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CASH ON CALL

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TIMESONLINE

From The Sunday Times

May 13, 2007

Cash on call: it's the mobile phone wallet

Paul Durman

THE mobile phone is already a camera, a music player and a satellite navigator: now it is to be an electronic wallet too.

From this week vouchers for overpayments on utility bills, "cashback" sales incentives and small insurance claims will be sent direct to mobile phones.

The Post Office service, called Payout, sends cash payments of up to £100 in a barcode via text message. The recipient converts it into cash at one of the Post Office's 14,000 outlets, where the code is read by a scanner.

The next generation of hand-sets is expected to add the function of a credit or debit card. Mobile companies including Vodafone, Orange, O2 and Nokia, together representing more than a billion customers, are seeking to create a global standard that will let people pay for goods by swiping phones across payment machines.

The Post Office's plan is less ambitious, but it believes there will be numerous uses for a money transmission system that is much cheaper than sending out cheques.

Gary Hockey-Morley, marketing director at the Post Office, said: "I think this is going to be very popular. Insurance companies will use it, consumer goods companies will use it. You could see it working in all sorts of places.

"If you want to get money quickly to somebody to make an emergency payment, if you want to give somebody a refund, if you want to give them a windfall payment and want to do it cheaply, this is absolutely perfect."

The Post Office will carry out identity checks to stop money falling into the wrong hands.

With their millions of customers, gas, electricity and other utility companies are among those who might seek to take advantage of the cheaper processing costs promised by Payout. Utility companies have to make many thousands of refunds because of billing errors or changes in consumption patterns.

Another suggestion is that Payout could be used to compensate people cheated by the recent television phone-in scandals.

The Payout service could also be used to pay wages in cash. Employers might find it a suitable way to pay temporary workers and casual labourers, particularly those without bank accounts.

Hockey-Morley said he expected it to be adopted for cash rewards in sales promotions. Unilever has already run a successful trial in a promotion for Comfort Pearls, the fabric softener, albeit one that sent out barcodes by letter rather than by mobile phone.

Unilever said it found Payout was an "extremely efficient" way of making 22,000 small payments. It estimated that making the payments by cheque would have cost six times as much.

Alastair Lukies, chief executive of Monitise, a firm that provides a limited mobile banking service for HSBC, RBS and Alliance & Leicester, suggested that the Post Office's

scheme did not yet provide the full benefit of mobile payments.

He pointed out that customers were required to take their phones into Post Office branches, rather than receive credits and make transactions while on the move.

The banks are working on their own plans to reduce the number of cash transactions in the economy. They want to incorporate “tap and go” technology into credit and debit cards, enabling consumers to buy goods worth less than £10 simply by tapping their card on a reader — without punching in a Pin code. The scheme is set for a national launch next year.

Barclaycard is also working with Oyster, the company that runs a London travelcard, to create a new kind of payment card.

Africa pioneers e-money revolution

THE use of mobile phones to transfer money has been pioneered in Africa where phone networks are filling the gap left by a scarcity of conventional bank accounts, *writes Robert Booth*.

In Kenya, mobile phones outnumber landlines by 20 to one and since February customers of Safaricom, the local Vodafone affiliate, have been able to borrow, transfer and pay money using text messages.

Users of the M-Pesa system — which was partly funded by Britain’s Department for International Development — put money into an account by depositing cash with one of 600 local agents in shops nationwide.

By sending a text with a four-digit Pin code, they can then transfer money to any other mobile phone, regardless of the network. The recipient redeems the sum in cash at an M-Pesa agent by showing the code, a form of identification and answering a security question.

A customer can also put money on their own phone and then withdraw it when it is needed.

In the next stage, the system will enable Kenyans living in Britain to text remittance money home.

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