starts to create data matching information**
- **Consistent with, & 1st step towards, long term anti-fraud vision**
- **Helps address issues on quality of BA data**
- **Visible sign of govt. use of cards to attack fraud**
- **Use card as basis of other anti-fraud services at Post Offices**
 - **Claims**
 - **Change of circumstances**
 - **Housing benefit payments**
 - **Debt recovery**
- **Reconciliation of payments**



Benefits of Payment Card

- **Long term solution for 'tail'**
- **Gets people used to cards for benefits**
- **Puts in place card for cross govt. single citizen card**
- **Enhances modernity of Post Office**
 - **Demonstrate modernity to clients and banks**
 - **Demonstrate modernity to POCL's customers**
- **Delivers quick win in 'social banking'**
 - **Family budgeting service**



Social Banking

- **Definition - includes:**
 - **Provide more than just money**
 - **Provide tools to help manage finances**
 - **Banking for the unbanked/cash minded**
- **Key issues in short term:**
 - **No direct government funding**
 - **Target market traditionally unprofitable for banks**
 - **Prohibitive costs of statementing and a/c management**
 - **No cross-selling or related business opportunities**



Solution for the Short Term

- **Provide Family Budgeting Service**
 - Target customers - card based benefit recipients
 - Target clients - utility companies
 - Register with utility for family budgeting payment
 - Swipe of benefit card prompts bill payments



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- **Key wins:**

- Cost of statementing and a/c mgmt borne by utilities
- Providing more than just money - tool to help manage finances
- Govt. delivers 1st phase of social banking at no cost
- Govt. (POCL), Industry (A&L), and Utilities working together to deliver government initiative
- Utilities reduce debt management problems

Summary

- **For BA**

- reduced administration costs
- reduction in fraud
- data cleansing

- **For Post Office**

- drive into Financial Services
- a modern automated service
- preserved network

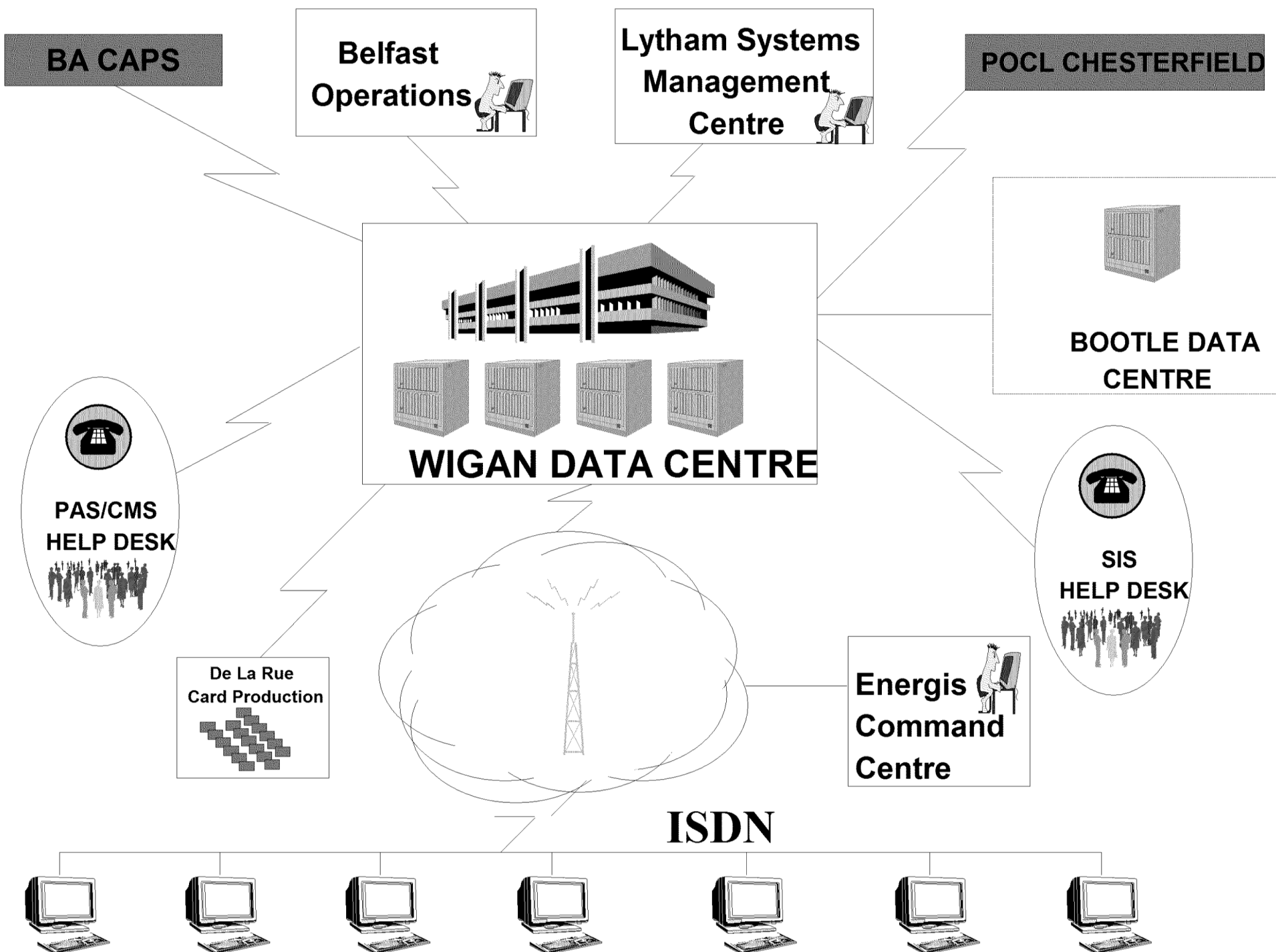
- **For Customers**

- easy transformation to full banking
- help with family budgeting
- helps social inclusion



- **For HMG**

- route to delivery of automated services
- attack on fraud



Benefits of Card over Paper

- Reduced paper processing costs } *Delivers*
- Fraud savings while still flexible } *Good Value*
- **Starts to create data matching information**
- **Consistent with, & 1st step towards, long term anti-fraud vision**



Fraud Management - ICL

Vision

- **Long term approach**
 - big target (£7Bn)
 - high cost
 - long timescales
 - BUT
- **Short Term Wins**
 - tackle high risk areas
 - use automation on high volume but low value fraud
 - support for fraud teams for low volume, high value fraud
- **Quick Win Approach**
- **Data Matching**
 - detection
 - deterrence
 - prevention
- **Inputs**
 - claims details
 - change of circumstances
- **Investigation support**
 - profiling
 - sampling
 - evidence



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